

Fiscal Year 2018

Proposed Operating Budget



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TRANSMITTAL LETTER

April 24, 2017

To the Honorable Mayor and City Council

2018 Fiscal Year Proposed Operating Budget Transmittal

Dear Mayor and Council Members:

In accordance with the City Charter, I am submitting the City of Palo Alto's Fiscal Year 2018 Proposed Operating Budget totaling \$661.8 million. This budget reflects a strong local economy that has led to stable revenues which support the wide array of programs and initiatives this organization provides to the residents of Palo Alto. The proposed budget will maintain the high quality of services and facilities the community values, and address the priorities identified by the City Council. In addition, it maintains competitive wages for City employees through approved labor agreements, as part of an overall strategy to attract and retain a well-qualified workforce within the boundaries of fiscal prudence. As a result of our economic vitality, we are experiencing many challenges associated with the appeal of Silicon Valley. These include increased traffic and congestion, expensive housing, more demand for services, and variant views about the nature and pace of change.

Over a year ago, staff identified an anticipated gap in available funds in the General Fund during the FY 2017 budget process. Council asked staff to make some short term adjustments to balance the FY 2017 budget, with the goal of making structural adjustments in FY 2018. Staff reconfirmed this in December 2016 with the preliminary near term financial outlook with the Finance Committee. The primary drivers of this gap reflect extenuating circumstances including the increased costs of track watch guards (\$1.7 million), assuming the electricity costs of streetlight and traffic signals (\$2.3 million), and anticipated implications associated with current negotiations with Stanford over fire services (\$2.0 million). The budget permanently addresses this gap while maintaining the General Fund Budget Stabilization Reserves at the Council approved level of 18.5 percent of expenditures. The structural fixes recommended in this proposed budget also position the City to address future needs expected to occur in FY 2019 and beyond.

Throughout the budget process with our departments, I stressed the need to examine the allocation and prioritization of existing resources before requesting additional funding. As a result, there are a minimal number of new positions that are recommended in this budget. City-wide only 3.85 full time positions are recommended to be added, and full time positions of 1,058 continue to be below peak levels of 1,076 in FY 2009.

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Rising pension costs continue to be a concern. In FY 2017, the City's General Fund contributed \$2.1 million to an irrevocable IRS Section 115 Pension Trust Fund, equivalent to an additional 10 percent of the City's annual required contribution for pensions in the General Fund. This proposed budget recommends an additional \$1.4 million from all other Funds to match the 10 percent contribution already made by the General Fund. Additional information can be found in the Salaries and Benefits Attachment B to this letter.

City Council Priorities

In addition to addressing the City's pension liability, both the proposed operating and capital budgets continue to support the ongoing priorities of the City Council approved January 2017:

- Transportation
- Infrastructure
- Healthy City, Healthy Community
- Budget and Finance
- Housing

Within these priorities, we will need to make key decisions on a number of transportation and infrastructure projects that will have lasting impact on future revenues and expenses, such as parking, Caltrain Grade Separation, and the City's Infrastructure Plan. The Infrastructure Plan is currently funded at \$170 million; however, based on updated estimates and the most recent decisions made by the Council, the emergent gap in necessary resources is anticipated to grow to \$196 million in capital costs. The FY 2018-2022 Capital Improvement Plan reflects this gap in funding and strategies to address it will need to be developed over the next year.

We continue to assess our resources and delivery of services. Ongoing projects such as the evaluation of the animal shelter, the future of Project Safety Net, and adequate funding of the TMA are all examples of this work. This proposed budget contemplates a number of these services and projects recommending incremental steps to achieve the goals set for by the City Council. It reflects the longer-term goals of the City Council and positions the City to be able to address increases in pension costs and new labor agreement negotiations, while highlighting the need to address the future year costs to complete the Infrastructure Plan. Some highlights include:

- Comprehensive Parking Strategy: This budget recommends increasing parking permit revenues between 25 percent and 75 percent by increasing the price of parking permits. The additional revenues generated will assist in providing funding for significant investments necessary to develop and implement a comprehensive parking management plan. Funds will be use for the future purchase of a consolidated permit system, paid parking program infrastructure, and future transportation initiatives. In addition, one-time funding is recommended to evaluate the parking ecosystem in the City and develop a path forward for parking and transportation initiatives including a strategic vision and review of the appropriate organizational structure.

- Project Safety Net: The City continues to invest in both the Project Safety Net collaborative promoting mental health and means restrictions. This budget includes further investments through the proposed investments in a video monitoring system at various CalTrain crossings while slowly shifting away from the trackwatch guards. The implementation of the video management system is intended to replace current guard services while allowing for continuous monitoring of persons and objects down the corridor, along the right of way and at intersections. This shift will eventually reduce the current \$1.7 million annual cost for guard services.
- Rising Pension Costs: As briefly mentioned earlier, I am concerned over the growing liabilities associated with the City's pension and retiree medical costs. Actions in this budget include additional contribution to an irrevocable IRS Section 115 Pension Trust Fund resulting in total contributions of \$3.4 million between FY 2017 and FY 2018. In addition, staff will return to the Finance Committee during FY 2018 to discuss and recommend ongoing strategies to ensure the long-term financial health of the organization. Moderate utility rate adjustments reflecting an approximately 2.5% increase in the average monthly residential bill are included in this budget ensuring maintenance and management of services and infrastructure to the community.

Funding Challenges

The latest FY 2018 General Fund Proposed Budget had an initial gap of \$4.5 million; after additional investments in services of \$2.3 million, I have identified \$2.9 million in structural reductions, an additional \$716,000 in new revenues, and I am recommending a \$3.2 million draw on the BSR which will balance the FY2018 General Fund Proposed Budget. This recommendation will have the BSR at 18.6 percent of General Fund expenditures, which is \$273,000 above the Council approved target level. The rationale for my recommendation drawing one-time on the BSR has to do with the ongoing benefits of the structural reductions and the continued growth of key revenues. After these actions are accounted for the projected FY2019 Estimated Budget will have a surplus of \$3.7 million, which allows room for Council and the staff to consider using those excess funds towards pension costs, labor negotiations, and the emerging gap in funding for the Infrastructure Plan. We will continue to prioritize operating and capital needs as we move forward to properly sequence the needs to available funding. Additional funding challenges we face are referenced in the General Fund Summary section of this document.

Acknowledgments

In a region where change is swift and expectations high, it is important to celebrate our many accomplishments as we move into the future.

I would like to thank City Council for your leadership and our Executive Leadership Team and the entire staff for providing outstanding services to our community. Special thanks to Lalo Perez, our Chief Financial Officer, Kiely Nose, Budget Director, and the dedicated Office of Management and Budget team – Jessie Deschamps, Paul Harper, Steve Guagliardo, Alexandra Harris, Chris Yi, and Chaitali Paliwal – who have worked countless hours to construct and produce

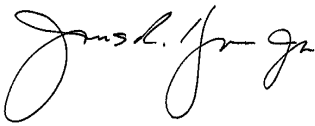
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this budget. Additional thanks to Tarun Narayan and the recently retired Joe Saccio. Finally, I must praise staff across all departments who contributed greatly to this budget.

We are pleased to work with a dedicated Council, a professional City workforce, and a highly engaged community.

Staff and I will be ready to discuss issues and respond to Council questions at the Finance Committee budget hearings beginning May 2nd.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "James Keene". The signature is fluid and cursive, with the first name "James" and last name "Keene" clearly distinguishable.

James Keene
City Manager

Attachment A: Fiscal Year 2018 Budget Balancing

The FY 2018 Proposed budget of \$661.8 million reflects an increase of 3.1 percent from the FY 2017 Adopted Budget of \$641.8 million. The General Fund of \$210.0 million is approximately 30 percent of the City's total budget. General Fund expenses increased 7.9 percent from prior year levels of \$194.2 million driven significantly by the three embedded cost increases of the Stanford Fire Contract, Street Lighting Expense Transfer, and Trackwatch transition. This budget was developed with consideration of the multi-year implications of its recommendations with both strategic investments along with ongoing reductions recommended within. It strives to avoid service cuts, enhances services in limited areas, continues to invest heavily in the City's infrastructure, and continues to invest in employees and remain a competitive employer.

General Fund

During the FY 2017 budget process, staff identified that the General Fund (GF) was facing a financial gap and committed to addressing this imbalance during the FY 2018 budget process. Short term adjustments to balance the FY 2017 budget were approved with the goal of making structural adjustments in FY 2018. Staff reconfirmed this gap in December 2016 with the preliminary near term financial outlook articulating that the General Fund is anticipated to face a gap in FY 2018 ranging from \$4 million to \$6 million. This gap was projected to continue into FY 2019 as well as potentially FY 2020 despite health revenue growth. Subsequent to the release of this near term forecast, staff has reviewed and revised all expenses and revenue estimates in the General Fund resulting in a final FY 2018 Base Budget gap of \$4.5 million.

This FY 2018 Proposed Budget includes General Fund revenue estimates of \$206.8 million, a 6.0 percent increase from FY 2017 Adopted Budget levels of \$194.2 million, or an \$11.8 million increase. Despite this healthy growth, General Fund expenditures of \$210.0 million reflect growth of 8 percent from the FY 2017 Adopted Budget level of \$194.2 million, or a \$15.3 million increase.

At this time, this FY 2018 Proposed Budget recommends use of \$3.2 million of the Budget Stabilization Reserve (BSR) resulting in a projected FY 2018 BSR balance of \$39.1 million, or 18.6 percent of the FY 2018 Proposed Budget expenses of \$210.0 million. This is approximately \$273,000 above the City Council target level of 18.5 percent or \$38.9 million.

Below outlines the General Fund balancing strategy which looked at a multi-year approach ensuring funding was available in the out years to address the anticipated increases in expenses due to variables such as pension costs and labor negotiations.

General Fund Balancing Strategy

	FY 2018	Ongoing
General Fund Gap	\$ (4,537)	\$ 786
<i>Source of Funds</i>		
New Fees	250	250
Community Services Fees	236	236
Various other charges for services and permits	230	230
Subtotal Source of Funds	\$ 716	\$ 716
<i>Use of Funds</i>		
Service Level Investments & Enhancements	1,249	1,589
Reserves	900	500
One-time Investments/Savings	140	-
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	(2,921)	(4,301)
General Fund Budget Stabilization Reserve at 18.5% or \$38.9 million	(3,462)	-
Subtotal Use of Funds	\$ (4,094)	\$ (2,212)
Total Balancing Strategy	\$ (4,810)	\$ (2,928)
General Fund Gap	\$ 273	\$ 3,714

REVENUES

Based on a continued gradual growth of the regional economy and Fiscal Year 2017 year-to-date major tax revenue receipts, this budget assumes continued healthy growth in Sales Tax, Property Tax, and Transient Occupancy Tax in comparison to the Fiscal Year 2017 Adopted Budget. This Fiscal Year 2018 Budget assumes increases to major tax revenue receipts by approximately \$9.7 million, or 8 percent, from \$111.3 million to \$120.0 million when compared to the FY 2017 Adopted Budget. Growth in major tax revenues reflect approximately 80 percent of the change from the FY 2017 Adopted Budget for all General Fund revenues. In FY 2019, growth in these same taxes of 5 percent or \$5.9 million is factored into the ongoing General Fund figures.

The City continues to also seek new way to generate revenues and monitors legislation for potential impacts as well. The passage of Santa Clara County Measure B will provide approximately \$38 million over the 30 year period to help address some of our transportation needs (this is separate funding from Measure B funds for grade separations). In addition, the recent passage of SB1 the Road Maintenance and Rehabilitation Account is estimated to provide an additional \$1.2 million by FY2019. We must continue to explore new revenue opportunities while understanding their impacts such as proposed new hotels and/or car dealership opportunities.

EXPENSES

The City's General Fund expense budget of \$210.0 million reflects a 8.2 percent increase from FY 2017 Adopted Budget levels of \$194.2 million. As a service driven organization, the City's primary expense continues to be salaries and benefits, making up nearly 60 percent of the City's General Fund budget. The next largest expense category reflects transfers from the General Fund of \$29.6 million, reflecting the continued priority of investing in infrastructure of nearly \$25 million annually. As discussed earlier, I stressed the need to examine the allocation and prioritization of existing resources before requesting additional funding; in no other fund was this principle more prevalent. This budget continues to work to manage escalating costs through the recent approval of labor contracts in which both ensure employee contributions to the employer pension costs as well as flat rate health coverage. The total positions budgeted in the General Fund reflect a year-over-year decrease in budgeted levels of 0.77 positions. Despite these cost containment strategies, we have continued to invest in critical services and initiatives such as public safety, parking plans, labor relations, and our employees. We will continue to assess our resources and delivery of services as discussed above such as the evaluation of the animal shelter, aquatics services, and parking initiatives.

All Funds

This budget not only focuses on the General Fund but also continues to ensure financial stability in all City funds. All other funds have been programmed with a contribution to the irrevocable Section 115 Pension Trust for a total contribution of \$1.4 million in FY 2018, to match the funding levels provided by the General Fund in FY 2017. Major activities in non-General Funds include:

Waste Water Treatment Fund

As part of the 2018-2022 Capital Improvement Program (CIP) expenditures of \$87.9 million are programmed, with \$31.0 million allocated in Fiscal Year 2018. It is important to note that about 64% of expenditures in the Wastewater Treatment Fund are reimbursed by five contributing partner agencies outside of the City of Palo Alto, based on each agencies expected capacity share. Overall, a total of ten capital projects are programmed over the five-year CIP. FY 2018 revenues in the Wastewater Treatment Fund are expected to increase by \$6.45 million or 13.4 percent, compared to FY 2017. The majority of the increase resulted from State Revolving Fund Loans for programmed FY 2018 - 2022 capital improvement expenditures and partner revenue increases outlined in the Wastewater Treatment Fund section of the Public Works Department.

Airport Fund

The Palo Alto airport ranks among the busiest general aviation airports in the country, and the City assumed airport operations from Santa Clara County in August of 2014. Under previous terms, the County exercised the right to sublease to Fixed Base Operators (FBOs) with agreements that are scheduled to expire in April 2017. The City is currently working to transition from these FBOs resulting in projected increases for rental income, offset by expenses for maintenance and cleaning responsibilities that were previously assumed from the FBOs. The airport is also undergoing major construction projects leveraging grants from the Federal Aviation, approximately \$5 million in FY 2018 alone. To ensure sufficient funding for operating costs and

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ensure continued services with minimal service delivery impact, the Airport fund will receive a \$0.2 million loan from the General Fund for FY 2018 for a total loan of \$3.1 million.

Various Parking Funds

Daily parking financial activities reside primarily in three funds: University Avenue Parking District Fund, California Avenue Parking District Fund, and Residential Parking Permit Fund. Revenue in these funds comes from parking permits and is used for maintenance, repair, and beautification of parking facilities and public areas within these areas. Significant capital investments and increases in permit revenues are recommended. Based on permit levels outlined in the Downtown Parking Management Study, and the need for investment in future programs and infrastructure, recommended increases in current permits are recommended resulting in anticipated revenue increases ranging from 25 percent to 75 percent in these funds. Despite these increases, a loan from the General Fund of \$75,000 is currently programmed in the California Avenue Parking District Fund and additional loans are anticipated to be needed to provide the cash flow financing for the additional investments not currently assumed in this FY 2018 Proposed Budget.

On April 11, 2017, the City Council received the City of Palo Alto Downtown Parking Management Study parking management strategies, including paid parking, within Downtown Palo Alto. As directed by the City Council, staff will develop potential strategies, in concert with the Planning and Transportation Committee and Finance Committee, for the organization and scaling of a comprehensive parking strategy during the next fiscal year. During FY 2018, staff will actively work with the City Council, and the community to develop a comprehensive parking strategy including advancing incremental steps as they are developed.

Storm Drainage Fund

An average increase of \$0.65 per month was recently approved by the City property owners through a ballot measure in April 2017. This new Storm Water Management fee, which will average \$13.65 per month, will go into effect starting in FY 2018 with a sunset date of June 1, 2032 unless extended through a subsequent ballot measure. This fee will provide for a number of projects and infrastructure components as outlined in the Storm Drain Blue Ribbon Committee's recommendations. Staff will begin to implement these recommendations and improvements to the Storm Water system including bringing forward amendments to this budget.

UTILITY RATE CHANGES

FY 2017 was the first year in recent years that rate increases have been necessary across all the City's utilities resulting in an 8.7 percent increase in the average residential utility bill. For example, Electric rates had not increased since FY 2009. FY 2018 continues the rate increases forecast last year in order to ensure our ability to replenish lower reserves and provide funding sufficient to provide for continued increasing expenses for commodity costs and repair and replacement of the City's aging utility infrastructure. However, a modest increase of 2.5 percent to the average residential utility bill is expected, a \$6.79 increase per month. The individual utility rate increases for FY 2018 can be found in the Enterprise Funds Summary section of this document.

Attachment B: Fiscal Year 2018 Salaries, Benefits and Position Details

The most significant asset the City has in serving our community is our employees. Local government services are primarily delivered by employees whether they are police officers, utility linemen, librarians, or planners. It should not be surprising, therefore, that 59 percent of the Fiscal Year 2017 General Fund Proposed Budget is attributable to salaries and benefits. As a result of recent labor negotiations, the City will be increasing employee salaries reflecting cost of living and market driven increases aimed at placing Palo Alto employee compensation at the median of comparable California jurisdictions.

Position Changes

This budget proposes the addition of a net 3.85 FTEs across all funds, a less than one percent increase in staffing. The level of FTEs in FY 2018 would be 1,057.95. (The net year over year increase of 5.85 FTEs is attributed to an increase of 2.0 FTEs approved by Council during Fiscal Year 2017 and an increase of 3.85 FTEs recommended in this budget.) The table below summarizes the changes in positions from the FY 2017 Adopted Budget to this FY 2018 Proposed Budget. This budget recommends the following net position changes by funding source: 0.77 reduction in the General Fund, 2.50 addition in Enterprise funds, and 2.12 addition in Other Funds.

Position Changes FY 2017 Adopted to FY 2018 Proposed Budget

	General Fund	Enterprise Funds	Other Funds*	Total
Fiscal Year 2017 Adopted Budget	603.94	353.61	94.55	1,052.10
Fiscal Year 2017 Approved Adjustments**	1.25	0.75	0.00	2.00
Fiscal Year 2017 Modified Budget	605.19	354.36	94.55	1,054.10
Fiscal Year 2018 Net Increase	0.35	2.50	1.00	3.85
Fiscal Year 2018 Reallocation	(1.12)	0.00	1.12	0.00
Fiscal Year 2018 Proposed Budget	604.42	356.86	96.67	1,057.95
Net Difference	(0.77)	2.50	2.12	3.85

* Other Funds include the Capital Improvement, Internal Service, and Special Revenue Funds.

** CMO Reorganization: This action reorganized the City Manager's Office staffing, eliminating 2.75 positions including 1.75 Assistant City Manager positions and 1.0 Economic Development Manager and adding 2.0 Deputy City Manager and 2.0 Assistant to the City Manager positions. In the Utilities Department, 1.0 Utilities Chief Operating Officer was added and the Utilities Director was retitled to the Assistant City Manager/Utilities General Manager shared by the CMO and Utilities Departments.

NOTE: This table does not include Hourly positions.

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A net 3.85 full-time positions are recommended to be added throughout the City to enhance service delivery. In evaluating staffing, we continued to be very mindful of the ongoing liabilities the City may be incurring as additional full time employees are added. This is why we took a very hard look to ensure reductions in positions were also brought forward to right-size the organization. Positions being added and or deleted include:

- Addition of 1.0 Public Safety Information Officer in the Police Department to proactively increase communication and outreach to the community.
- Elimination of 1.0 Community Services Officer in the Police Department due to a decreased need for parking enforcement at the Stanford Hospital garage resulting from the use of license plate readers
- Addition of 1.0 Junior Museum and Zoo Educator in the Community Services Department to enhance offerings at the Junior Museum and Zoo.
- Elimination of 0.75 Producer Arts/Science Program in the Community Services Department to align with anticipated class offerings at the Art Center.
- Augmentation of 0.25 Producer Arts/Science Program in the Community Services department, offset by the elimination of 0.15 Junior Museum & Zoo Educator in the Community Services department, to redistribute positions to align with anticipated enhanced program offerings.
- Addition of 1.0 Senior Technologist in the Information Technology Fund to add dedicated resources for public safety technology support.
- Addition of 1.0 Customer Service Representative in the Utilities Funds to augment capacity for handling customer inquiries.
- Addition of 1.50 Facilities Technicians in the Airport Fund to enhance maintenance services and decrease the maintenance cycle time at the Airport.

In order to enhance the City's ability to be flexible and agile, while continuing to work to minimize the City's exposure to rising costs, several classification changes are being recommended to existing positions in this year's budget. In general, these changes fall into the following groups:

- Reclassifications that are part of departmental reorganizations to increase functional capacity and facilitate succession planning in the City Attorney's Office (four positions), the Human Resources Department (two positions and a reduction to a part-time position), the Library Department (two positions), and the Utilities Department (ten positions).
- Reclassifications that are recommended to align the position classification with the desired level of service delivery, including a position in purchasing to help manage the increased volume associated with Capital Improvement project work, a position in the Community Services Department that can do more with the Theater program, and the Utilities Department (one position).

More information on these full-time positions changes and information on part-time positions changes can be found in the individual department and fund summaries elsewhere in this document.

Salary & Benefits

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 cost containment strategies, and include:

- Continued employee payment of the CalPERS employee contribution for all bargaining groups
- Employees contributing between 0.5 percent and 3.0 percent of the employer portion of CalPERS
- Employees sharing the cost of health plans, with almost all bargaining units receiving a flat-rate medical benefit
- Implementing a less costly second pension tier parallel to the state's implementation of a third tier that went into effect January 1, 2013. As expected, new employees are hired into the lower tiers as existing employees retire, thereby lowering the City's overall pension liability.

PENSION

Even with these efforts, the City's pension costs continue to grow. As part of the 2015 Actuarial Report, CalPERS changed their pension calculation methodology; the reports now outline both the normal cost as well as a flat payment amount for the unfunded accrued liability. As such, in Fiscal Year 2017, they will no longer accept prepayment of the normal cost component of pension costs. Additionally, in December 2016, the CalPERS board voted to lower the expected rate of return for future years from 7.5 percent to 7 percent, phasing in the reduction over three years beginning in Fiscal Year 2019.

In Fiscal Year 2018, before the rate reduction is incorporated to the CalPERS payments, there will be a 1.3 percentage point increase in pension contribution rate for miscellaneous groups (from 28.9 percent to 30.2 percent) and a 4.29 percentage point increase in the pension contribution rate for safety groups (from 45.4 percent to 49.69 percent).

These trends worsen with the lowered rate of return, as seen in the chart below of anticipated CalPERS rates through Fiscal Year 2023. This chart is based on the guidance provided by CalPERS for funds with a funding ratio under 70%, consistent with the City of Palo Alto's funding status of 69%.

Pension Rates By Plan (Fiscal Year)

Pension Plans	2016	2017	2018	2019	2020	2021	2022	2023
Miscellaneous	27.7%	28.9%	30.2%	31.2%	34.7%	38.7%	41.4%	43.7%
Safety	41.9%	45.4%	49.7%	50.1%	55.6%	62.9%	67.7%	71.8%
Rate of Return	7.5%	7.5%	7.5%	7.375%	7.25%	7.0%	7.0%	7.0%

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In anticipation of the lower rate of return and to proactively address the City's unfunded pension liability, the City Council approved investing funds in an irrevocable IRS Section 115 Trust ("Trust") as part of CMR 7553 on January 23, 2017. That action authorized an initial deposit of \$2.1 million in General Fund proceeds to be transferred to the Trust, representing approximately 10% of the General Fund's annual pension contribution, and this budget recommends additional funding to be transferred from other funds throughout the City into the Trust representing the same 10% amount. This would transfer an additional \$1.4 million, for a total of \$3.4 million in the Trust. These transfers are discussed in each department and fund section where they are budgeted. This additional investment in retirement prefunding will help mitigate the City's risk from lower than anticipated rates of return and from other factors that would affect the City's pension costs.

Staff has been in close communication with neighboring jurisdictions, pension experts, and CalPERS working to identify and understand all the intricate variables and options to address these growing costs. A number of strategies can be adopted by an organization such as annual contributions to an irrevocable pension Trust, a "fresh start" which would reduce the amortization schedule, policy changes to the use of excess funds in the General Fund Budget Stabilization Reserve, not phasing in the impacts from lowering the investment rate of return from 7.5 percent to 7.0 percent, increase employee pension contributions, dedicate new funding sources, and changes to annual contribution levels just to name a few. Staff will return to the Finance Committee during FY 2018 to discuss these options and more with the goal to have an approved strategy in place for inclusion in the FY 2019 budget.

RETIREE HEALTHCARE

Consistent with past practice, this budget assumes the full payment of the Annual Required Contribution (ARC) for retiree pension and healthcare costs. With the payment of the ARC, it is assumed that, all else being equal, within 30 years the City will pay off its obligations and unfunded liabilities for pension and retiree healthcare costs. The City's Fiscal Year 2018 ARC is \$16.94 million, this represents an increase of \$780,000, or 4.8%, from the Fiscal Year 2017 Adopted Budget amount of \$16.16 million. Subsequent years will see a slight tapering in the rate, as evidenced in the chart below. The chart is based on the outside actuarial consultant's Actuarial Determined Contributions for the next ten years, as presented to the Finance Committee in May 2016.

Retiree Healthcare Annual Required Contributions (by Fiscal Year)

Fund	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General Fund	10.0	10.9	10.3	10.6	11.0	11.4	11.7	12.2	12.6	13.0	13.5
Non-General Funds	4.8	5.2	6.7	6.9	7.1	7.4	7.6	7.9	8.2	8.5	8.7
TOTAL	\$14.8	\$16.1	\$16.9	\$17.5	\$18.1	\$18.8	\$19.3	\$20.1	\$20.8	\$21.5	\$22.2

More discussion on Retiree Healthcare can be found in the employee information section of this document.



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Fiscal Year 2018 Proposed Operating Budget

City Council

Gregory Scharff, Mayor

Liz Kniss, Vice Mayor

Tom DuBois

Eric Filseth

Adrian Fine

Karen Holman

Lydia Kou

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James Keene, City Manager

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David Ramberg, Assistant Director of Administrative Services

Kiely Nose, Budget Director, Office of Management and Budget

Eric Filseth, 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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City Manager

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Community Services

Jazmin LeBlanc

Sarah IP

Development Services

Katie Whitley

Fire

Amber Cameron

Human Resources

Frank Lee

Information Technology

Sherrie Wong

Library

Evelyn Cheng

Planning & Community Environment

Sherry Nikzat

Police/Office of Emergency Services

Michael Dougherty

Public Works

Gina Magliocco

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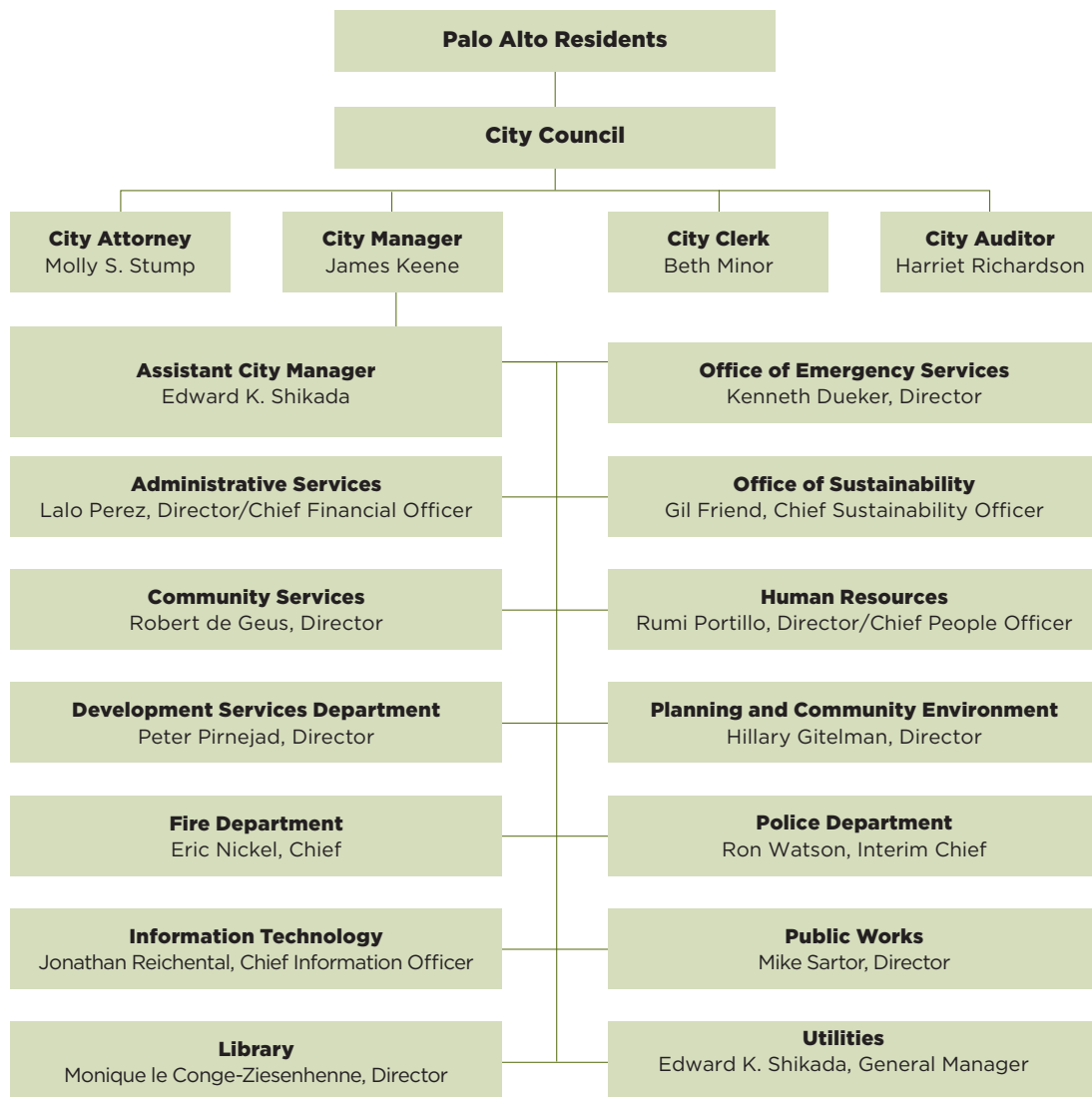
All artwork produced by children enrolled in Palo Alto Art Center Children's Fine Art camps and classes offered by the Community Services Department. For more information, please visit

www.cityofpaloalto.org/gov/depts/csd/artcenter.



CITY OF
**PALO
ALTO**

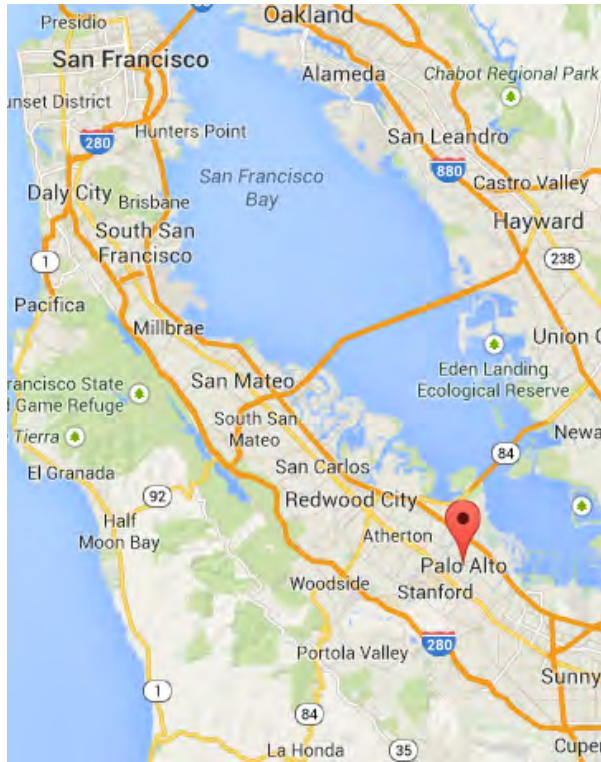
City of Palo Alto Organizational Chart





CITY OF
**PALO
ALTO**

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

8,415 acres

CREDIT RATING

AAA

PALO ALTO AT A GLANCE

POPULATION

Palo Alto's population was 66,478 in 2016. This represents a 0.73 percent decrease over the previous year and a 13.25 percent increase since 2000. Approximately 24.7 percent of the population is under the age of 18, and the median age is 41.1. Approximately 53.0 percent of the population is female, and 47.0 percent of the population is male.



EDUCATION

Palo Alto has one of the most outstanding educational systems in the nation. In a recent survey, Palo Alto was named one of California's most educated cities. Over 96.4 percent of Palo Alto residents aged 25 or over have received a high school diploma. Close to 79.9 percent have obtained a bachelor's degree and nearly 51.8 percent have earned a post-graduate or professional degree.



School enrollments in Palo Alto increased to 12,488, or 12.95 percent, between 2007 and 2016. In school-year 2015-16, Palo Alto and Gunn high schools had a combined average SAT score of 1,883. The average scores for the United, California, and Santa Clara County were 1,484, 1,476, and 1,606, respectively.

INCOME

Palo Alto's median household income on average for 2015 was \$147,737 and the per capita income in 2015 was \$81,860. As of 2015, 70.2 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 2.53 in 2015, compared to 2.26 per household in 2000.



HOUSING UNITS

In 2015, 54.0 percent of the 27,411 housing units were owner-occupied and 46.0 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 5.2 percent more total housing units from 2000 to 2015.

DEVELOPMENT

The City issued approximately 2,486 residential and 651 commercial building permits in Fiscal Year 2016. The combined valuation for all permits was \$387.3 million.

OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled approximately 7.4 million square feet as of the fourth quarter of 2016. The vacancy rate during this same time period was 7.1 percent compared to 7.6 percent for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, \$8.35 and \$4.73 per square foot, as of the fourth quarter of 2016.

Net rentable square footage for industrial facilities in Palo Alto was 1.5 million, with a vacancy rate of 1.6 percent and average asking rent of \$2.76 per square foot for manufacturing and \$1.91 per square foot for warehouse. The Silicon Valley market had an average vacancy rate of 1.3 percent and asking rent averaged \$1.14 per square foot for manufacturing and \$0.87 for warehouse.

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 10.3 million square feet with a vacancy factor of 1.3 percent and average asking rent of \$5.36 per square foot. The vacancy rate for the Silicon Valley market was 7.2 percent with an average asking rent of \$2.25 per square foot.



Top 25 Major Sales/Use Tax Contributors, FY 2016

Anderson Honda	Integrated Archive Systems	Tesla Lease Trust
Apple Stores	Lucile Packard Children's Hospital	Tesla Motors
Audi Palo Alto	Macy's Department Store	Tiffany & Company
Bloomingdales	Magnussen's Toyota	USB Leasing
Bon Appetit Management Co.	Neiman Marcus Department Store	Varian Medical Systems
CVS/Pharmacy	Nordstrom Department Stores	Volvo Cars Palo Alto
Eat Club	Redwood City Electric	
Fry's Electronics	Space Systems Loral	
Hewlett-Packard	Stanford University Hospital	

RETAIL SALES AND SALES TAX REVENUE

Sales and use tax totaled \$30 million in FY 2016, an increase of \$0.3 million or 1.2 percent.

On a year over year basis (FY 2016 versus FY 2015), the economic segments showing particular strength within the City were auto

leasing and sales, new restaurants, food markets, electric equipment, service stations, construction, office equipment, business services.

Retail sales, which represent 34.9 percent of sales tax receipts have been steadily eroding due to online sales. Restaurants and food

PALO ALTO AT A GLANCE

products sales totaled \$4.7 million or 5.4 percent growth over FY 2015.

Principal Property Taxpayers, FY 2016

Rank	Taxpayer	Taxable Assessed Value
1	Leland Stanford Jr. University	\$3,952,158
2	Loral Space and Communications	\$215,180
3	Google Inc.	\$158,245
4	PPF OFF 3301 Hillview Avenue LP	\$130,150
5	EOSII Palo Alto Technology Center LLC	\$121,692
6	Whisman Ventures, LLC	\$112,001
7	SI 43 LLC	\$76,823
8	BVK Hamilton Ave LLC	\$69,290
9	Ronald & Ann Williams Charitable Foundation	\$62,685
10	PPC Forest Towers, LLC	\$56,610
Total		\$4,954,834

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 Palo Alto Research Center, Wilson Sonsini Goodrich & Rosati, Manatt Phelps Phillips, Accel Ventures, Survey Monkey, Theranos, Genencor, Tencent America, Skype, Nest, the Institute for the Future and many other leading technology and business services firms.

Palo Alto was named the 2016 most livable U.S. city and again named among the top 6th most livable U.S. cities in 2016 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) and 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. Also, the City's Development Center is a "one-stop" service center staffed by the Planning, Building, Public Works, Utilities and Fire departments.

EMPLOYMENT

The City had 32,002 employed residents in 2017. Due to its location on the Peninsula and the presence of Stanford University, the City is a job importer versus exporter, and the number of jobs in the City is nearly 92,125. Palo Alto's unemployment rate was 2.6 percent in 2016, which was considerably lower than the nation (4.7 percent), state (5.2 percent), and county (3.5 percent), during the same period.

LARGEST EMPLOYERS

Palo Alto's top ten employers reflect jobs ranging from education and healthcare to technology and schools, as of June 30, 2016.



Principal Employers, FY 2016

Rank	Employer	Number of Employees
1	Stanford University	11,500
2	Stanford Healthcare	5,000
3	Lucille Packard Children's Hospital	4,700
4	Veteran's Affairs Palo Alto Healthcare System	3,900
5	VMware, Inc	3,500
6	SAP	3,500
7	Space Systems/Loral	2,800
8	Hewlett-Packard Company	2,500
9	Palo Alto Medical Foundation	2,200
10	Varian Medical Systems	1,400
Total		41,000

Parks, Recreation & Community Centers

Item (FY 2016)	Number
Parks	36
Parks Acreage	162 acres
Playgrounds	29
Community Centers	4
Zoo	1
Golf Courses	1
Gymnasiums/Fitness Rooms	6
Youth Centers	1
Walking/Biking Trails	41.19 miles



Libraries

Item (FY 2016)	Number
Library Branches	5
Items Checked Out (Circulation)	1,400,926
Books (Inventory)	248,319
eBooks & eMusic (Inventory)	145,165
Audio/Visual - DVD/CDs (Inventory)	47,727
Reference Questions	2,620

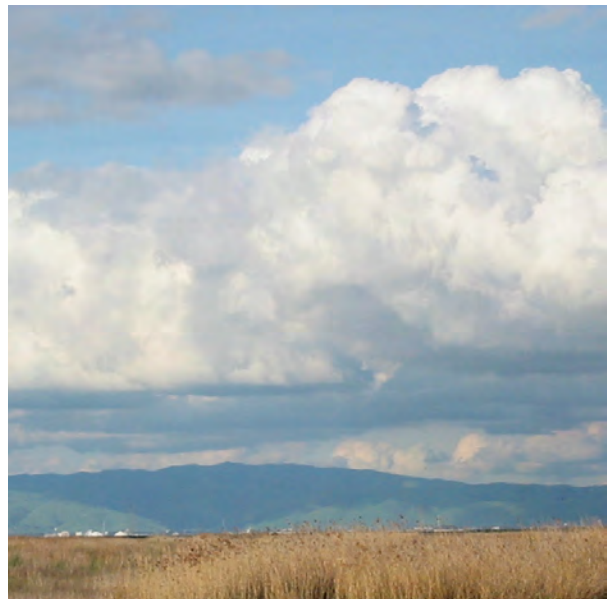
Public Safety

Item (FY 2016)	Number
Police	
Police Stations	1
Sworn Police Personnel (FY 2015)	93
Police Vehicles	25
Motorcycles	4
Canine Units	1
Number of Calls for Service	52,366
Item (FY 2016)	Number
Fire	
Fire Stations	7
Sworn Fire Personnel (FY 2016)	107
Fire Engines	10
Fire Trucks	1
Ambulances	3
Number of Calls for Service	8,882



Infrastructure, Maintenance & Development Activity

Item (FY 2016)	Number
Street Miles	471 miles
Lane Miles Resurfaced Annually	39 miles
Building Permits Issued Annually	3,137 permits
Number of Fire Inspections	2,815 permits
Active Capital Improvement Projects	238 projects
Capital Improvement Projects Exp.	\$63.17 million
Miles of Water Municipal Mains	236 miles
Gallons of Water Delivered (Daily)	7.8 million
Miles of Municipal Wastewater Mains	216 miles
Gallons of Wastewater Treated	2.5 billion
Miles of Gas Mains	210 miles
Overhead Electrical Line Miles	117 miles
Underground Electrical Line Miles	187 miles
Fiber Optic Backbone Miles	42 miles



Sustainability

Item (FY 2016)	Number
Total Tons of Material Recycled or Composted	56,438 tons
Total Megawatt-hours Purchased from Eligible Renewable Sources*	298,700 hours
Percent of Electric Portfolio Purchased from Eligible Renewable Sources	31.80%
Percent of Electric Portfolio Purchased from Carbon Neutral Sources**	100%

* Calendar year 2016. "Eligible Renewable Sources" are wind, solar, small hydroelectric, and biogas generators whose output is directly purchased by the City under a power purchase agreement.

* Calendar year 2016. "Carbon Neutral Sources" include eligible renewable (40%), hydroelectric power (37%), and power from unspecified sources matched with renewable energy credits (23%). The City's goal is to purchase all energy from eligible renewable sources starting in 2017.

SOURCES:

POPULATION:

U.S. Census Bureau, 2015 American Community Survey, Demographic and Housing Estimates, 1-Year Estimates., Table DP05. 2017 Official City Data Set.

EDUCATION:

U.S. Census Bureau, 2015 American Community Survey, Educational Attainment, 1-Year Estimates, Table S1501.

FY2016 City of Palo Alto Comprehensive Annual Financial Report (Demographic and Economic Statistics- Last Ten Fiscal Years).

California Department of Education -Data & Statistics- school performance-secondary education for Palo Alto Schools and County SAT score.

2016 average SAT scores by State on Prescholar.com for State level SAT scores.

2016 college board total group profile report for National level SAT scores.

INCOME:

2015 American Community Survey 1-Year Estimates, Selected Economic Characteristics, Table DP03.

PERSONS PER HOUSEHOLD AND HOUSING UNITS:

2015 American Community Survey 1-Year Estimates, Selected Housing Characteristics, Tables, DP04.

DEVELOPMENT:

City of Palo Alto Planning and Development Department

OFFICE AND INDUSTRIAL RENTAL ACTIVITY:

CBRE Silicon Valley Office MarketView Q4 2016

CBRE Silicon Valley Industrial MarketView Q4 2016

CBRE Silicon Valley R&D MarketView Q4 20156

RETAIL SALES AND SALES TAX REVENUE:

City of Palo Alto Sales Tax Digest Summary 2016 (Office of the City Auditor)

City of Palo Alto 2015-2016 Comprehensive Annual Financial Report (CAFR)

TOP 25 MAJOR SALES/USE TAX CONTRIBUTORS:

City of Palo Alto Sales Tax Digest Summary First Quarter Sales (Jan-March- 2016)-Top 25 Major Sales/Use Tax Contributors.

PRINCIPAL PROPERTY TAXPAYERS:

City of Palo Alto 2015-2016 Comprehensive Annual Financial Report (CAFR)- Principal Property Taxpayers-Current Year and Nine Years Ago.

EMPLOYMENT:

2017 Official City Data Set. California Employment Development Department- Labor Market Information Division for State and County unemployment rate, US Department of Labor-Bureau of Labor Statistics for Nation unemployment rate.

PALO ALTO BUSINESSES:

Livability, Top 100 Best Places to Live

City of Palo Alto Economic Development

LARGEST EMPLOYERS:

City of Palo Alto 2015-2016 Comprehensive Annual Financial Report (CAFR)

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
- Budget development status and guidelines
- Service level prioritization as identified by the City Manager
- Availability and sustainability of revenues
- Legal mandates
- Prioritization criteria 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 by the Finance Committee and prior to Council adoption of the budget in order to incorporate community input into the decision making process.

City Council Top Five Priorities

On an ongoing basis, 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 2017:

- Transportation
- Infrastructure
- Healthy City, Healthy Community
- Budget and Finance
- Housing

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 for development of the operating and capital budgets as well as the annual municipal fee schedule are developed and distributed.

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 CIP Committee, consisting of senior managers in the Public Works, Community Services, Administrative Services, and Planning and Community Environment Departments, 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 begins review of 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 Open Budget website. The Finance Committee conducts a series of public hearings and recommends the budget with or without amendments to the City Council.

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 early August.

THE BUDGET PROCESS AND DOCUMENT

BUDGET HEARINGS With City Council and Finance Committee FY 2018 Proposed Budget			
Date	Description	Time/Location	Departments Attending
Monday, April 17	City Council	6:00 PM Council Chambers	City Manager Comments reviewing the proposed capital and operating budgets and notice the start of Finance Committee for discussions in May
Tuesday, May 2	Finance Committee	6:00 PM Council Chambers	Budget Kickoff; Departments/Funds: - Council Appointed Officials & Council - Office of Sustainability - General Liability Fund - Human Resources, Employee Benefits Funds - Information Technology (capital & operating) - Administrative Services, Print & Mail Funds - Non-Departmental
Thursday, May 4	Finance Committee Special Meeting	7:00 PM Council Chambers	- Information Technology - Library - Development Services - Public Works: General Fund, Storm Drain, Refuse, Wastewater Treatment, Vehicle Replacement, related capital
Tuesday, May 9	Finance Committee Special Meeting	6:00 PM Council Chambers	- Police - Office of Emergency Services - Fire - Community Services - Planning & Community Environment - Special Revenue Funds (including Parking District & Stanford Development Agreement Fund)
Thursday, May 18	Finance Committee Special Meeting	2:00 PM Council Chambers	- Municipal Fee Schedule - General Fund Capital - Utilities (Capital & Operating) - Wrap-up with Finance Committee
Tuesday, May 23	Finance Committee Special Meeting	6:00 PM Council Chambers	- Wrap-up with Finance Committee
Monday, June 19	City Council	6:00 PM Council Chambers	Public Hearing - Budget Approval & Adoption

Understanding the Budget Document

The operating budget document includes city-wide information as well as information specific to each fund and each department. The City receives revenue from numerous different sources, many of which have restrictions on how they can be used. Separate funds are established to account for the different types of revenues and allowable uses of those revenues. The annual budget information is available after the publication of the annual Adopted Budget, which occurs in August. In August, the annual budget will also be available on the City's Open Budget website, discussed below.

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 community environment, 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, 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 Fund: 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 that includes 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 Fund: 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 www.paloalto.opengov.com. The City invites you to use the online tool to:

- Search seven years of 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

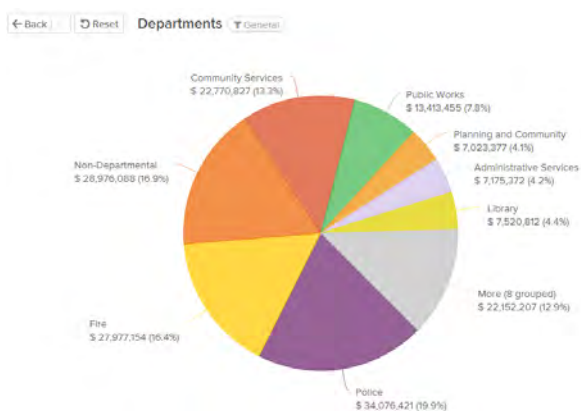
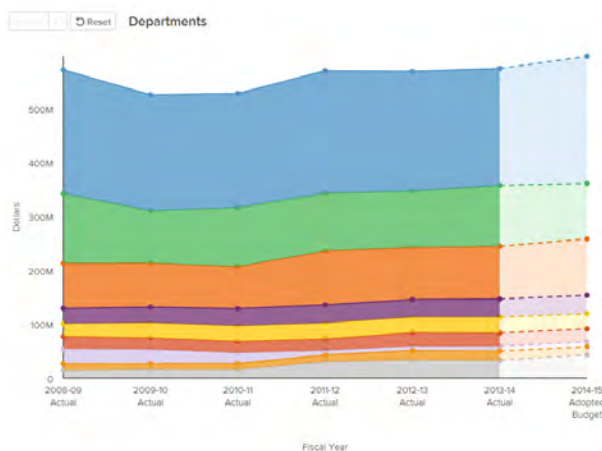
HOW DOES IT WORK?

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 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.



For example, 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, which 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 particular department section. For example, the Administrative Services Assistant Director oversees the SAP functional team and the positions are budgeted in the Technology Fund.

Accomplishments: identifies the department's noteworthy accomplishments over the past one or two fiscal years.

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. Performance Measures are grouped by its intended outcome such as Quality, Cost, Cycle Time, Customer Satisfaction, and Sustainability identified with icons as follows:



Quality



Cost



Cycle Time



Customer Satisfaction



Sustainability

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 (FY 2015 Actuals, FY 2016 Actuals, FY 2017 Adopted, and FY 2018 Proposed Budget). Revenues are shown as either internal or external depending on their source. External revenues include grant funds as well as fees collected when providing certain 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.

Staffing: lists all full-time equivalent (FTE) positions and their respective salary in a department based on their actual level 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, or 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 Changes: 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.

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*

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**City of Palo Alto
California**

For the Fiscal Year Beginning

July 1, 2016

Jeffrey R. Enos

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 & 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

Date February 13, 2017



CITY OF
**PALO
ALTO**

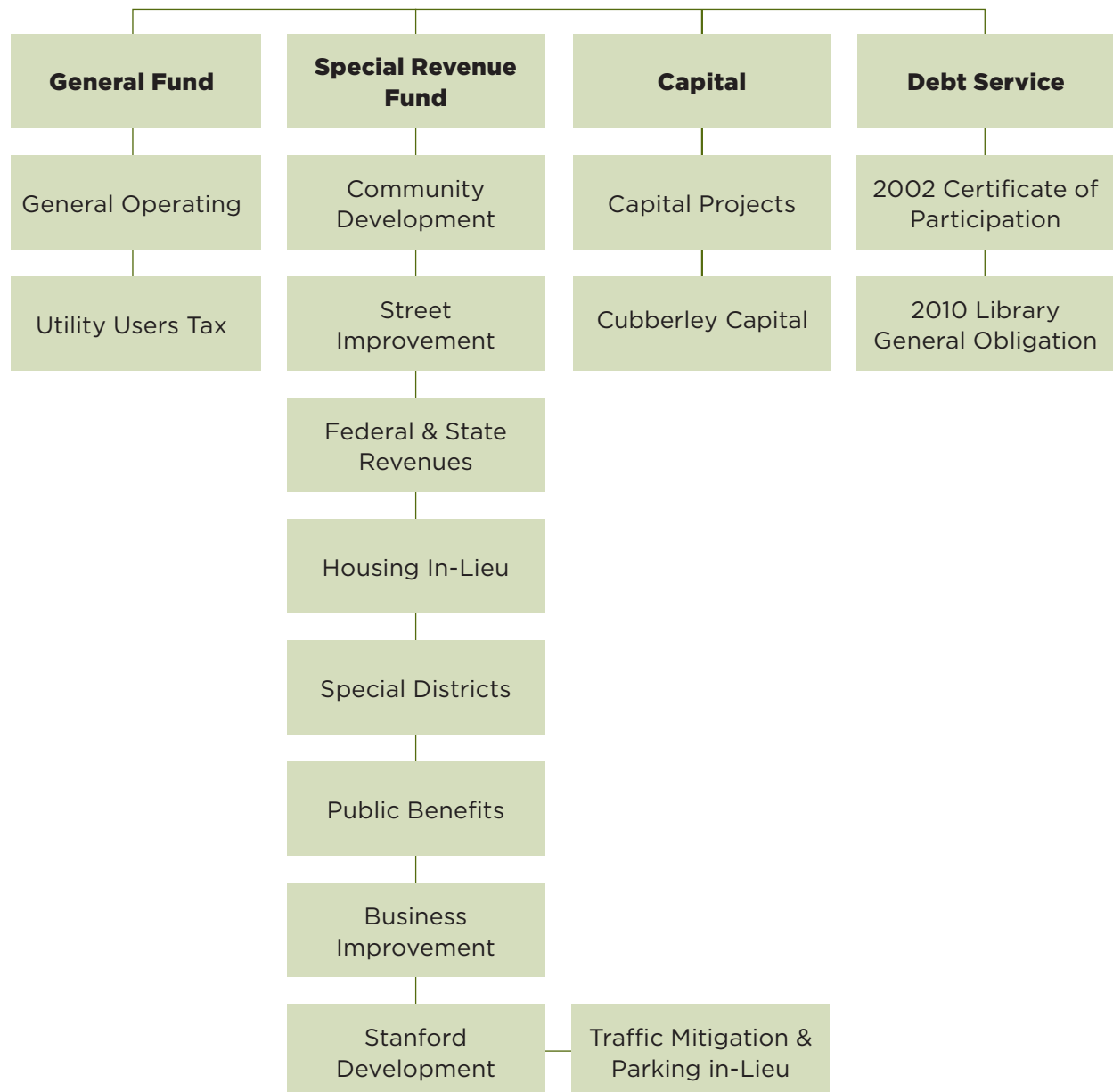


CITYWIDE FUNDS

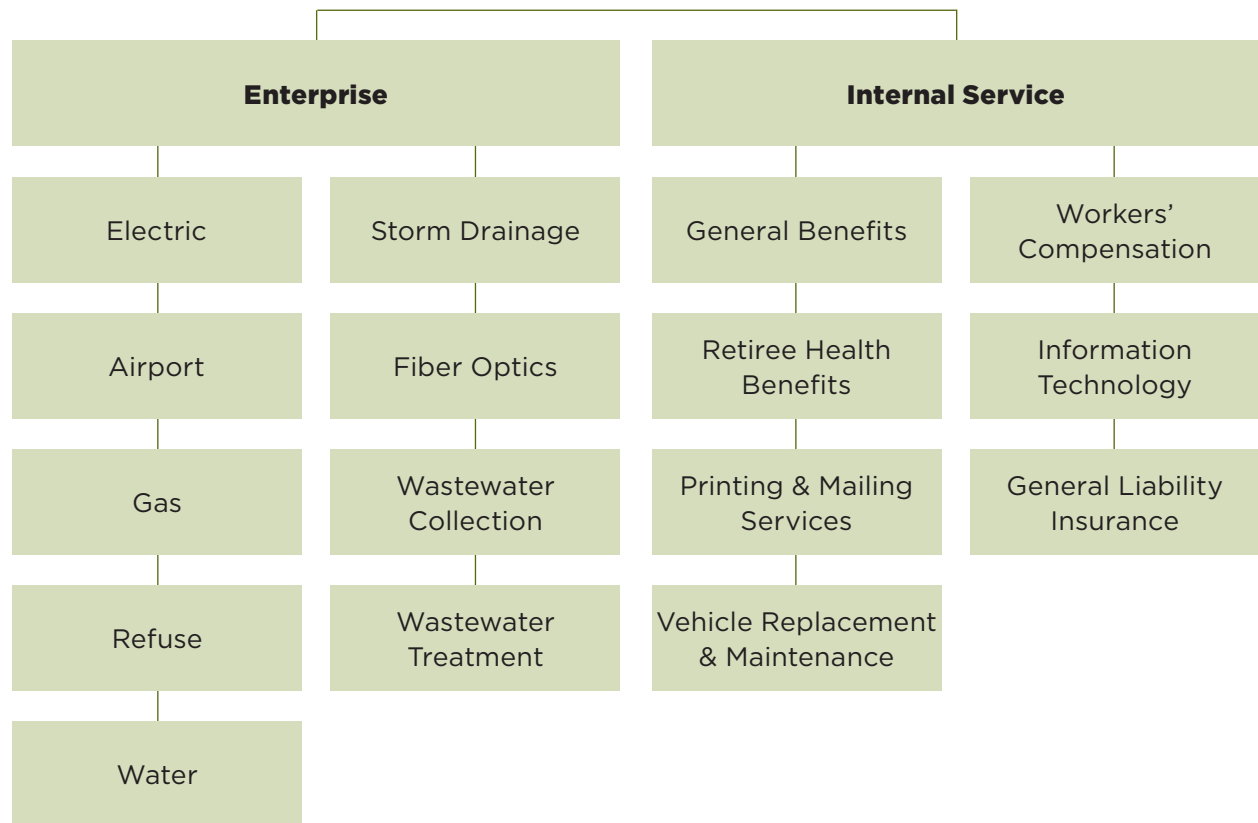


CITY OF
**PALO
ALTO**

Fund Structure



FUND STRUCTURE



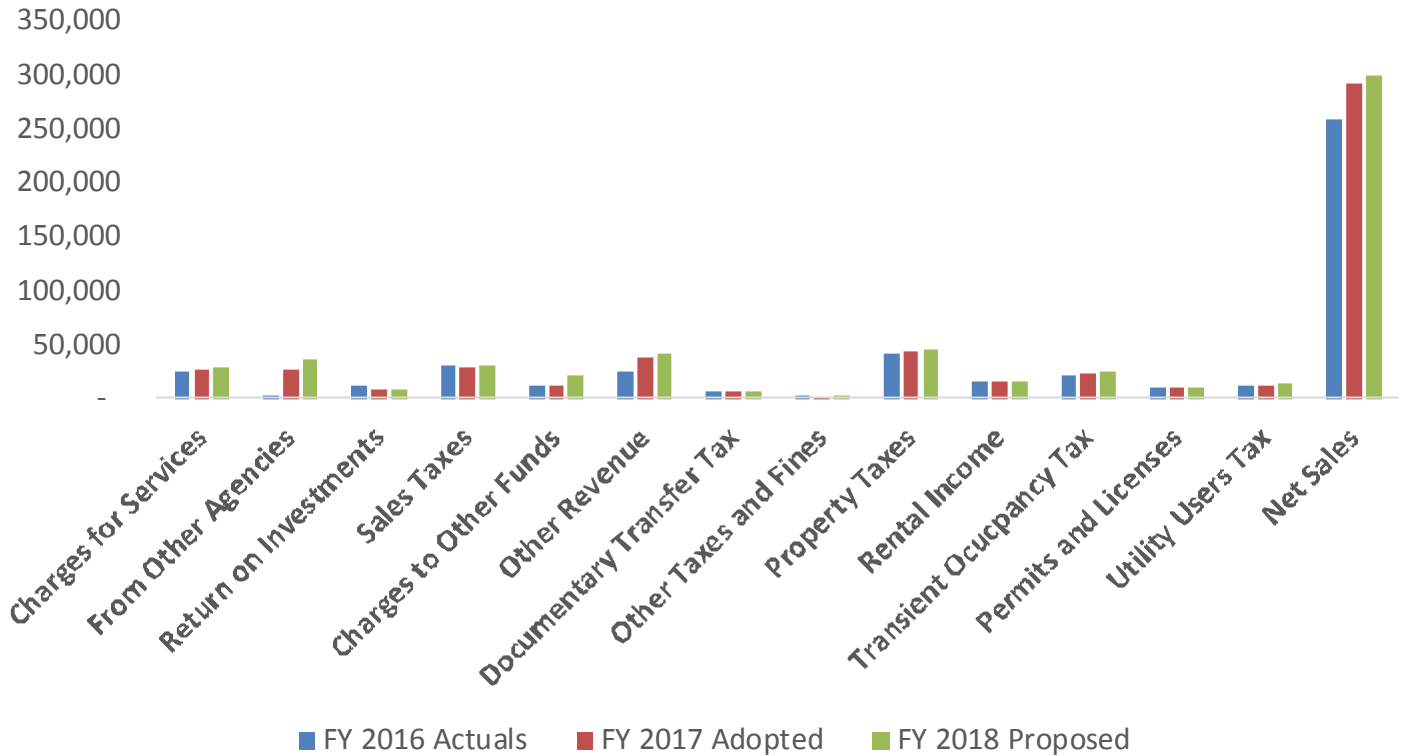
Total Citywide Revenue by Category

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Charges for Services	28,322	25,990	27,715	28,985	1,270	4.6
From Other Agencies	5,337	3,621	26,396	36,216	9,820	37.2
Return on Investments	8,746	12,102	8,162	8,076	(86)	(1.1)
Sales Taxes	29,675	30,018	29,150	31,458	2,308	7.9
Charges to Other Funds	11,369	12,851	11,775	21,925	10,150	86.2
Other Revenue	31,145	26,020	37,676	42,916	5,240	13.9
Documentary Transfer Tax	10,051	6,266	6,747	6,930	183	2.7
Other Taxes and Fines	2,052	2,785	2,071	2,247	176	8.5
Property Taxes	38,836	41,290	43,748	46,300	2,522	5.8
Rental Income	17,795	16,323	15,340	16,864	1,524	9.9
Transient Occupancy Tax	16,699	22,366	23,134	25,143	2,009	8.7
Permits and Licenses	9,076	9,859	10,264	10,837	573	5.6
Utility Users Tax	21,723	12,469	12,379	13,867	1,488	12.0
Net Sales	255,636	257,786	291,761	299,887	8,126	2.8
Total	486,462	479,746	546,318	591,651	45,333	8.3

CITYWIDE REVENUE BY CATEGORY

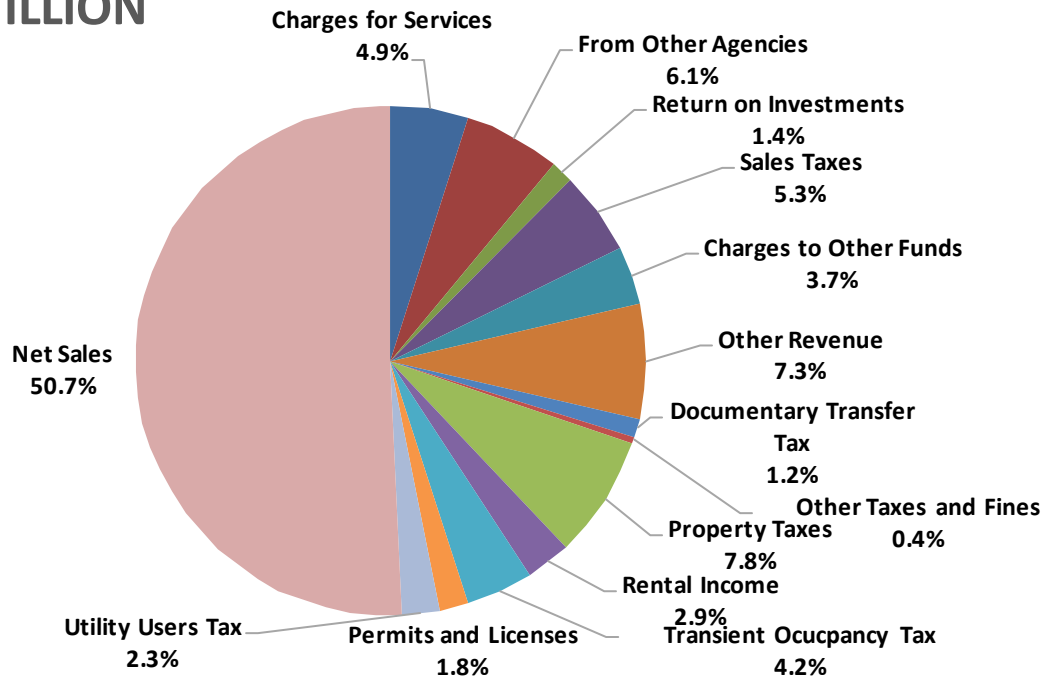
Citywide Revenues by Category

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



FY 2018 PROPOSED

\$591.7 MILLION



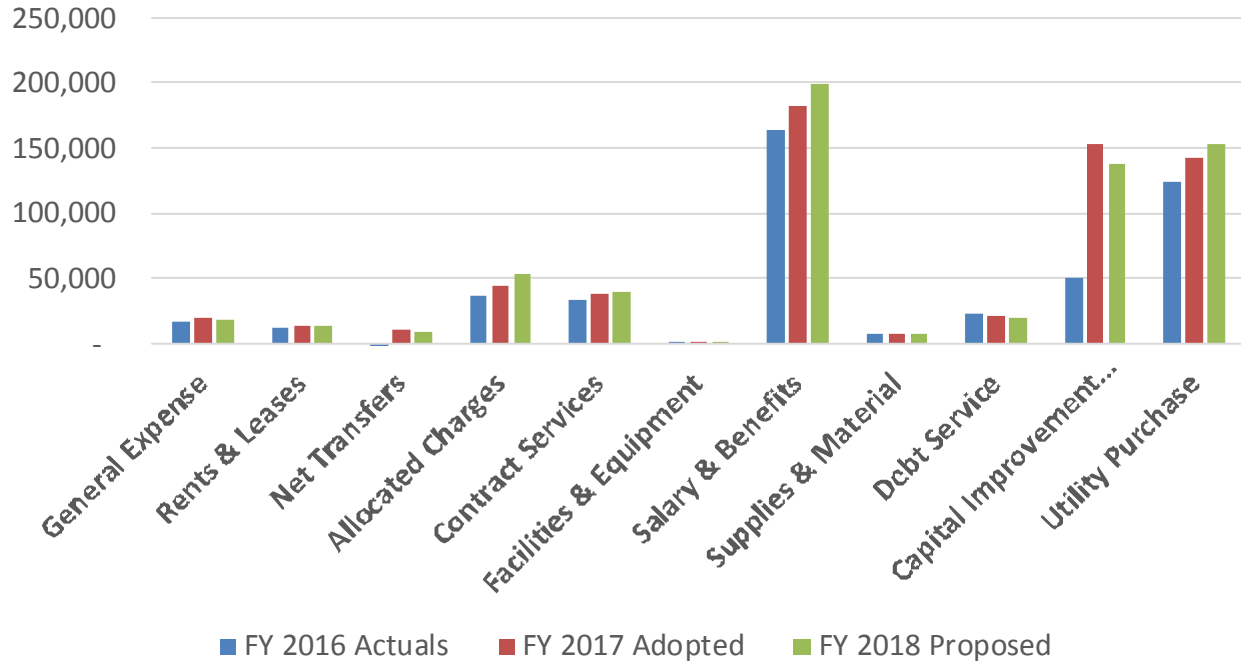
Total Citywide Expense by Category

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
General Expense	21,220	16,912	20,545	191,112	(1,433)	(7.0)
Rents & Leases	11,208	12,285	13,626	13,674	48	0.4
Net Transfers	(4,190)	(3,754)	11,236	9,961	(1,275)	(11.4)
Allocated Charges	34,787	36,946	45,704	54,275	8,571	18.8
Contract Services	31,418	33,911	38,708	40,862	2,154	5.6
Facilities & Equipment	505	554	613	734	121	19.8
Salary & Benefits	157,498	164,162	188,033	200,517	17,484	9.6
Supplies & Material	8,032	8,041	8,610	8,473	(137)	(1.6)
Debt Service	18,099	23,980	21,424	20,609	(815)	(3.8)
Capital Improvement Program	62,369	51,849	154,506	139,007	(15,499)	(10.0)
Utility Purchase	127,728	124,214	143,786	154,550	10,764	7.5
Total	468,675	469,100	641,791	661,774	19,983	3.1

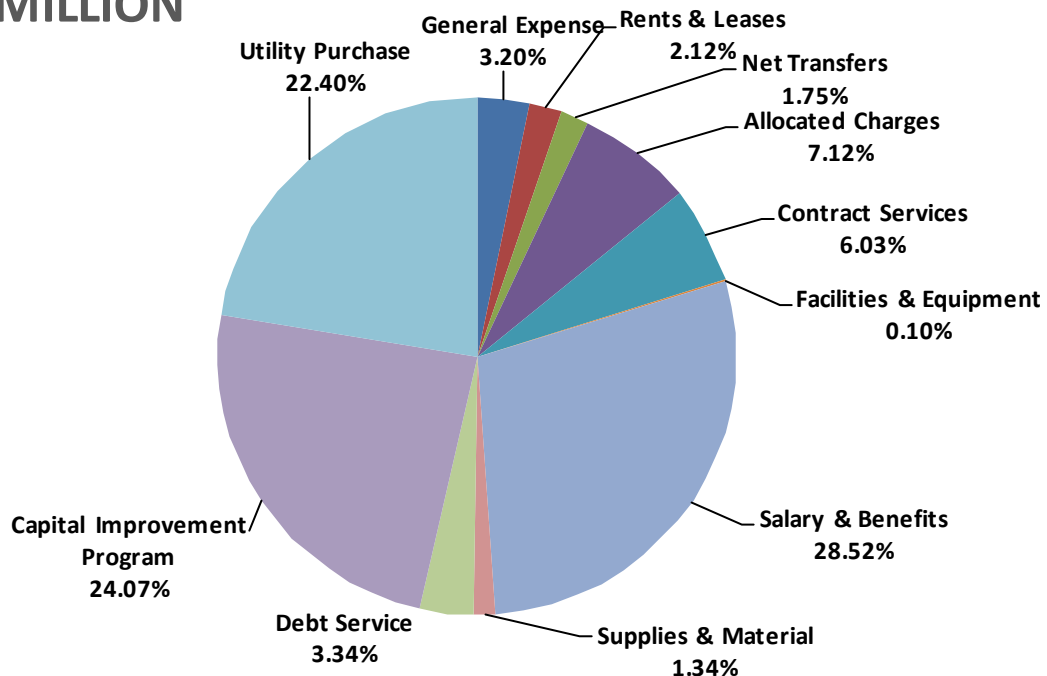
CITYWIDE EXPENSE BY CATEGORY

Citywide Expenses by Category

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



FY 2018 PROPOSED \$661.8 MILLION



CITYWIDE PROJECTED OPERATING FUND BALANCE

Citywide Projected Operating Fund Balance

	ENDING FUND BALANCE 6/30/17	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	ENDING FUND BALANCE 6/30/2018
GENERAL FUND	42,318	186,051	(8,770)	180,470	39,129
CAPITAL FUNDS					
Capital Improvement Fund	49,507	50,025	32,244	78,007	53,769
Cubberley Property Infrastructure Fund	970		1,864	949	1,885
Total Capital Funds	50,477	50,025	34,108	78,956	55,654
DEBT SERVICE					
Parking 2002 COPS (Taxable) Debt	251	0	233	233	251
Library Bonds	6,640	4,433	0	4,433	6,640
Total Debt Service	6,891	4,433	233	4,666	6,891
ENTERPRISE					
Electric Fund	63,959	143,906	(9,489)	167,279	36,997
Fiber Optics Fund	24,827	5,457	(125)	4,185	25,974
Gas Fund	12,466	36,347	(7,588)	35,410	5,815
Wastewater Collection Fund	3,145	19,291	(400)	20,449	1,587
Water Fund	20,652	43,180	(78)	47,064	16,690
Refuse Fund	2,617	32,118	149	30,613	4,271
Storm Drain Fund	16,946	6,863	(35)	5,000	18,774
Wastewater Treatment Fund	14,924	54,868	(159)	56,176	13,457
Airport Fund	(2,578)	6,702	189	7,127	(2,814)
Total Enterprise	156,858	354,732	(17,536)	373,303	120,751
INTERNAL SERVICE					
General Benefits Fund	1,360	16	58,749	59,479	646
Retiree Health Benefit Fund	3,264	58	16,938	16,998	3,262
Workers' Compensation Fund	1,132	16	5,222	5,785	585
Liability Insurance Fund	1,404	62	1,780	2,954	292
Printing and Mailing Fund	0	0	1,453	1,453	0
Technology Fund	14,290	474	15,614	19,950	10,428
Vehicle Replacement and Maintenance Fund	23,971	333	8,848	12,905	20,247
Total Internal Service	45,421	959	108,604	119,524	35,460

CITYWIDE PROJECTED OPERATING FUND BALANCE

Citywide Projected Operating Fund Balance

	ENDING FUND BALANCE 6/30/17	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	ENDING FUND BALANCE 6/30/2018
SPECIAL REVENUE					
Community Development Fund	14,127	1,953	(1,628)	148	14,304
Street Improvement Fund	1,333	1,430	(1,764)	0	999
Federal and State Revenue Funds	4,753	517	0	818	4,452
Housing In-Lieu and BMR Fund	41,652	2,733	1	262	44,124
Special Districts Fund	3,704	3,796	(945)	3,455	3,100
Traffic Mitigation & Parking In-Lieu Fund	11,040	410	0	0	11,450
Public Benefits Fund	12,044	48	0	28	12,064
Downtown Business Improvement District	36	142	0	148	30
Stanford Development Agreement (SUMC)	14,100	211	(5,750)	0	8,561
Public Art Funds	275	122	155	185	367
Total Special Revenue	103,064	11,362	(9,931)	5,044	99,451
TOTAL OPERATING FUNDS	405,029	607,562	106,708	761,963	357,336

Citywide Average Salary

Category	Mgmt/ Professional	Utilities Mgmt/ Professional	Fire Chief Association	Fire Fighters	Police Mgmt Association	PAPOA	SEIU	Weighted Average
Full-Time Equivalent (FTE)	229.35	48.00	5.00	99.00	7.00	83.00	586.60	1,057.95
% of City	21.7%	4.5%	0.5%	9.4%	0.7%	7.8%	55.4%	100.0%
Salary (1)	137,531	143,816	163,334	127,797	197,772	129,279	89,286	110,048
In-Lieu Holiday	n/a	n/a	n/a	4,928	n/a	3,897	272	908
Incentive Pay (2)	n/a	n/a	n/a	792	n/a	1,154	356	361
Overtime (Average)	n/a	n/a	n/a	17,526	n/a	14,747	4,423	5,216
Management Leave (80 Hours)	5,290	5,531	6,282	n/a	7,607	n/a	n/a	11,798
Pension Employer Portion								
Misc 30.20%; Safety 49.69% (3)	41,534	43,432	81,161	63,502	98,273	64,239	26,964	37,175
Medicare	1,994	2,085	2,368	1,853	2,868	1,875	1,295	1,596
Medical	17,267	22,010	17,383	20,557	22,418	18,885	17,293	17,298
Dental/Vision	2,130	2,442	2,219	2,464	2,506	2,190	2,027	2,121
Retiree Medical (4)	5,625	7,354	8,400	7,928	11,000	10,084	5,066	5,993
Workers' Comp	5,116	1,454	n/a	10,567	n/a	10,124	3,565	4,935
LIFE/LTD/SUI	645	645	645	658	645	645	645	645
Non-salary Benefits (5)	3,103	31,47	2,647	150	3,147	3,492	147	1,276
Average Salary & Benefits	220,234	231,916	284,439	258,722	346,235	260,611	151,339	199,998
Isolate Holiday Pay from Salary Category								
Salary, includes holidays	137,531	149,162	163,334	127,797	197,772	129,279	89,286	110,029
Holidays (assumes 11, 9 hour days)	6,546	7,100	7,774	6,083	9,413	6,153	4,250	5,237
Salary, excludes holidays	130,985	142,062	155,560	121,714	188,359	123,126	85,036	104,792

(1) Salary is calculated at actual pay rate (base pay and special pays, as applicable) as of February 2016 adjusted for step increases in accordance with applicable Memoranda of Understandings with the City's bargaining groups or pay for performance increases for Management and Professional employees.

(2) Incentive pay includes: Fair Labor and Standards Act Charges and Night Shift Differential pay.

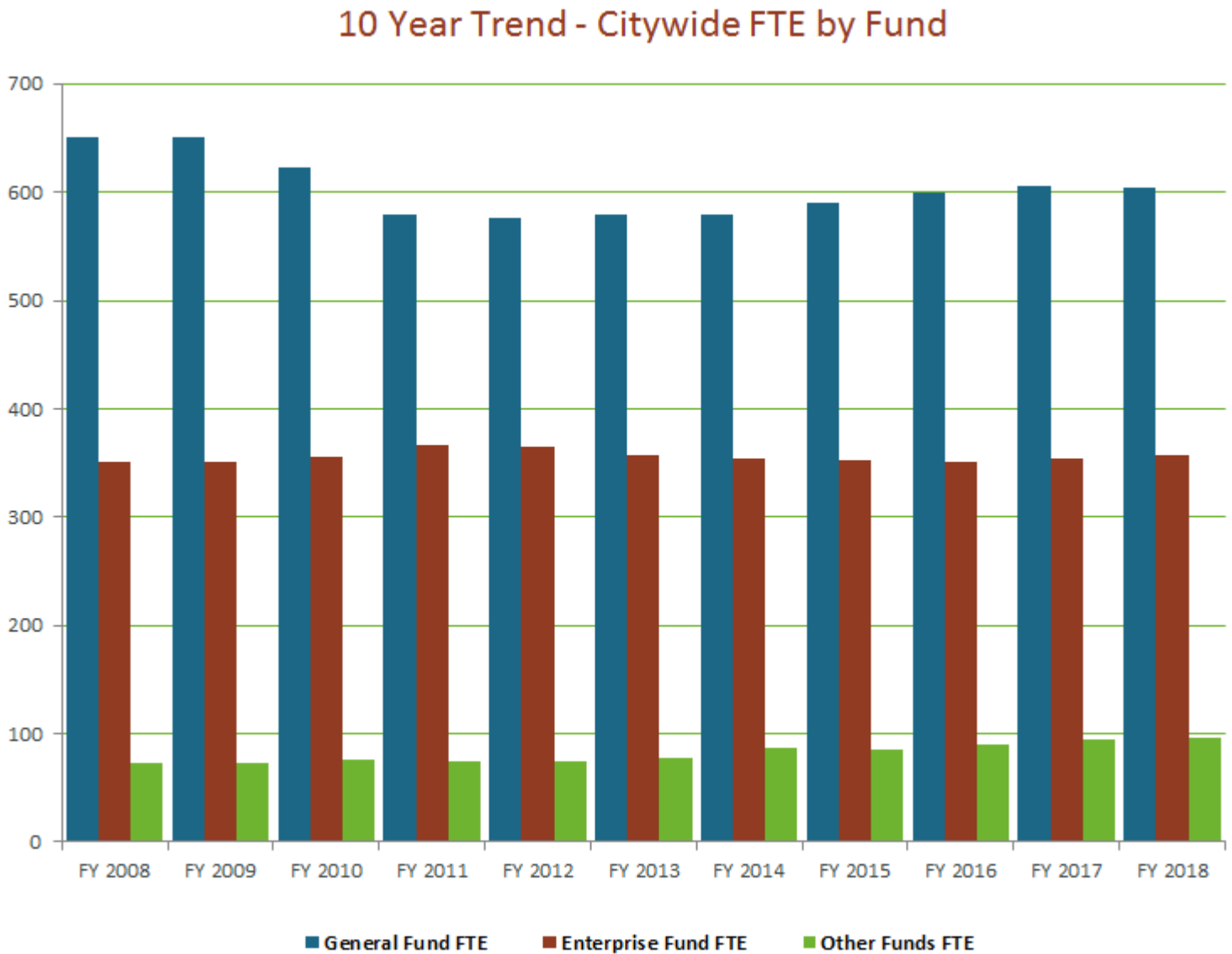
(3) Safety employees will pick-up up to 3.0% of the employer share of 49.69%, while SEIU employees will pick-up between 0.5% until January 2018, when they will transition to 1.0%. MGMT employees will pick up 0.5% until July 1, 2018, when they will transition to 1.0%.

(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.

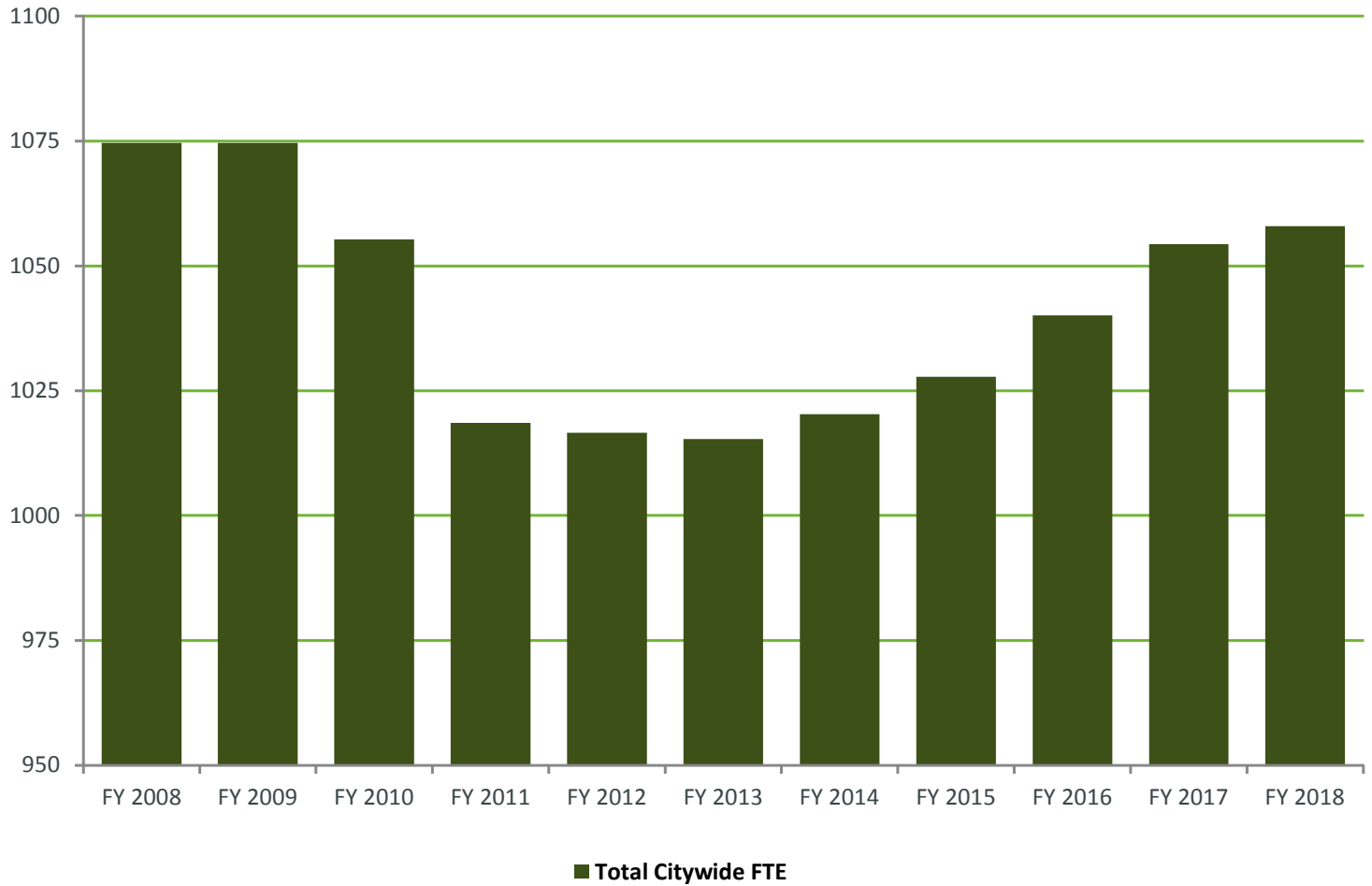
CITYWIDE AVERAGE SALARY

10 Year Trend-Citywide FTE by Fund



10 Year Trend - Total Citywide FTE

10 Year Trend - Total Citywide FTE (FY 2018 Proposed)





GENERAL FUND



CITY OF
**PALO
ALTO**

GENERAL FUND OVERVIEW

Overview

FISCAL YEAR 2018 GENERAL FUND NEAR TERM FINANCIAL FORECAST

Subsequent to the release of the FY 2017-2026 Long Range Financial Forecast (LRFF) and during the FY 2017 budget process, staff identified that the General Fund (GF) was facing a financial gap and committed to addressing this imbalance during the FY 2018 budget process. Council asked staff to make some short term adjustments to balance the FY 2017 budget, with the goal of making structural adjustments in FY 2018. Staff reconfirmed this in December 2016 with the preliminary near term financial outlook with the Finance Committee. The near term forecast confirmed that the General Fund was indeed facing a gap in FY 2018 ranging from \$4 million to \$6 million. This gap was projected to continue into FY 2019 as well as potentially FY 2020 despite healthy revenue growth.

	FY 2018	FY 2019	FY 2020
Net One-time Surplus/(Shortfall)	(\$4 million to \$6 million)	(\$2 million to \$0)	(\$1 million to +\$500,000)

Staff expects tax revenues to grow into FY 2018 and for the economy to remain strong. In a November 2016 meeting with Steve Levy, the head of the Center for the Continuing Study of the California Economy, Mr. Levy stated that the City could expect a robust economy to continue for at least the next 18 months and that staff's tax revenue projections for that period were reasonable. The primary drivers of this gap reflects extenuating circumstances including the increased costs of track watch guards (\$1.7 million), assuming the electricity costs of streetlight and traffic signals (\$2.3 million), and anticipated implications associated with current fire services negotiations with Stanford (\$2.0 million).

Though there are political uncertainties and potential economic impact, the forecast is based on a steadily improving economic climate which continues to be noted by the majority of national, state, regional, and local economic indicators. This Forecast assumes a continued, gradual growth of the national economy with positive impacts to the local economy, which is reflected in the estimates of economically sensitive revenues.

This near term look reflected the need to evaluate programs and to be prudent with additional resource investments. The discussion with the Finance Committee highlighted the need for the organization to prioritize spending as looming expenses the City is will face, not included in this forecast, remain outstanding. In addition to changes in economic conditions, the City faces cost

GENERAL FUND OVERVIEW

increases through growing pension costs, upcoming labor negotiations, and increasing construction costs associated with capital improvements.

This fiscal outlook still does not include a number of both known and unknown impacts with both short and long term implications. Below is a list of a few of the known/unknowns that are not included in the near term financial outlook:

- New staffing and program requests;
- Cost implications that may arise such as current negotiations with Stanford University for Fire services, support for the Parks Master Plan, and loans to the Palo Alto airport;
- Escalating costs to complete the City Council Infrastructure Plan after full design; prevailing wage requirements; construction costs; public art costs; and operating budget impacts from the new facilities are recognized;
- Parks Master Plan expenditures including Foothills Park 7.7 acres and Baylands Athletic Center 10.5 Acre Expansion;
- Operating and capital costs related to a new Junior Museum and Zoo facility;
- Capital costs related to City assets managed by non-profits such as Avenidas Senior Center, the Palo Alto History Museum, and the Ventura Child Care Center;
- Cubberley master plan; and
- Funding long-term pension and retiree healthcare liabilities

As of March 2017, 38 percent of employees received Tier 2 and Tier 3 pension benefits representing a 4 percent increase from the March 2016 level of 34 percent. While the impact of employees hired during the last five years has had little impact on unfunded pension plan liabilities, the benefits of the lower pensions will be a long-term cost reduction. Per the latest CalPERS valuations for the Miscellaneous and Safety employees, the combined unfunded pension liability amounts to \$338.4 million for all funds, and the General Fund portion totals \$222.3 million. Once the unfunded liability for the retiree healthcare plan, \$156.2 million, is added, the grand total is \$494.6 million across all funds and \$330.1 million in the General Fund. As part of the most recent labor agreements, employees have increased their share of pension contributions, picking-up a share of the employer portion. This has helped contain costs, and cost containment strategies such as this will continue to be explored through future rounds of negotiations.

FISCAL YEAR 2018 GENERAL FUND BUDGET

Subsequent to the release of this near term forecast, staff has reviewed all expenses and revenue estimates in the General Fund resulting in a final FY 2018 Base Budget gap of \$4.5 million. This Proposed budget addresses this gap on an ongoing basis and proactively positions the General Fund in FY 2019 and FY 2020 with slight forecasted surpluses. These surpluses are intended to proactively position the City to address the anticipated upcoming investments such as additional contributions to an irrevocable IRS Section 115 Pension Trust Fund. Significant changes from the December preliminary financial discussion include:

- Increases in General Fund tax revenue estimates to reflect both current year tracking as well as the most up to date estimates for growth in FY 2018 (additional revenues of \$919,000):

- Increases in charges for services and licenses and permits for services rendered such as planning and development fees and permits (additional revenues of \$1.0 million);
- Increases in transfers to other funds primarily for capital improvements projects (additional expenses of \$908,000); and
- Increases in salaries and benefits to reflect the current employee population (additional expenses of \$605,000).

This FY 2018 Proposed Budget includes General Fund revenue estimates of \$206.8 million, a 6.0 percent increase from FY 2017 Adopted Budget levels of \$195.1 million, or an \$11.8 million increase. Despite this healthy growth, General Fund expenditures of \$210.0 million reflect growth of 7.9% from the FY 2017 Adopted Budget level of \$194.2 million, or a \$15.3 million increase.

At this time, staff projects the FY 2017 Budget Stabilization Reserve (BSR) to end the year at approximately \$42.3 million, or 20.7 percent of the FY 2017 Modified Budget expenditure levels. This does not include any excess revenues or expense savings when compared to budgeted levels in FY 2017 based on current tracking. It is anticipated that the General Fund will end FY 2017 with some additional balance primarily attributed to major tax revenues and departmental vacancy savings. This budget recommends a one-time draw on the General Fund Budget Stabilization reserve of \$3.2 million resulting in a projected balance of \$39.1 million, or 18.6% of the FY 2018 Proposed Budget expenses of \$210.0 million. This is approximately \$273,000 above the City Council target level of 18.5% or \$38.9 million. The draw will produce a balanced Proposed Budget for FY 2018 and staff will provide funding recommendations to infrastructure and/or unfunded pensions liabilities with the projected surplus of FY 2017.

REVENUES

Based on a continued, gradual growth of the regional economy and Fiscal Year 2017 year-to-date major tax revenue receipts, this budget assumes continued healthy growth in Sales Tax, Property Tax, and Transient Occupancy Tax in comparison to the Fiscal Year 2017 Adopted Budget. This Fiscal Year 2018 Budget assumes increases to major tax revenue receipts by approximately \$9.7 million, or 8 percent, from \$111.3 million to \$120.0 million when compared to the FY 2017 Adopted Budget. Growth in major tax revenues reflect approximately 80 percent of the change from the FY 2017 Adopted Budget for all General Fund revenues.

It is important to note that nearly 25.2 percent of the growth in tax revenue (\$2 million) is due to the Transient Occupancy Tax which increased in January 2015 from 12.0 percent to 14.0 percent as approved by the voters in November 2014 and the four new hotels that opened in the last few years. Of this increase, all the revenue associated with this 2.0 percent increase and revenues associated with new hotels has been earmarked for the City Council Infrastructure Plan through FY 2020. The Infrastructure Plan earmark for the FY 2017 Adopted Budget was \$8 million and the FY 2018 forecast is \$8.5 million.

The following sections discuss the City's major revenue sources and their projected levels as well as major expenditure categories for Fiscal Year 2017 and 2018.

GENERAL FUND OVERVIEW

SALES TAX

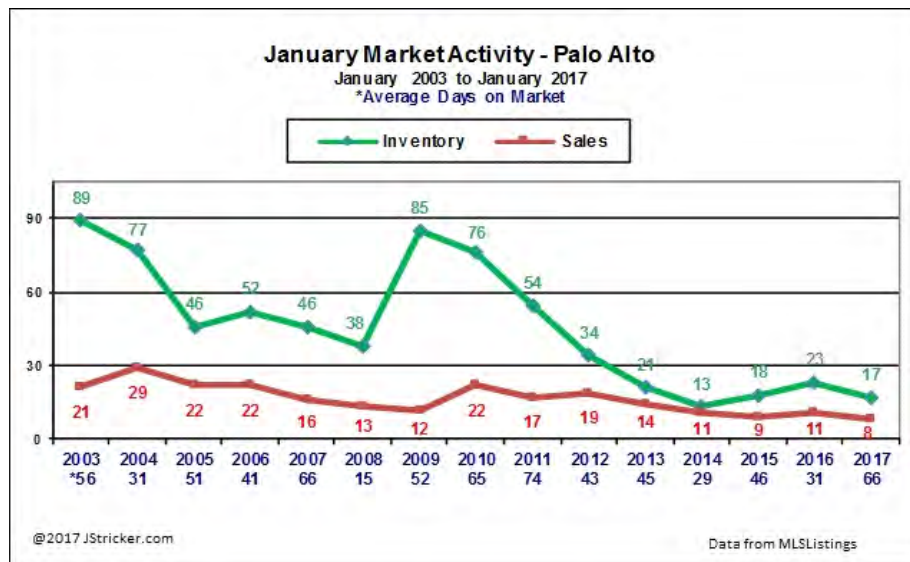
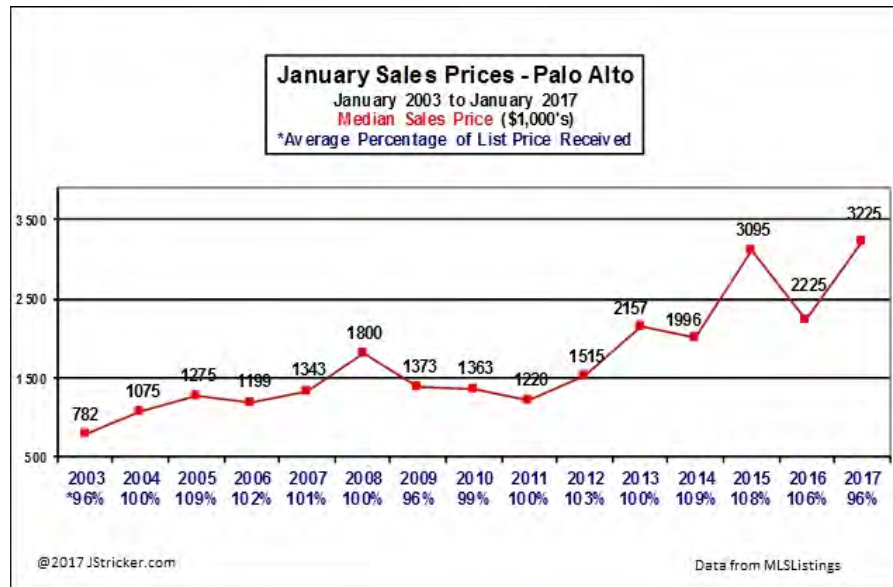
Sales taxes continue to rise reasonably well from the Great Recession. Sales taxes are projected to rise to \$31.5 million in FY 2018, a 4.2% growth rate that is consistent with the compound annual growth rate of 4.1% over the past ten years. Sectors showing growth that is expected to continue into FY 2018 are restaurants, food markets, auto sales and leasing, and electronic equipment. Areas experiencing weak sales include department and apparel stores, service stations, office equipment, and business services.

There are concerns over future growth in this revenue category. Internet retail sales are steadily eroding brick and mortar receipts at a steady pace. Each critical fourth quarter that includes the all-important holiday season continues to bring negative news that more and more Black Friday and Cyber Monday business have moved on-line; however, increased receipts from county pools have been offsetting this loss. Sales tax that occurs in Santa Clara County but cannot be identified to a specific jurisdiction within the county are allocated to the county (sales tax) pool then distributed to the local jurisdictions based on their local tax percentage. For example, sales tax on countywide Amazon sales go to county pools; Palo Alto average receipt of pool sales tax has been 6.7 percent. The City's sales tax consultant believes that on-line sales may reduce future retail sales growth by 1 percent annually. These trends will be monitored carefully since sales tax represents 15 percent of General Fund revenue. Other sales tax concerns being monitored are the effects of Hewlett Packard's breakup into two companies and the amount of Stanford Hospital construction use tax dissipating as the expansion projects wind down.

PROPERTY TAX

Property tax from residential and commercial parcels continues to steadily grow, albeit, at a slower pace. After steadily growing since FY 2012, the growth rate of 11.5 percent peaked in FY 2015 followed by a 7.3 percent increase in FY 2016. In dollar terms it has risen from \$34.1 million in FY 2015 to \$36.6 million in FY 2016 and projected to grow to \$39.1 million in FY 2017 and to \$41.7 million in FY 2018. The increase from FY 2017 to FY 2018 equals 6.5 percent or \$2.6 million which is slightly lower than the 10 year compound annual growth rate of 6.9 percent. Staff estimates for FY 2018 include excess Educational Revenue Augmentation Fund (ERAF) funds at a much lower level than the past several years.

The charts on the following page are taken from a realtor (JeffandSteve.com) web site. They show the ascent in median prices (first chart) and inventory and sales volume (second chart), especially since the 2009 recession year. With property sales prices rising to record levels, the City's property tax revenues are expected to do well; however, the limited inventory supply is expected to moderate the number of sales and property tax growth.



City property tax estimates are based on information received from quarterly meetings with the Santa Clara County Assessor's Office. The estimate includes appeals on record with the Assessor's Office, additions to the roll, tax exempt properties and movements in assessed values. This FY 2018 forecast uses historical growth rates and information on any extraordinary transactions available to staff.

GENERAL FUND OVERVIEW

TRANSIENT OCCUPANCY TAX (TOT)

TOT receipts are brisk, especially with the advent of several new hotels in the past few years (two Hilton hotels, Epiphany, the Clement on El Camino Real, and the upgrade of the Quality Inn into the Nest).

Occupancy and room rate data indicate that at the end of FY 2017 around 77 percent of the rooms available will have been occupied and that the average daily room rate will hover around \$255 compared to 75 percent and \$249 per day in the same prior year period. The addition of rooms due to the new hotels has somewhat constrained occupancy levels hitting the 80 to 85 percent rates representing full occupancy, but room rates have risen and exceed those in prior years. The addition of higher end hotels has enhanced this revenue source both for the General Fund and for the City Council Infrastructure Plan project funding.

Revenues moved upward from \$16.7 million in FY 2015 to \$22.4 million in FY 2016. TOT for Fiscal Year 2017 is expected to reach \$24.2 million. Projections for FY 2018 stand at \$25.1 million, 3.8 percent or \$0.9 million above the projection for FY 2017.

The sharp increase in TOT from FY 2015 to projected FY 2018 is also attributable to the voter approved TOT increase from 12 to 14 percent starting January 2015. The revenue from a voter approved 2 percent Transient Occupancy Tax (TOT) increase plus revenue from four new hotels has been earmarked for transfer to the General Capital Improvement Fund (\$8.5 million), specifically for the City Council Infrastructure Plan.

UTILITY USERS TAX

The Utility Users Tax (UUT) revenue budget for FY 2018 fully includes the two changes approved by voters in November 2014: the telephone UUT rate reduction from 5.0 percent to 4.75 percent and the elimination of the large utility user discount. Originally, staff expected that telephone revenues would decline annually by an estimated \$0.16 million. Instead, revenues from this source in the first 7 months of FY 2017 have exceeded those in FY 2016 for the same period while the annual receipts for FY 2016 exceeded the FY 2015 receipts. Unfortunately, the City does not receive detailed information from service providers that would help explain trends in this revenue source. The City receives a "lump-sum" check from telephone companies on a monthly basis. Revenues in FY 2018 are budgeted at \$4.7 million.

Utility receipts from the UUT are based on the Utilities Department's five-year revenue projections. Proposed rate increases for FY 2018 are 14 percent for electric and up to 4 percent for water while gas rates are not expected to increase. The electric rate increase is related to several factors: increasing transmission costs and the cost of renewable projects coming online, substantial additional capital investment in the electric distribution system is planned through FY 2023, and operations cost increases. In addition, sales volumes have decreased which has a significant short term impact on revenue. Although increasing rates should result in higher UUT revenues, customers reduction in usage, both for electric and water; the latter as a response of past drought conditions, will moderate the UUT increase. Also, warm weather conditions can result in less gas usage and UUT revenue as well. For FY 2018 the General Fund is expected to realize \$9.2 million from utility sales.

Combined, telephone and utility UUT revenues for the FY 2018 Budget are estimated at \$13.9 million, representing growth of 5.2 percent over the revised FY 2017 year-end estimate of \$13.2 million.

DOCUMENTARY TRANSFER TAX (DTT)

After an exceptional year in FY 2015 with receipts reaching \$10.1 million attributable to several major commercial transactions, the DTT has returned to more “normal” levels. FY 2016 receipts were \$6.3 million and FY 2017 expected to be \$7.1 million. Adjusted Budget of \$7.1 million reflects an increase of \$323,000 over Adopted Budget. Through mid-March, revenues are running 25 percent above the same prior year period. At this time, it is anticipated that the City will realize \$6.9 million in FY 2018.

As stated in prior analyses, this revenue source can be unpredictable given that the volume and mix of commercial and residential transactions can vary significantly from year to year.

OTHER TAXES AND FINES

Staff anticipates that revenues in this category will increase just slightly from FY 2017 levels to \$2.1 million, a 1.9 percent increase from the FY 2017 Adopted Budget of \$2.0 million. The largest source of revenue in this category is derived from parking violations revenue, which staff estimates will increase by \$38,000 in Fiscal Year 2018 based on current tracking levels.

CHARGES FOR SERVICES

This revenue category consists of charges to Stanford for fire services, paramedic services, golf-related fees, arts and science classes, and plan check fees. In comparison to the Fiscal Year 2017 Adopted Budget revenue estimate of \$26.5 million, the Fiscal Year 2018 Budget estimate increases \$1.2 million, or 4.8 percent. A number of revenue adjustments have been made in this category from the FY 2017 Adopted level, and key changes are listed below:

- Opening of the City’s Golf Course in the fall/winter of 2017 (\$1.9 million);
- Development Services new technology fee and alignment to attain 100% cost recovery levels (\$659,000);
- Second year of the Planning Fee study revenues (\$263,000);
- Public Works Department Municipal Fee Schedules changes and revenue realignment (\$236,000);and
- Stanford Fire Services Contract fourth amendment (-\$2.0 million).

The \$2.0 million reduction in estimated Stanford Fire Services contract revenue reflects the annual value of the fourth amendment to the contract, ending June 30, 2017. On October 8, 2013, the City received a Notice of Termination letter from Stanford with the intention to terminate the contract with the City no sooner than one year and no later than two years from the date of the notice. The City continues to negotiate with Stanford to settle on a service level and cost. As outlined in CMR #7489, Stanford Fire Agreement 4th Amendment (<http://www.cityof-paloalto.org/civicax/filebank/documents/55187>), the Fourth Amendment provides for continuation of fire services at a fixed fee of \$4.8 million for nine months, a \$6.6 million annual value less revenue received for medical transport generated from calls for service on the Stanford campus. Therefore, the approximate net annual revenue to the City in the forth amendment is \$6.2

GENERAL FUND OVERVIEW

million. This budget assumes a Stanford reimbursement at this level for Fire Services; however, the actual contract value is subject to continued conversations with Stanford and a revised contract for fire services. Additional reimbursements from Stanford for Public Safety Dispatch Services are also budgeted resulting in a net reimbursement of \$7.1 million. Depending on the outcome of mediation, significant adjustments to the assumed reimbursement level of fire services in the General Fund may be necessary.

PERMITS AND LICENSES

Permits and Licenses consist of payments to the City for issuance of Building Permits, Fire Permits, and miscellaneous health and safety-related licenses. In comparison to FY 2017 the FY 2018 Budget revenue estimate of \$8.8 million, represents an increase of \$81,000, or 1.0 percent, primarily due to an increase in the Planning Fee Study (\$265,000) offset by a realignment of Public Works fees which were recategorized as Charges for Services (-\$199,000).

RETURN ON INVESTMENT

In the coming year, the expectation is the Federal Open Market Committee (FOMC) will slowly raise the interest rates. As interest rates rise, so will the yield on the City's investment portfolio. The actual earnings for FY 2016 were \$0.82 million, the budget for FY 2017 is \$975,000, and the forecast for FY 2018 is \$1.0 million. At its peak, in FY 2002, the General Fund earned \$4.2 million in interest income, back then both the City's investment portfolio yield and the General Fund cash balances were substantially higher.

RENTAL INCOME

The largest source of rental income comes from the City's Enterprise Funds and the Cubberley Community Center. The FY 2018 budget of \$15.6 million reflects a \$555,000 increase from the FY 2017 Adopted Budget, or 3.7 percent increase. The FY 2017 Adopted Budget assumed a decrease due to a projected loss in rental income as a result of Foothill College's departure from Cubberley. Staff actively pursued and recommend replacement tenants to offset this significant loss allowing the revenue estimate to be brought up to former levels in FY 2018. Slight annual rental increases for enterprise funded departments at General Fund properties are based on an assessment of these properties that was conducted in FY 2015 and adjusted annually for cost of living increases.

CHARGES TO OTHER FUNDS

This revenue category is the reimbursement received by the General Fund for the provision of administrative and other services to Enterprise and Internal Service Funds. The General Fund charges these funds for legal, human resources, finance, and general administration services based on cost allocations from the last completed fiscal year. Total administrative cost plan charges increased by \$310,000 or 2.9 percent from the Fiscal Year 2017 Adopted Budget level of \$10.8 million to the Fiscal Year 2018 Budget of \$11.1 million.

OTHER REVENUES

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; and other one-time revenue sources such as grants. Compared to the Fiscal Year 2017 Adopted

Budget of \$1.4 million, other revenues are \$238,000 lower in the Fiscal Year 2018 Budget at \$1.2 million mainly due a realignment of base revenue estimates and historical activity levels.

OPERATING TRANSFERS-IN

In comparison to the Fiscal Year 2017 Adopted Budget transfer-in amount of \$20.0 million, the Fiscal Year 2018 Budget amount of \$20.8 million represents an increase of \$744,000 due to adjustments to the equity transfer from the Enterprise Funds. The largest component of this revenue category is the \$19.5 million equity transfer from the Enterprise Funds, which represents the return on the initial investment the City made when the Utility Department was created more than 100 years ago. 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. The rate of return is based on PG&E's rate of return on equity as approved by the California Public Utilities Commission (CPUC).

EXPENSES

Fiscal Year 2018 Budget expenditures amount to \$210.0 million for the General Fund, an increase of approximately \$15.3 million, or 7.9 percent, compared to the Fiscal Year 2017 Adopted Budget of \$194.7 million. Details of major expenditure categories are discussed below.

SALARY AND BENEFITS

Salary and benefit costs in the General Fund for Fiscal Year 2018 total \$125.8 million, a \$9.4 million or 8.1 percent increase compared to the Fiscal Year 2017 Adopted Budget of \$116.4 million. The main reasons for the increase in salary and benefits costs are increased salaries and City CalPERS contributions for pensions, along with slightly increased healthcare costs.

As a result of previous years' cost containment strategies, the City found that salaries of City of Palo Alto employees, primarily public safety employees, had fallen behind market rate compared to other local jurisdictions. On April 11, 2016, the City Council approved City Managers' Report (CMR) #6789, Adoption of MOA for PMA, POA, SEIU, and IAFF, with additional changes approved on March 27, 2017 for FCA (CMR #7840). The ongoing implications of those MOAs are included in this budget. It is the City's desire to retain and attract a talented workforce; therefore, this budget includes salary and benefits increases to continue to adjust employees' salaries relative to the market over the next few years. Salaries of \$74.8 million budgeted in FY 2018 reflect a 5.8% increase from FY 2017 levels of \$70.7 million.

In addition, CalPERS has increased its pension rates as a result of decreased confidence in the rate of return and the performance of its investment portfolio. Although the actuarial analysis that informs the FY 2018 budget does not yet factor impacts in the decrease in the rate of return from 7.5% to 7.0% (phased in over three years beginning in FY 2019) the rate for both the safety plan and the miscellaneous plan increased. The Safety Plan rate increased by 4.2 percent, from 45.5 percent to 49.7 percent. The Miscellaneous plan increased by 1.3 percent, from 28.9 percent to 30.2 percent. When those increases are compounded by the growth in salaries, pension costs increase by \$2.43 million to \$23.63 million from the Fiscal Year 2017 level of \$21.20 million, an 11.4% increase.

The City has anticipated these increasing pension costs and actively sought strategies to address this growing liability. The FY 2018 Budget does contemplate that employees will pick

GENERAL FUND OVERVIEW

up a portion of the employer share of pension contributions as agreed to in the most recent round of labor negotiations, an important cost containment strategy. Miscellaneous employees in the General Fund will pick up 1.0 percent by July 1, 2018 and Public Safety employees will pick up 3.0 percent by July 1, 2018. Additionally, the City has established an irrevocable IRS Section 115 Pension Trust Fund in order to proactively contribute funding that can be used to supplement the City's retirement contributions in order to minimize the risk of volatility to the City in the future. Additional details of this can be found in the Employee Information section of this document. Lastly, health insurance costs, including vision and dental, are anticipated to increase by \$500,000, or 3.75 percent, from \$13.3 million to \$13.8 million.

The FY 2018 Budget continues the methodology established in the prior year for budgeting salaries and benefits. This methodology represents the agreed upon terms for memorandums of agreement with the respective costs for those terms are budgeted directly in departmental sections. It is important to note when looking at the budget section for a department, there may be a significant increase from FY 2016 actuals to FY 2017 Adopted Budget. This is to be expected, as the actual expenses for a department are a function of vacancies and costs actually incurred, while the Budget presumes a lower vacancy rate. Anticipated General Fund vacancy savings in FY 2018 totaling \$2.2 million are spread across departmental appropriations based on an analysis of historical vacancy trends.

The costs of Other Benefits also increased significantly; in FY 2017, \$2.1 million was budgeted for Other Benefits, while in FY 2018 \$4.7 million is budgeted. This reflects the reversal of one-time reductions in the Workers' Compensation and General Liability Internal Service Funds' (ISF) allocated charges to other City funds that were used in FY 2017 as a temporary budget balancing strategy. The allocated charges budgeted in various City funds and the corresponding transfers into these two ISFs were frozen since sufficient fund balance had been maintained to support the work in these funds for one year. The allocations were reinstated in FY 2018 to ensure that the levels necessary to fund the ongoing expenses will be sustained.

NON-DEPARTMENTAL EXPENSES

Non-departmental appropriations include expenses that are not directly related to the operation of a particular department such as payments to the Palo Alto Unified School District (PAUSD) as part of the Cubberley Community Center lease or debt service. As a result of negotiations with PAUSD, \$1.9 million will be transferred annually from the General Fund to the Cubberley Infrastructure Fund for infrastructure improvements at the community center. This amount is included in the Operating Transfers Out discussion below.

A transfer from the General Fund to reimburse the Electric Fund for electricity costs associated with City streetlights and traffic signals in the amount of \$2.3 million was first approved by the City Council as part of the FY 2017 Adopted Budget. As part of the Electric Fund Cost of Services Analysis (COSA), these costs were identified as more appropriately aligned with the General Fund. This transfer was evaluated and an increase of \$130,000 is recommended as part of the FY 2018 Budget.

CONTINGENCY ACCOUNTS

Contingency accounts are budgeted appropriations that are used at the discretion of the City Council, City Manager, City Attorney, or Human Resources Director/Chief People Officer to fund

unanticipated expenses. As part of the FY 2018 Budget, the City Council contingency will be reduced from \$250,000 to \$225,000 to help close the budgetary gap between revenues and expenses. The City Council approves any use of the City Council contingency and the City Manager has to approve the use of any other contingency. The Fiscal Year 2018 Budget includes \$811,000 in these accounts.

OPERATING TRANSFERS OUT

Funds are transferred to the Capital Improvement, Cubberley Infrastructure, Debt Service, and Technology Internal Service Funds on an annual basis. In Fiscal Year 2018, \$26.7 million is programmed to be transferred into these funds. In addition, \$200,000 will be transferred to the Airport fund as part of a multi-year loan, \$173,000 will be transferred to the University Avenue Parking District, \$155,000 will be transferred to the Public Art Fund, and \$75,000 will be transferred to the California Avenue Parking District Fund. Additionally, a \$2.5 million transfer to the Electric Fund is budgeted as a result of the electricity costs associated with streetlights and traffic signals. Transfers out of the General Fund in Fiscal Year 2018 total \$29.6 million, representing a \$5.9 million increase compared to FY 2017. That increase is primarily due to the reversal of a one-time reduction in the FY 2017 base General Fund transfer to the General Capital Improvement Fund.

RESERVES

The City's general reserve is referred to as the Budget Stabilization Reserve, or BSR. By policy, the City maintains a reserve level of 15-20 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 percent. The City Manager is authorized, at his/her discretion, to transfer any amount in excess of 18.5 percent to the Capital Projects Infrastructure Reserve. At this time, staff projects the FY 2017 BSR to end the year at approximately \$42.3 million, or 20.7 percent of the FY 2017 Modified Budget expenditure levels. The FY 2018 Budget is projected to have a \$39.1 million BSR balance, or 18.6 percent of the Fiscal Year 2018 General Fund expenditure budget of \$210.0 million. This balance includes one-time use of this reserve of \$3.2 million; however, both FY 2019 and 2020 are anticipated to have slight surpluses. The projected balance is approximately \$273,000 above the City Council target level of 18.5% or \$38.9 million.

GENERAL FUND RESERVES

Reserves

	FY 2016 Actuals	FY 2017 Proposed Changes	FY 2017 Net Adjustments	Projected FY 2017 Year-End	Projected FY 2018 Proposed Budget	Projected FY 2018 Year-End
Budget Stabilization Reserve (BSR) Activity:						
BSR	51,582	162	(9,426)	42,318	(3,189)	39,129
Other Reserve Activity:						
Human Services Resource Allocation Process (HSRAP) Reserve	-	-	-	50	-	50
Encumbrance & Reappropriation	6,195	-	-	6,195	-	6,195
Inventory of Materials & Supplies	4,364	-	-	4,364	-	4,364
Notes Receivable, Prepaid Items, Interfund Advances, & Unrealized Gains and Losses	4,790	-	-	4,790	-	4,790
Total Reserves	66,931	162	(9,426)	57,717	(3,189)	54,528
1. The BSR is projected to be 18.6 percent of the FY 2018 Proposed Expense Budget at the end of FY 2018. 2. City reserve policy indicates a 15-20 percent range, with an 18.5 percent target. 3. Minimum FY 2018 BSR \$31.5 million (15 percent); Maximum FY 2018 BSR \$42.0 million (20 percent). 4. Target FY 2018 BSR \$38.9 million (18.5 percent). 5. Projected FY 2017 BAOs assumes City Council approved budget adjustments through February 2017. This includes a \$2.1 million transfer for the establishment of an irrevocable IRS Section 115 Pension Trust Fund; funds were previously reserved in the BSR as approved by the City Council in the FY 2016 Year End Review and FY 2017 Adopted Budget. 6. This assumes the Human Services Resource Allocation Process Reserve will not be spent in FY 2017 and is recommended to be carried forward to FY 2018.						

Revenue Description

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.

GENERAL FUND REVENUE DESCRIPTIONS

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 \$110 million through Fiscal Year 2017 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. In fact, the City receives around 9 percent or 9 cents for every property tax dollar a property owner pays to the county. The majority of the tax dollar paid or 57 percent goes to the school district, 15 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 percent tax rate paid for goods sold within Palo Alto, the City receives 1.0 percent point of the purchase price or 11.8 percent for each tax dollar paid. The remaining sales tax dollars are distributed as follows: State of California (5.75 percentage points), Santa Clara County

GENERAL FUND REVENUE DESCRIPTIONS

(0.125 percentage point), Santa Clara Valley Transportation Districts (1.625 percentage point), and the Public Safety Fund (0.5 percentage point).

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.

TRANSIENT OCCUPANCY TAX

The Transient Occupancy Tax rate in Palo Alto is 14 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 2014, Palo Alto voters approved increasing the tax rate from 12 percent to 14 percent. The rate increase was effective as of January 1, 2015.

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 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 revenue. Other revenue items in this category include traffic violations, administrative citations, and library fines and fees.

CHARGES FOR SERVICES

Departmental charges are comprised of fees charged for services which are primarily provided by the following departments: Community Services, Development Services, Planning and Community Environment, 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 percent of the Police Department's Communication and Dispatch Division. The Stanford contract for Fire Services is currently under negotiation.

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 Enterprise Funds and the Cubberley Community Center.

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 People Strategy and Operations 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

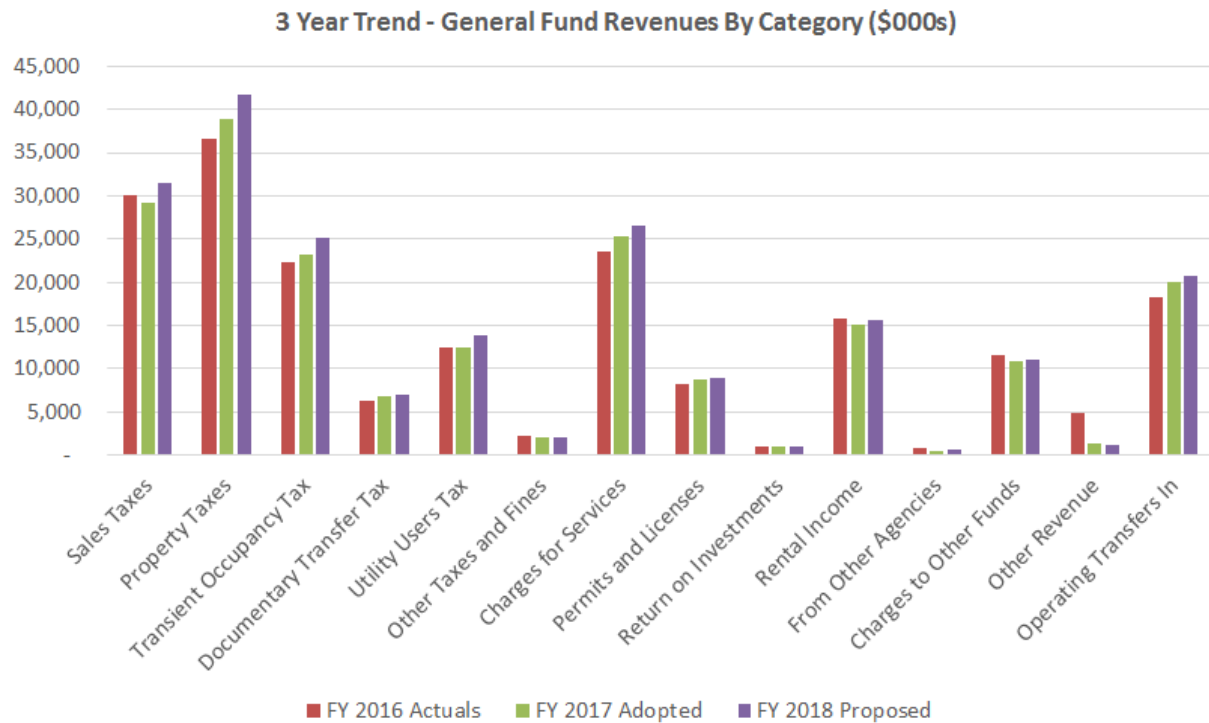
Operating Transfers include the equity transfer from the Electric and Gas Funds. In accordance with a methodology approved by Council in June 2009, the equity transfer is calculated by applying a rate of return to the capital asset base of the Electric and Gas Funds. This rate of return is based on PG&E's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

GENERAL FUND REVENUE BY CATEGORY

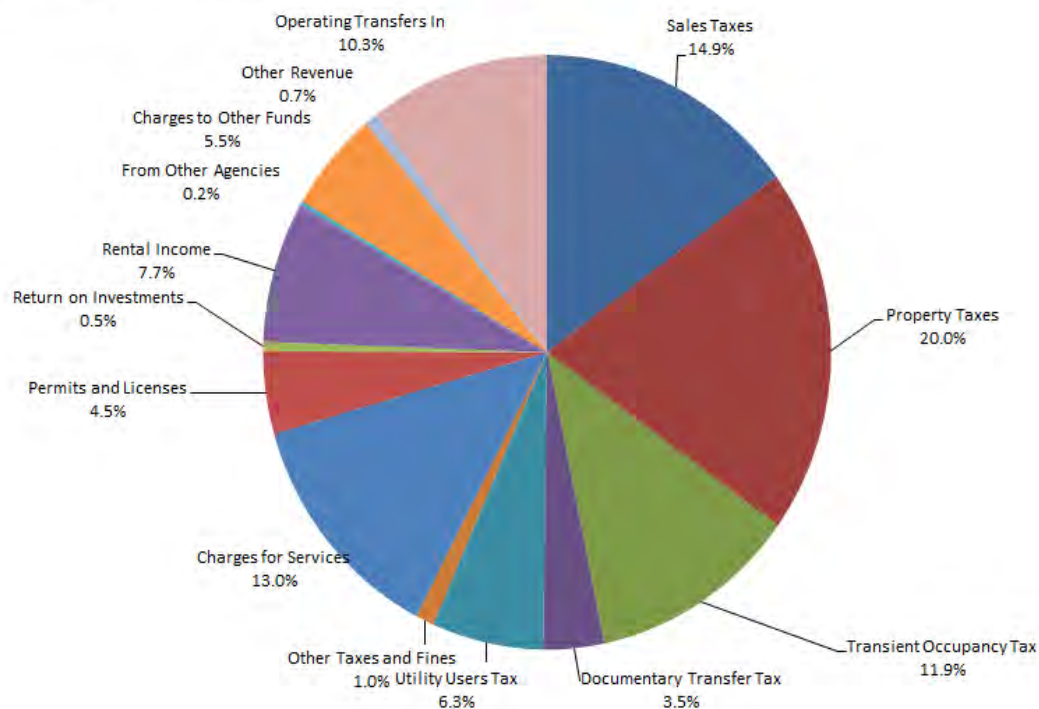
Total General Fund Revenue by Category

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Sales Taxes	29,675	30,018	29,150	31,458	2,308	7.9%
Property Taxes	34,117	36,607	38,953	41,727	2,774	7.1%
Transient Occupancy	16,699	22,366	23,134	25,143	2,009	8.7%
Documentary Transfer Tax	10,051	6,266	6,747	6,930	183	2.7%
Utility Users Tax	21,723	12,469	12,379	13,867	1,488	12.0%
Other Taxes and Fines	1,899	2,238	2,022	2,060	38	1.9%
Charges for Services	25,472	23,562	25,282	26,497	1,215	4.8%
Permits and Licenses	7,621	8,263	8,756	8,837	81	0.9%
Return on Investments	1,118	1,037	975	1,024	49	5.0%
Rental Income	17,533	15,842	15,021	15,575	554	3.7%
From Other Agencies	1,555	719	441	688	247	56.0%
Charges to Other Funds	10,416	11,576	10,766	11,076	310	2.9%
Other Revenue	3,095	4,899	1,406	1,169	(237)	-16.9%
Total Revenues	180,974	175,862	175,032	186,051	11,019	6.3%
Operating Transfers In	17,796	18,317	20,046	20,791	745	3.7%
Total:	198,770	194,179	195,078	206,842	11,764	6.03%

GENERAL FUND REVENUE BY CATEGORY

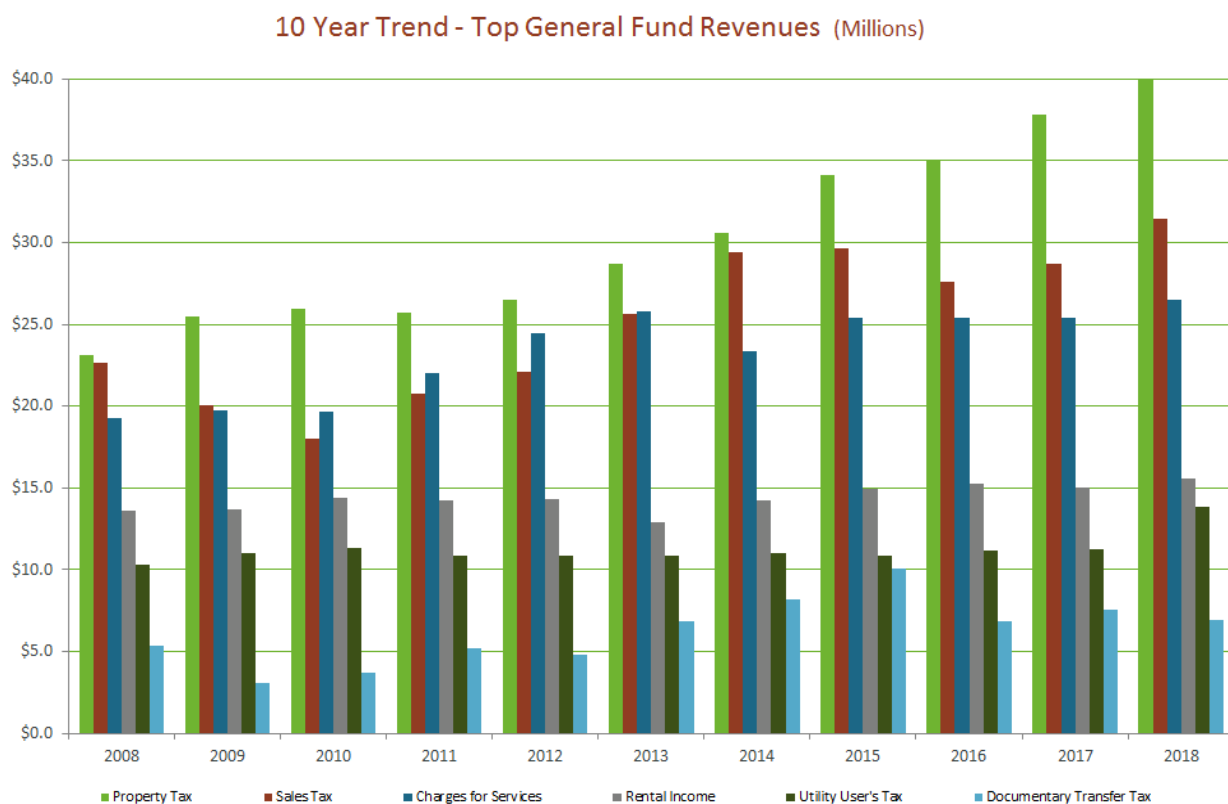


\$206.8 Million/FY 2018 Proposed



GENERAL FUND REVENUE BY CATEGORY

10 YEAR TREND - TOP GENERAL FUND REVENUES



GENERAL FUND EXPENDITURES BY DEPARTMENT

Total General Fund Expenditures by Department

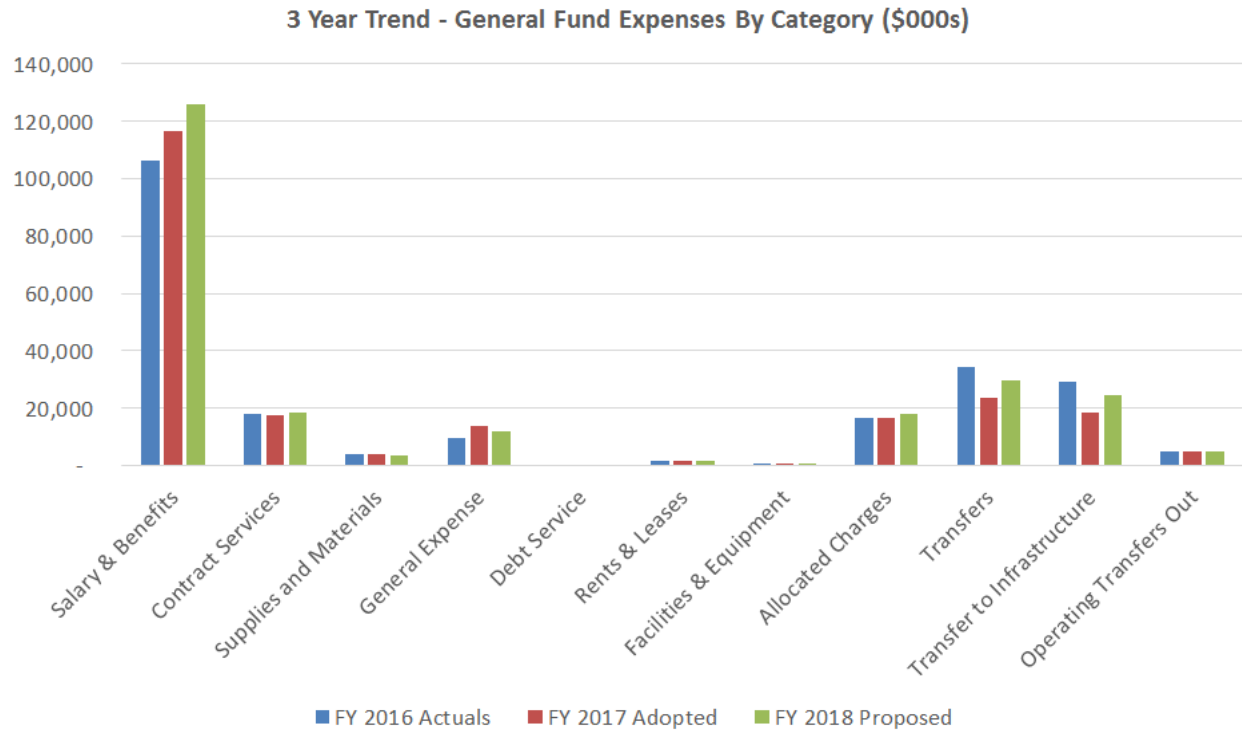
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Administrative Services	7,133	7,497	7,798	8,033	235	3.0%
City Attorney	2,586	2,796	3,179	3,356	177	5.6%
City Auditor	1,100	1,112	1,221	1,281	60	5.0%
City Clerk	1,079	1,001	1,370	1,374	4	0.3%
City Council	361	430	501	500	(1)	-0.2%
City Manager	2,365	3,097	2,882	3,308	426	14.8%
Community Services	23,042	24,272	25,390	27,454	2,064	8.1%
Development Services	9,893	10,665	12,169	12,540	371	3.0%
Fire	26,191	27,553	28,947	31,774	2,827	9.8%
Human Resources	3,263	3,559	3,357	3,757	400	11.9%
Library	7,980	7,960	8,992	9,446	454	5.0%
Non-Departmental	13,722	6,235	10,139	8,285	(1,854)	-18.3%
Office of Emergency Services	1,169	1,044	971	1,039	68	7.0%
Office of Sustainability	496	495	499	524	25	5.0%
Planning and Community Environment	7,434	8,880	8,768	8,452	(316)	-3.6%
Police	34,559	35,666	38,137	42,333	4,196	11.0%
Public Works	13,274	14,326	16,224	17,013	789	4.9%
Subtotal Departments	155,647	156,588	170,544	180,469	9,925	5.8%
Transfer to Infrastructure	21,610	29,366	18,486	24,677	6,191	33.5%
Operating Transfers-Out	2,606	5,095	5,136	4,885	(251)	-4.9%
Total	179,863	191,049	194,166	210,031	15,865	8.2%

GENERAL FUND EXPENDITURES BY CATEGORY

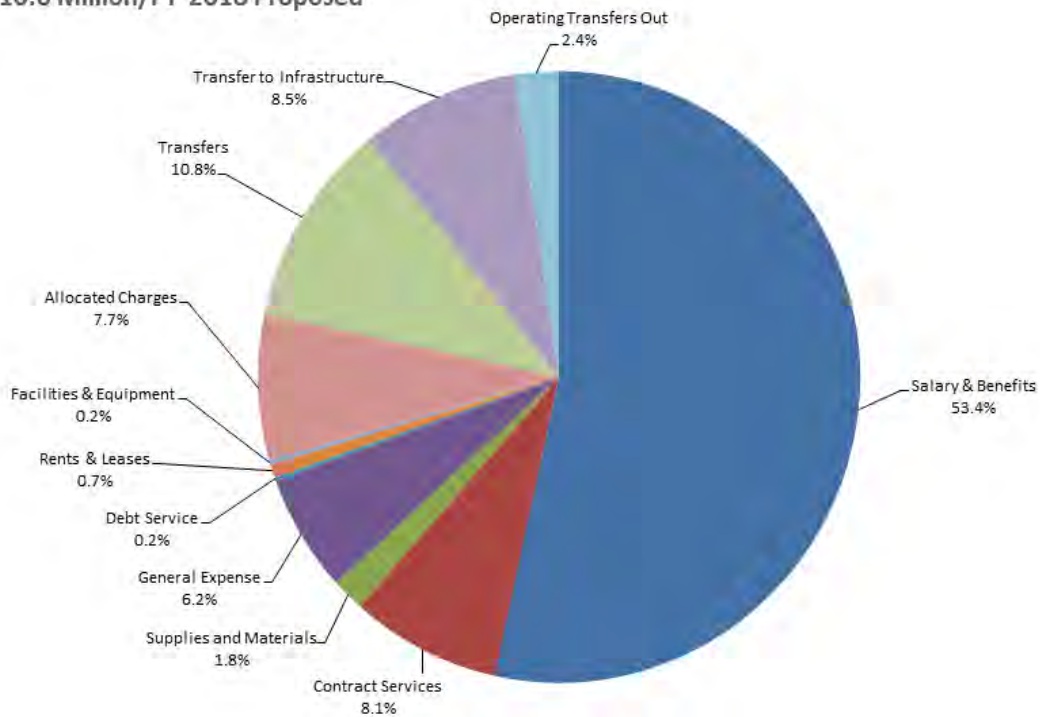
Total General Fund Expenditures by Category

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Salary & Benefits	102,531	106,185	116,394	125,831	9,437	8.1%
Contract Services	14,919	17,803	17,539	18,677	1,138	6.5%
Supplies and Materials	3,844	3,771	3,835	3,583	(252)	-6.6%
General Expense	16,740	9,568	13,551	11,889	(1,662)	-12.3%
Debt Service	428	431	432	432	0	0.0%
Rents & Leases	1,319	1,537	1,530	1,567	37	2.4%
Facilities & Equipment	414	537	511	517	6	1.2%
Allocated Charges	15,452	16,756	16,752	17,973	1,221	7.3%
Total Expenses	155,647	156,588	170,544	180,469	9,925	5.8%
Transfer to Infrastructure	21,610	29,366	18,486	24,677	6,191	33.5%
Operating Transfers Out	2,606	5,095	5,136	4,885	(251)	-4.9%
Total Use of Funds	179,863	191,049	194,166	210,031	15,865	8.2%

GENERAL FUND EXPENDITURES BY CATEGORY



\$210.0 Million/FY 2018 Proposed





ENTERPRISE FUNDS



CITY OF
**PALO
ALTO**

ENTERPRISE FUNDS OVERVIEW

Overview

The City of Palo Alto's utility and public works operations are comprised of the Airport, Electric, Fiber Optics, Gas, Refuse, Storm Drainage, 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 Fiscal Year 2018 is \$359.7 million, which is \$13.4 million, or 3.9 percent, higher than Fiscal Year 2017. Similar to prior years, this increase is largely attributable to higher net sales revenue based on planned rate increases, as well as operating transfers in revenues for capital projects. Utility services with rate increases for FY 2018 include Electric, Fiber Optics, Gas, Refuse, Storm Drainage, and Water, with a varying degree of increases. Electric rates are scheduled to increase the most at 14% and 12% for commercial and residential customers, respectively. This increase in electric rates is anticipated to result in approximately \$4.1 million in additional revenue. Wastewater Collection rates will remain the same for FY 2018.

EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for FY 2018 is \$395.8 million, which is \$4.7 million, or 1.2 percent, lower than FY 2017. Compared to FY 2017, Capital Improvement Program (CIP) costs are decreasing approximately \$20.4 million; however, this decrease is largely offset by increases in other areas, including approximately \$10.8 million in Utility Purchase costs based on market adjustment commodity costs, approximately \$3.2 increase in salaries and benefits for medical contributions and other benefits adjustments, an increase of \$0.8 million for contract services, and an increase of \$0.7 million in the Equity Transfer amount.

UTILITY RATE CHANGES

FY 2018 Budget includes utility rate adjustments for Electric, Fiber Optics, Gas, Refuse, Storm Drainage, and Water charges. The median monthly residential utility bill is expected to increase by 2.5 percent or \$6.79 from \$271.60 to \$278.39.

In general, the size and timing of rate adjustments takes into account current and future revenue requirements and reserve levels. They may also cushion the impacts on customer bills by spreading rate adjustments during consecutive or alternate years.

- Electric Fund - Scheduled rate increase is 14.0 percent overall to rising transmission costs, new renewable projects coming online, and increased operating and capital costs to address deferred maintenance and capital replacement. The average residential rate increase is 12.0 percent compared to 14.0 percent for non-residential customers.

ENTERPRISE FUNDS OVERVIEW

- Gas Fund - Scheduled rate increase is 4.0 percent due to adoption of the Carbon Neutral Gas Plan, which is used by the City to purchase carbon offsets to neutralize emissions associated with natural gas usage.
- Water Fund - Scheduled rate increase is up to 4.0 percent due to rising water supply costs, in particular the costs of water supplied by the San Francisco Public Utilities Commission (SFPUC), and reduced revenues from lowered water usage during the drought. Staff is proposing the drought surcharge be lifted due to changes in hydrologic conditions this winter. By removing the drought surcharge, most residential water utility bills will decrease by approximately 2 to 3 percent, based on similar usage, even with the up to 4.0 percent rate increase.
- Wastewater Collection Fund - No rate increase is scheduled for FY 2018.
- Fiber Optics Fund - Scheduled rate increase is 3.5 percent based on Consumer Price Index (CPI) increase for customers on the EDF-1 rate.
- Storm Drainage Fund - An average increase of \$0.65 per month was recently approved by the City property owners through a ballot measure in April 2017. This new Storm Water Management fee, which consists of a base component and a projects and infrastructure component, will average \$13.65 per month and will go into effect starting in FY 2018. The projects and infrastructure component of this fee has a sunset date of June 1, 2032 unless extended through a subsequent ballot measure.
- Refuse Fund - Scheduled rate increases are 9.0 percent and 5.0 percent for residential and commercial customers, respectively. This is the second year of a three year plan to balance refuse revenues with costs and to implement a new residential food scrap collection program.

RENT

Enterprise Funds pay market-based rental fees for the sites needed to conduct their business operations. The rent paid for City-owned sites was adjusted due to an independent appraisal of all sites, and an annual CPI increase of 3.2 percent was applied. As a result, the rent for FY 2018 will increase by approximately \$0.3 million compared to FY 2017.

EQUITY TRANSFERS

In FY 2009, the Council adopted a change to the methodology, effective starting in FY 2010, used to calculate the equity transfer from Utilities Funds to 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 2018, the equity transfers from the Electric and Gas Funds are projected to increase by approximately \$0.7 million from \$18.8 million in FY 2017 to \$19.5 million.

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 cash for 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 a new practice established in FY 2016, the reappropriation of Capital budgets for continuing projects previously approved and appropriated by the City Council in prior fiscal years is shown as expenditures in the operating budget for each Enterprise fund. The inclusion of these costs impacts the fund balance of the respective Enterprise Funds. To highlight this difference between the use of operating reserves and capital reappropriations, the capital reappropriations and their impact on fund reserves are reflected in the Capital Improvement Program Reserve line of the Enterprise Funds Reserve table.

Based on the actions approved by the City Council, the total Enterprise Fund Reserve Balances are estimated to decrease by \$30.8 million from FY 2017 to FY 2018.

UTILITIES ENTERPRISE FUNDS

The City of Palo Alto Utilities (CPAU) had to rely on its reserves more heavily over the past few years to offset rate increases. In order for CPAU to cover its operating costs while maintaining and continuing to provide safe and reliable utility services to customers, rate increases are projected beyond FY 2018. Rate increases will ensure CPAU the ability to replenish depleted reserves and provide funding sufficient to provide for continued increasing expenses for commodity costs and repair and replacement of the City's aging utility infrastructure through various capital projects.

Electric

FY 2018 electric rates are scheduled to increase by 14.0 percent overall to recover from increasing transmission costs, new renewable projects coming online, substantial additional capital investment in the electric distribution system, and lower than projected sales. Beyond FY 2018, rates are projected to increase by 7.0 percent in FY 2019 before stabilizing to 1.0 percent increase annually through FY 2022. The average residential rate increase is approximately 12.0 percent compared to 14.0 percent for non-residential customers. The recent rate increase beginning in FY 2017 was the first in many years as this fund was heavily impacted by the drought. While long-term costs did not increase significantly from 2009 through 2016, the City drew down reserves in order to avoid any rate increases over those years. The primary reason for the recommended rate increase is not to replenish reserves, but to pay for long-term capital investment, operations and carbon neutral electric supply.

Gas

FY 2018 gas rates are scheduled to increase by 4.0 percent as a result of adoption of the Carbon Neutral Gas Plan, even though there is no distribution-related gas rate change. In future years, CPAU anticipates that costs associated with the Carbon Neutral Gas Plan will change with the price of offsets and will be passed to customers. From FY 2018 through FY 2027, non-commodity costs are projected to increase approximately 3 to 4 percent annually. In the short term, some of these costs are related to the cross-bore inspection program, as well as cap-and-trade and carbon neutral allowance purchase costs. Capital project costs have increased as the economy has improved, and while CPAU plans a new gas main replacement project every year, recent larger than expected bids have required resizing and redesigning of some of the existing

ENTERPRISE FUNDS OVERVIEW

projects, causing delays. As such, the next new main replacement project will take place in FY 2019, and capital project costs for FY 2017 and FY 2018 are lower than normal by approximately \$3.7 million in order to ensure capacity to complete projects already in progress.

Water

FY 2018 water utility rates are scheduled to increase by up to 4.0 percent due to rising water supply costs, in particular costs of the water supplied by SFPUC, which is issuing new debt to fund major improvements to its Hetch Hetchy transmission system, and reduced revenues from lowered water usage during the drought. The main driver for the increase over the next several years is the escalating cost of wholesale water. Wholesale water costs, adopted by SFPUC, generally change annually. In FY 2017, the SFPUC's wholesale rate rose by 9.0 percent. From FY 2018 through 2027, the cost of water is projected to rise by 2.0 to 3.0 percent annually. Beginning in FY 2018, the drought surcharge is proposed to be lifted due to changes in hydrologic conditions this winter. By removing the drought surcharge, most residential water utility bills will decrease by approximately 2 to 3 percent, based on similar usage, even with the up to 4.0 percent rate increase.

Wastewater Collection

FY 2018 wastewater collection rates remain unchanged. However, CPAU anticipates treatment costs to rise substantially over the forecast period due to increasing operating costs and capital replacement needs at the Regional Water Quality Control Plant. In addition, capital and operating costs are anticipated to gradually increase for the wastewater collection system. As a result, rate increases of 7.0 percent are projected for FY 2019 through 2023.

Fiber Optics

Fiber optics rates are scheduled to increase by 3.5 percent for customers on EDF-1 rate schedule in FY 2018. CPAU provides commercial dark fiber optic services within the boundaries of the City. In September 2006, Council approved the Dark Fiber Licensing Agreement allowing the commercial fiber optic fees charged under the EDF-1 and EDF-2 rate schedules to be adjusted annually in accordance with CPI, which is 3.5 percent in FY 2018. EDF-1 was a promotional rate and was closed to new Dark Fiber licenses in 2006. Customer expenses for engineering, construction and connection to the fiber optic backbone are charged under EDF-2 rates.

New fiber customers are enrolled under Dark Fiber Licensing Services Rate Schedule EDF-3. As CPI increases are implemented for the EDF-1 rate, some customers may voluntarily choose to move from the EDF-1 rate to the EDF-3 rate for cost saving purposes.

PUBLIC WORKS ENTERPRISE FUNDS

Refuse

FY 2018 refuse rates are scheduled to increase by 9.0 percent and 5.0 percent for residential and commercial customers, respectively. This is the second year of a three year plan to balance refuse revenues with costs and to implement a new residential food scrap collection program. Under the City's Zero Waste goals, residential and commercial communities can benefit from local sustainable material management and reduce waste sent to landfills. The Refuse Fund works with the City's communities and continues making progress on Zero Waste goals to divert 90 percent or more waste from landfills by FY 2021. Through a combination of commu-

nity outreach, educational strategies and policy, the City can accomplish initiatives to divert over 2,500 tons of food scraps from residential garbage and 4,000 tons of food scraps from commercial garbage to beneficial use. Initially the Zero Waste program impacted the Fund negatively by loss of incoming revenue based on the amount of refuse collected and closure costs associated with the City's landfill. However, adjustments to refuse rates along with reductions in expenditures are stabilizing the Refuse Fund which will continue to sustain itself.

Storm Drain

An average increase of \$0.65 per month was recently approved by the City property owners through a ballot measure in April 2017. This new Storm Water Management fee, which will average \$13.65 per month, will go into effect starting in FY 2018. The projects and infrastructure component of this fee has a sunset date of June 1, 2032 unless extended through a subsequent ballot measure. The Storm Drainage fund maintains activities that ensures adequate local drainage of the City's storm drainage system and provides litter reduction, urban pollution prevention programs and flooding emergency response services with the goals of reducing storm water runoff and maintaining storm water quality protection for discharge to creeks and the San Francisco Bay.

Wastewater Treatment

The City's Regional Water Quality Control Plan serves six communities including Palo Alto, East Palo Alto, 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 and the environment. FY 2018 revenues in the Wastewater Treatment Fund are expected to increase by \$6.45 million or 13.4 percent, compared to FY 2017. The majority of the increase resulted from State Revolving Fund Loans for programmed FY 2018 - 2022 capital improvement expenditures and partner revenue increases outlined in the Wastewater Treatment Fund section of the Public Works Department.

Airport

The Palo Alto airport ranks among the busiest general aviation airports in the country, and the City assumed airport operations from Santa Clara County in August of 2014. Under previous terms, the County exercised the right to sublease to Fixed Base Operators (FBOs) with agreements that are scheduled to expire in April 2017. Until these FBOs lease agreements expire, the airport does not have the ability to increase revenues (approximately \$1 million in additional revenues) to cover operating and non-grant funded capital expenses. Once FBOs leases expire, Airport fund revenues are projected to increase based on rental income, and expenses are also projected to increase for maintenance and cleaning responsibilities that were assumed from the FBOs. In addition to the impact from lease expirations with FBOs, the airport is undergoing major construction projects with its costs partially offset by Federal Aviation Grants. To ensure sufficient funding for operating costs and ensure continued services with minimal service delivery impact, the Airport fund will receive a \$0.2 million loan from the General Fund for FY 2018 for a total loan of \$3.1 million from the General Fund.

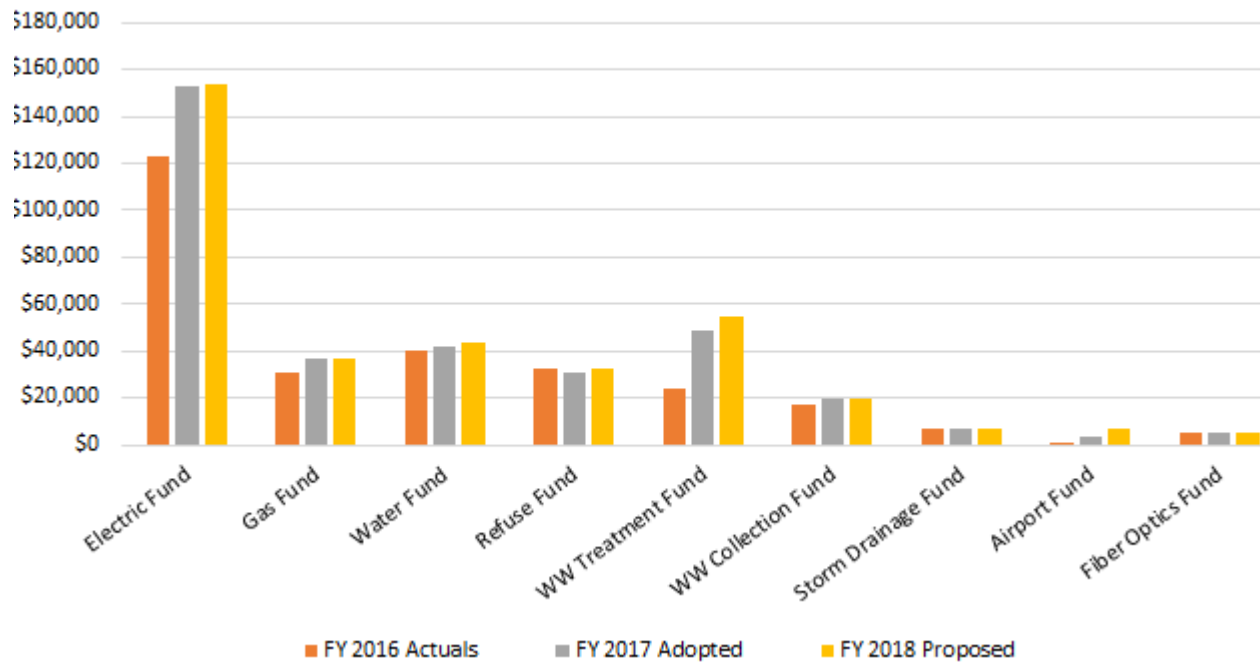
ENTERPRISE FUNDS OVERVIEW

Enterprise Funds Summary

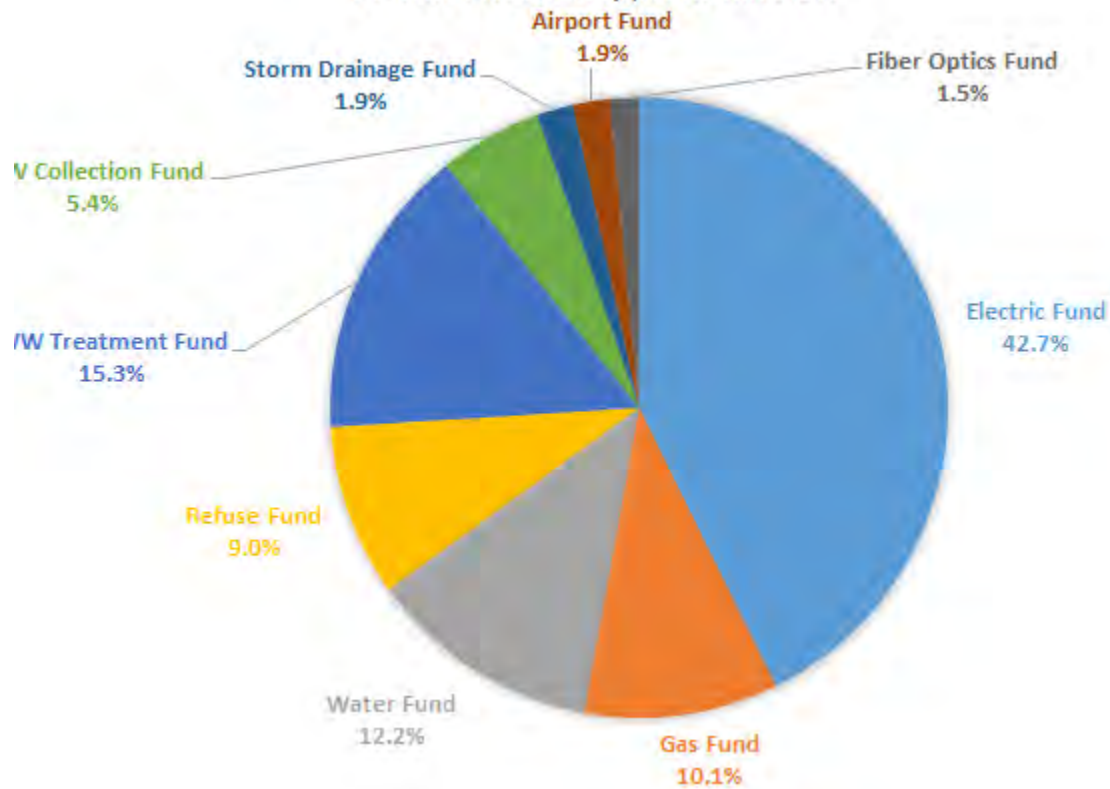
Fund Summary (\$000)	Electric Fund	Gas Fund	Water Fund	Refuse Fund	Waste-water Treatment Fund	Waste-water Collection Fund	Storm Drainage Fund	Airport Fund	Fiber Optics Fund	Total
Revenues										
Charges for Services	230	20	10	34	—	10	118	—	—	422
Charges to Other Funds	309	96	84	211	52	30	—	—	—	781
From Other Agencies	—	—	577	—	27,098	—	—	4,860	—	32,535
Net Sales	136,139	34,740	40,914	29,360	27,140	17,957	6,613	545	4,891	298,298
Operating Transfers-In	3,465	—	512	—	—	—	—	200	—	4,178
Other Revenue	11,029	1,061	904	2,546	427	1,058	—	15	200	17,240
Other Taxes and Fines	—	—	—	—	4	—	3	—	—	7
Rental Income	—	—	—	—	—	—	—	1,280	—	1,280
Return on Investments	2,508	526	775	179	199	267	130	2	366	4,952
Total	153,680	36,443	43,777	32,329	54,920	19,322	6,863	6,902	5,457	359,691
Expenses										
Allocated Charges	9,112	3,935	4,407	1,866	6,318	2,606	1,428	538	616	30,826
Contract Services	6,850	1,446	828	6,881	2,305	248	490	147	458	19,653
Debt Service	8,782	803	3,223	156	1,469	129	949	—	—	15,510
Equity Transfer	12,754	6,733	—	—	—	—	—	—	—	19,487
Facilities & Equipment	44	20	2	3	8	3	8	—	—	87
General Expense	3,380	780	666	112	506	122	179	30	14	5,790
Operating Transfers-Out	401	900	649	62	206	393	27	10	123	2,771
Rents & Leases	5,603	729	2,932	2,303	—	400	47	12	77	12,102
Salary & Benefits	15,479	6,441	6,950	2,896	12,536	2,782	1,406	718	1,194	50,402
Supplies & Material	871	497	610	143	2,051	386	95	56	9	4,718
Utility Purchase	91,705	15,587	21,090	16,253	—	9,916	—	—	—	154,550
Capital Improvement Program	25,559	5,224	6,382	—	30,988	3,895	405	5,627	1,819	79,900
Total	180,542	43,093	47,738	30,675	56,387	20,879	5,035	7,138	4,310	395,797

ENTERPRISE FUNDS OVERVIEW

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

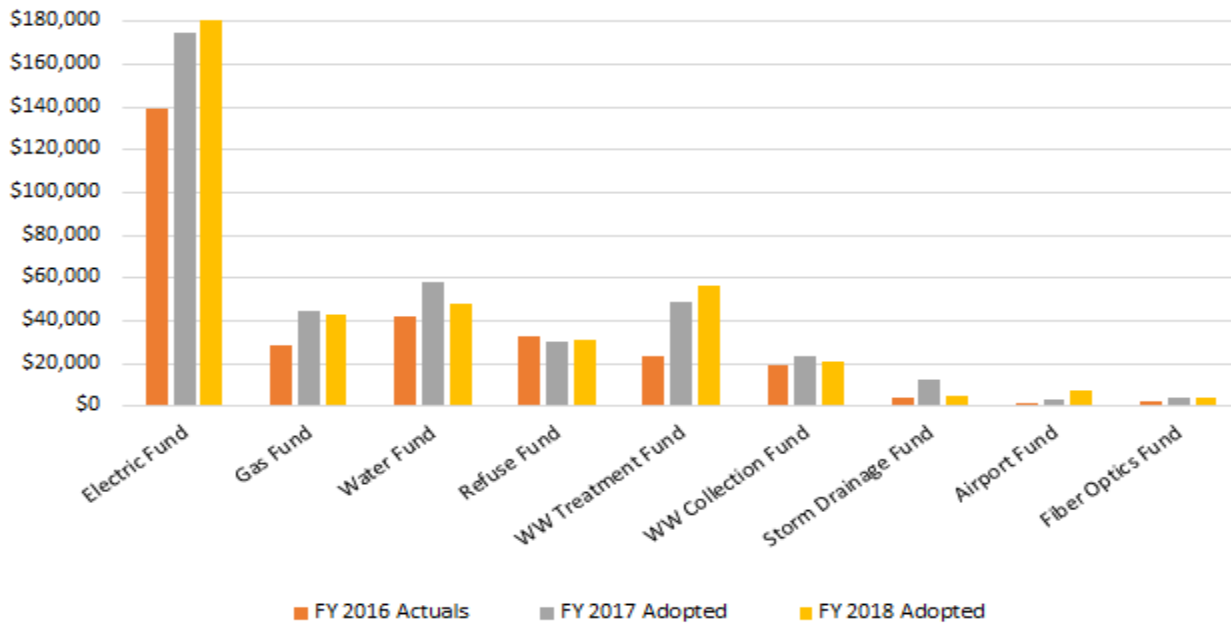


FY 2018 PROPOSED/\$359.7 MILLION

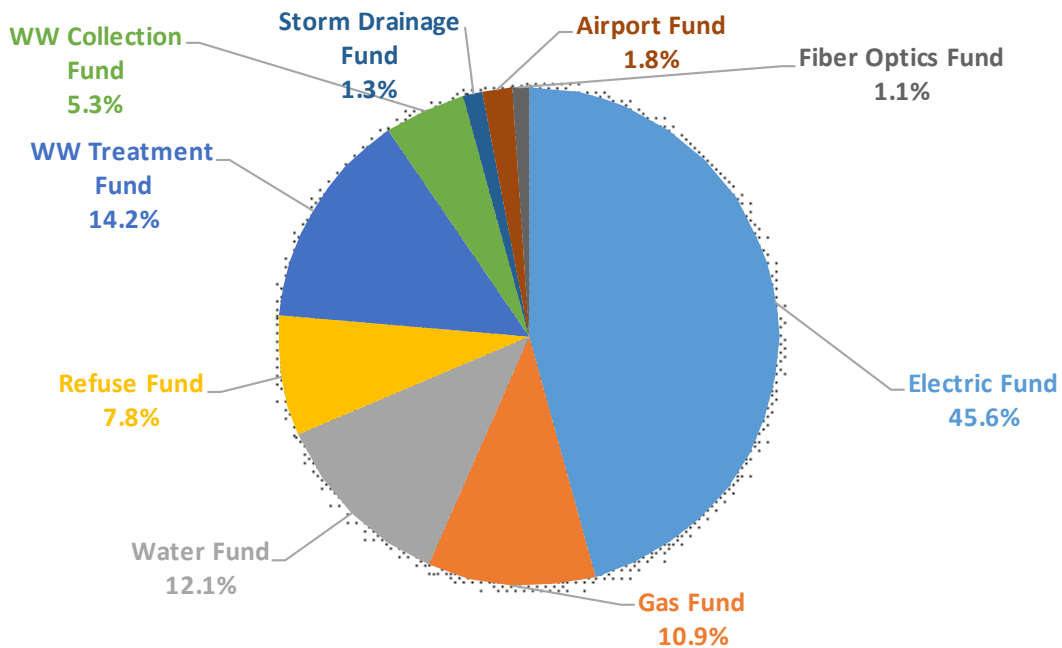


ENTERPRISE FUNDS OVERVIEW

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



FY 2018 PROPOSED/\$395.8 MILLION



Enterprise Fund Reserves

Reserves (\$000)	FY 2017 Projected Ending Balance	FY 2018 Changes	FY 2018 Projected Ending Balance	FY 2018 Reserve Guideline Range
Electric Fund				
Supply Rate Stabilization	3,600	0	3,600	
Operations	25,347	(11,860)	13,487	25,438 - 50,876
Hydro Stabilization	2,400	0	2,400	
Electric Special Projects	41,665	0	41,665	
Public Benefit	1,331	(150)	1,181	
Central Valley O&M	0	0	0	
Underground Loan	729	0	729	
Capital Improvement Projects	16,071	(14,852)	1,219	
GASB 68 Pension Reserve	(27,284)	0	(27,284)	
Subtotal	63,859	(26,862)	36,997	
Gas Fund				
Rate Stabilization	6,018	0	6,018	
Operations	9,873	(5,211)	4,662	6,215 - 12,429
Debt Service Reserve	0	0	0	
Capital Improvement Projects	8,940	(1,440)	7,500	
GASB 68 Pension Reserve	(12,365)	0	(12,365)	
Subtotal	12,466	(6,651)	5,815	
Wastewater Collection Fund				
Rate Stabilization	342	0	342	
Operations	5,285	(273)	5,012	2,779 - 5,559
Capital Improvement Projects	4,468	(1,284)	3,184	
GASB 68 Pension Reserve	(6,950)	0	(6,950)	
Subtotal	3,145	(1,557)	1,588	
Water Fund				
Rate Stabilization	1,877	0	1,877	
Operations	20,856	(180)	20,676	6,787 - 13,573
Capital Improvement Projects	9,528	(3,781)	5,747	
GASB 68 Pension Reserve	(11,609)	0	(11,609)	
Subtotal	20,652	(3,961)	16,691	

ENTERPRISE FUND RESERVES

Enterprise Fund Reserves

Reserves (\$000)	FY 2017 Projected Ending Balance	FY 2018 Changes	FY 2018 Projected Ending Balance	FY 2018 Reserve Guideline Range
Refuse Fund				
Rate Stabilization	6,807	1,654	8,461	5,044 - 10,089
Landfill Corrective Action Reserve	719	0	719	
Capital Improvement Projects	(17)	0	(17)	
GASB 68 Pension Reserve	(4,892)	0	(4,892)	
Subtotal	2,617	1,654	4,271	
Storm Drainage Fund				
Rate Stabilization	16,708	1,828	18,536	
Capital Improvement Projects	3,161	0	3,161	
GASB 68 Pension Reserve	(2,923)	0	(2,923)	
Subtotal	16,946	1,828	18,774	
Wastewater Treatment Fund				
Emergency Plant Replacement	1,980	0	1,980	1,936 (max.)
Rate Stabilization	13,581	(1,467)	12,114	4,175- 8,350
Capital Improvement Projects	16,892	0	16,892	
GASB 68 Pension Reserve	(17,529)	0	(17,529)	
Subtotal	14,924	(1,467)	13,457	
Fiber Optics Fund				
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	24,329	2,347	26,676	664 - 1,329
Capital Improvement Projects	1,185	(1,200)	(15)	
GASB 68 Pension Reserve	(1,687)	0	(1,687)	
Subtotal	24,827	1,147	25,974	
Airport Fund				
Fund Reserves	(1,902)	(223)	(2,126)	
Capital Improvement Projects	(315)	(13)	(328)	
GASB 68 Pension Reserve	(361)	0	(361)	
Subtotal	(2,578)	(236)	(2,815)	

Enterprise Fund Reserves

Reserves (\$000)	FY 2017 Projected Ending Balance	FY 2018 Changes	FY 2018 Projected Ending Balance	FY 2018 Reserve Guideline Range
TOTAL RESERVES	156,857	(36,106)	120,752	
Summary of Reserves				
Emergency Plant Replacement	2,980	0	2,980	
Rate Stabilization	75,661	4,362	80,023	
Operations	61,361	(17,524)	43,837	
Capital	59,913	(22,570)	37,343	
Electric Special Projects	41,665	0	41,665	
Public Benefit	1,331	(150)	1,181	
Central Valley O&M	0	0	0	
Underground Loan	729	0	729	
Landfill Corrective Action Reserve	719	0	719	
Fund Reserves	(1,902)	(223)	(2,126)	
GASB 68 Pension Reserve	(85,600)	0	(85,600)	
TOTAL RESERVES	156,857	(36,106)	120,752	
Landfill Closure and Postclosure Care Liability	10,997	0	10,997	
TOTAL RESERVES AND FULLY-FUNDED LIABILITY	167,854	(36,106)	131,749	

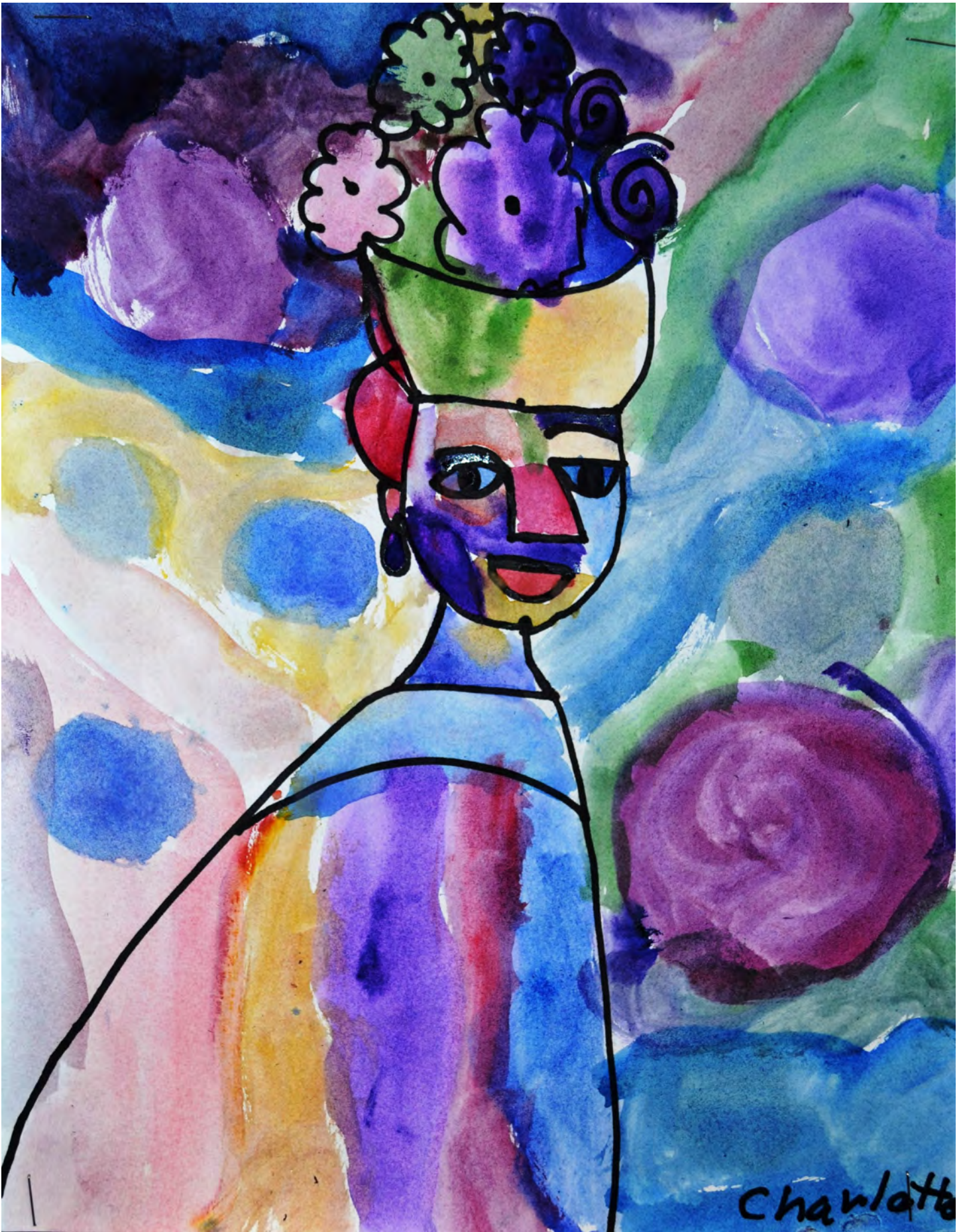
RESIDENTIAL MONTHLY UTILITY COST INFORMATION

Residential Monthly Utility Cost Information

Utility	Adjusted FY 2017 Bill	Proposed FY 2018 Bill	\$ Difference	% Difference
Electric	46.79	51.82	5.03	10.8%
Water	87.24	84.27	(2.97)	(3.4)%
Gas	33.64	35.19	1.55	4.6%
Wastewater	34.83	34.83	-	-
Refuse	47.69	50.07	2.38	5.0%
Storm Drain	13.03	13.65	0.62	4.8%
User Tax	8.38	8.56	0.18	2.1%
Total Monthly Bill	271.60	278.39	6.79	2.5%



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INTERNAL SERVICE FUNDS



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INTERNAL SERVICE FUNDS OVERVIEW

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.

As a one-time budget balancing strategy for Fiscal Year 2017, the allocated charges to other City departments and funds, which is the revenue source for these funds, were reduced or eliminated in the General Benefits, General Liabilities, and Workers' Compensation funds. In Fiscal Year 2018, the allocated charges to other City departments and funds were calculated to ensure that ongoing expenditure activities receive the necessary funding levels. This change to the allocated charges for these funds is reflected in each of the department sections in the "Budget Summary" and the "Budget Reconciliation", most notably in the "Dollars by Category" section.

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 2018 and will be allocated out to departments and funds in proportion to their share. In addition, an irrevocable IRS Section 115 Pension Trust Fund has been established, per City Council direction, and the General Benefits Fund displays the transfers in from various funds, as well as the total Section 115 Pension Trust Fund contribution.

GENERAL LIABILITIES INSURANCE PROGRAM FUND

This fund reflects costs for the City's Liability program. In Fiscal Year 2018, costs are projected to increase compared to the Fiscal Year 2017 Adopted Budget based on an actuarial analysis of the City's liability 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 General Liabilities Insurance Program fund has the necessary resources in order 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.

INTERNAL SERVICE FUNDS OVERVIEW

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.

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 this 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, and infrastructure replacements and maintenance activities for all City departments, including the Utilities Department. The overview for the Information Technology Department contains information about projects and activities for Fiscal Year 2018.

VEHICLE REPLACEMENT AND MAINTENANCE FUND

This fund reflects costs for providing maintenance and replacement of vehicles and equipment used by City departments. In Fiscal year 2018, \$7.5 million is allocated for vehicles and equipment that are due for replacement. Of the \$7.5 million, \$3.8 million is for the continuation of projects approved by City Council in prior fiscal years. The 2018-2022 Capital Improvement Program (CIP) reflects funding totaling \$20.5 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.

WORKERS' COMPENSATION FUND

This fund reflects costs for the City's Workers' Compensation program. In Fiscal Year 2018, costs are projected to increase compared to the Fiscal Year 2017 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 in order 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.

INTERNAL SERVICE FUNDS RESERVES

Internal Service Funds Summary

Fund Summary (\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Services	General Benefits Fund	Workers' Compensation Program Fund	General Liabilities Insurance Program Fund	Retiree Health Benefit Fund	Total
Revenues								
Charges to Other Funds	8,886	13,736	1,453	—	—	1,775	—	25,849
Operating Transfers-In	—	2,032	—	1,427	—	5	2,411	5,875
Other Revenue	155	131	—	59,733	5,225	40	14,527	79,811
Return on Investments	178	343	—	16	16	22	58	634
Total	9,219	16,242	1,453	61,176	5,241	1,842	16,996	112,169
Expenses								
Allocated Charges	1,186	997	204	—	—	—	—	2,387
Contract Services	512	5,641	250	215	7	70	—	6,695
Facilities & Equipment	—	838	—	—	—	—	—	838
General Expense	66	570	287	—	496	2,884	—	4,302
Operating Transfers-Out	38	154	3	2,411	3	—	—	2,610
Rents & Leases	189	363	369	—	—	—	—	920
Salary & Benefits	2,295	7,724	260	59,263	5,281	—	16,998	91,822
Supplies & Material	1,169	84	80	—	—	—	—	1,334
Capital Improvement Program	7,488	3,733	—	—	—	—	—	11,221
Total	12,943	20,104	1,453	61,890	5,788	2,954	16,998	122,129

Internal Service Funds Reserves

	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Services	General Benefits Fund	Workers' Compensation Program Fund	Liability Insurance Fund	Retiree Health Benefit Fund	Total Internal Service Funds
Changes to Unrestricted assets								
June 30, 2017 Projected Unrestricted Assets	23,971	14,290	0	1,360	1,132	1,404	3,264	45,421
FY 2018 Proposed Changes	(3,724)	(3,863)	0	(714)	(547)	(1,112)	(2)	(9,962)
June 30, 2018 Projected Unrestricted Assets	20,247	10,427	0	646	585	292	3,262	35,459



SPECIAL REVENUE FUNDS



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Special Revenue Funds Overview

Special Revenue Funds comprise revenues that have either restrictions 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 Fiscal Year 2014 to support the City's Public Art Program which 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 that states construction projects in excess of 10,000 square feet, requiring Architectural Review and having 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 Fiscal Year 2018, the projected revenue for the Public Art Fund is \$0.3 million. Additionally, although not accounted for in this fund, the City requires that for certain City funded projects a 1 percent public art expense is set aside (please refer to the Fiscal Year 2018 - 2022 Capital Improvement Plan for further detail).

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 provides funding for the City's infrastructure related to community centers, libraries, parks, public safety facility, general government facilities, and the Charleston-Aras-tradero Corridor. The projected revenue within the development impact fee funds is \$1.9 million for Fiscal Year 2018 primarily reflecting anticipated receipts in the Park Impact Fee Fund. The Fiscal Year 2018 - 2022 Capital Improvement Plan includes a transfer of \$250,000 in Fiscal Year 2018 from Park Impact Fees for the installation and renovation of three Dog Parks in South Palo Alto & funding to evaluate natural turf athletic fields. Additionally, the Capital Improvement Plan includes a transfer of \$1.3 million in Fiscal Year 2018 from Transportation Impact Fees for enhanced bikeways at Churchill Avenue (\$1.0 million) and upgrades to traffic signal and intelligent transportation systems (\$378,000). These funds have been reserved for this activity. Annually the Administrative Services Department issues a report of the activities in these funds including the remaining balances within them. The FY 2016 annual report ending June 30, 2016, is included in City Manager's Staff Report #7386 found here: <http://www.cityofpaloalto.org/civicax/filebank/documents/55646>.

SPECIAL REVENUE FUNDS OVERVIEW

STREET IMPROVEMENT FUNDS (SIF)

Revenue in this category comes from the state gas tax and from federal and state grants earmarked for street improvements. This fund provides funding for transportation and traffic-related capital projects. Based on projected gas tax revenues and interest income, revenues are estimated to be \$1.4 million for Fiscal Year 2018. This level of receipts is consistent with the Fiscal Year 2017 level of \$1.4 million. In Fiscal Year 2018, \$1.4 million is programmed to be transferred to the Capital Improvement Fund for various citywide transportation projects that include various projects for Street Maintenance and Safe Routes to School. This level is maintained through the Fiscal Year 2018 - 2022 Capital Improvement Plan in order to achieve the City's goal of reaching a citywide average Pavement Condition Index (PCI) score of 85 by 2019. At the time of the printing of this report, the Governor of California signed transportation funding bill, S.B. 1; beginning July 1, 2017, adjustments to Highway User Tax Allocations (HUTA) and Road Maintenance and Rehabilitation Account (RMRA) are anticipated. Based on preliminary estimates from California City Finance, revenues may increase in FY 2018 by \$600,000. Further actions will be brought forward separately once Staff has reviewed implications.

FEDERAL AND STATE REVENUE FUNDS

The Federal and State Revenue Fund consists primarily of Community Development Block Grant (CDBG) funds. CDBG funds are grants from the U.S. Housing and Urban Development Department (HUD). They are used for a wide variety of community projects such as affordable housing, public services, and project expenditures. CDBG project expenditures draw upon program income and prior year allocations that have been unspent.

Confirmation of Fiscal Year 2018 CDBG allocations are delayed due to the continuing budget resolution at the federal government level, which expires on April 28, 2017. Due to this delay, the Department of Housing and Urban Development (HUD) has requested that jurisdictions do not submit their FY 2018 CDBG Annual Action Plans until the allocations are known. The May 15th annual plan submittal deadline has been extended until 60 days after the allocation is released or August 16th, whichever occurs first. Staff intends to bring the Fiscal Year 2018 Action Plan for Council approval at the June 19, 2017 meeting. If the allocations are not confirmed by that time, the City may need to submit an amendment to HUD with the actual amounts once the allocation is known.

For FY 2018, preliminary estimates total \$818,000 and include staffing alignments to reduce the allocation of a Senior Planner by 0.26 to 0.10, and add 0.48 Management Specialist (part-time hourly). As part of this action, the part-time hourly position will assume administrative and planning functions, allowing the department to realign Senior Planner duties with Residential and Housing projects in FY 2018. A more detailed presentation of estimated CDBG funding for FY 2018 is provided in this section.

HOUSING IN-LIEU FUNDS

In-lieu housing revenues come from fees required of commercial, industrial, and residential developers. These fees are used to provide housing for the City's Subsidized Housing Program. For Fiscal Year 2018, \$2.7 million in in-lieu fees are anticipated, a \$1 million decrease from the \$3.7 million assumed in the FY 2017. Decreases of \$15,000 in Residential Housing loan pay-offs and \$1.25 million in the Commercial Housing In-Lieu revenue are anticipated based on historical

tracking and PCE staff projections. This is partially offset by budgetary alignment of interest receipts, netting an additional \$285,000.

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 Parking Permit Fund. Revenue in this category comes from parking permits and is used for maintenance, repair, and beautification of parking facilities and public areas within the University and California Avenue business districts. This section also includes the City's Downtown Residential Parking Permit (RPP) program, approved by Council in Fiscal Year 2015, to mitigate parking congestion issues in Palo Alto neighborhoods. As of FY 2018, a total of five neighborhoods are anticipated to be approved and active in the RPP program: College Terrace, Downtown, Evergreen Park/Mayfield, Crescent Park, and SouthGate.

This Fiscal Year 2018 Proposed Budget includes the following significant proposals impacting these funds:

- Reallocations to align staffing with the volume of work necessary for administering various parking funds. A net reduction of 0.22 positions are recommended within these funds reflecting more established RPP districts requiring less staff involvement, and the efficient use of contract services for some services including customer service and anticipated general workloads.
- Reallocation of maintenance costs in the downtown core to the University Avenue Parking District Fund for street tree lights and the Downtown Streets Team (\$76,000).
- Revenue adjustments increasing revenues between 25 percent and 75 percent from FY 2017 estimated levels as a result of recommended increases in permit fees (outlined in the FY 2018 Proposed Municipal Fees schedule).
- Capital improvement investments in FY 2018 through a net transfer of \$ 1.3 million to the General Capital Improvement Fund. Major projects funded in FY 2018 include: modernization of two elevators in Parking Lot J and in the University Avenue Business District (\$700,000); California Avenue parking district improvements to resurface parking lots 4 and 9 (\$190,000, beginning June 2017); California Avenue District Gateway Signs (\$150,000); University Avenue Parking Improvements (\$141,759); High Street Parking Garage Waterproofing Study (\$50,000), and Downtown Parking Wayfinding - second year (\$61,325). Additional project details can be found in the FY 2018 - 2022 Proposed Capital Improvement Plan.

On April 11, 2017, the City Council received the City of Palo Alto Downtown Parking Management Study that examined all of the City's current, planned and potential parking management strategies, including paid parking, within Downtown Palo Alto. As directed by the City Council, staff will develop potential strategies, in concert with the Planning and Transportation Committee and Finance Committee, for the organization and scaling of a comprehensive parking strategy during the next fiscal year. The anticipated reorganization and scaling of parking activities necessary to implement and maintain a comprehensive parking strategy, including a paid parking program, will require up-front financial and staff resource investments resulting in forecasts that show a net gap between anticipated revenues and expenses over the near term. However, it is

SPECIAL REVENUE FUNDS OVERVIEW

important to note that these forecasts assume that paid parking fees are assessed for on-street and surface lot parking in the Downtown area. Initial forecasts show that net revenues will exceed expenses within a few years, and have the potential to generate a long term funding stream for transportation initiatives such as the Palo Alto Transportation Management Association (PATMA), the Palo Alto Shuttle, and other actions related to transportation demand management.

Based on the permit levels and findings in the Downtown Parking Management Study, and the need for investment in future programs and infrastructure, recommended increases in current permits throughout the City are included in the FY 2018 Proposed Municipal Fee Schedule resulting in anticipated revenue increases ranging from 25 percent to 75 percent in these funds as discussed above. Despite these increases, a loan from the General Fund of \$75,000 is currently programmed in the California Avenue Parking District Fund and additional loans are anticipated to be needed to provide the cash flow financing for the additional investments not currently assumed in this FY 2018 Proposed Budget. Costs will be significantly impacted by the design and complexity of the elements of the comprehensive parking strategy including the pricing strategy and the equipment and system acquired. Repayment of these loans would require new revenue generating programs such as on-street paid parking to be implemented.

Parking initiatives and investments not appropriated in this FY 2018 Proposed Budget, but anticipated in the near term including the projected start date and estimated costs are detailed below:

- Consolidated "one-stop shop" permit and citation software management platform (FY 2018; \$1 million to \$1.5 million);
- Automated Parking Guidance System (FY 2018 currently programmed in FY 2019 capital improvement plan, \$2 million to \$3 million);
- Parking Garage LED lighting upgrades (FY 2019 through FY 2020, \$600,000 to \$1 million);
- Centralize parking operations within the City of Palo Alto (ongoing, to be determined);
- On-Street and Surface Lot Paid Parking Program (FY 2019 Downtown only, \$1.5 million to \$2.2 million);
- Parking access and revenue controls (FY 2019, to be determined); and
- California Avenue Parking Management Study (FY 2018, \$100,000)

This is not intended to be a comprehensive list, nor does it outline the ongoing costs of these investments. This analysis will continue to be refined.

During FY 2018, staff will actively engage the City Council, Committees, and the community to develop a comprehensive parking strategy including advancing incremental steps as they are developed and putting any new project initiatives on hold. This will ensure current projects in the pipeline are addressed timely and a scalable program is developed to address the growing parking and transportation needs of the City. Performance of these funds will be monitored closely in conjuncture with these plans and financing actions will be brought forward to ensure sufficient funding, identify alternative funding sources, or recommend cash flow loans as necessary during FY 2018.

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 future parking spaces in lieu of providing the required spaces within the project area itself. For Fiscal Year 2018, \$410,000 in traffic mitigation and parking in-lieu fees are anticipated, a \$1.3 million decrease from the \$1.7 million assumed in the Fiscal Year 2017. Decreases of \$1.3 million in Parking in-lieu fees is anticipated, based on historical tracking and PCE staff projections.

PUBLIC BENEFIT FUNDS

Revenue in these funds is a result of a senior housing project on Hamilton Avenue and contributions and mitigation fees paid for Planned Community Zone approvals. The Hamilton Avenue funds will continue to be used by Avenidas (formerly Senior Coordinating Council) to provide services to seniors.

DOWNTOWN BUSINESS IMPROVEMENT DISTRICT (BID)

The Downtown Business Improvement District (BID) was established by an ordinance adopted in January 2004 to promote the downtown business community through a variety of efforts including beautification, advocacy, and marketing. The BID continually surveys its member businesses to determine what its priorities should be. Priorities identified as part of the Fiscal Year 2016-2017 plan were street cleanliness and creating a safe downtown. New events have been implemented to bring business downtown and new communications tools, such as social media and downtown walking maps, are available. Other programs that help keep Downtown Palo Alto safe, spotless, and successful will advance as the Palo Alto Business and Professional Association continues to operate the Downtown Palo Alto BID for Fiscal Year 2018.

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 Fiscal Year 2012 as part of this agreement were used in Fiscal Years 2013, 2014, and beyond as outlined in the agreement and approved by the City Council. Over the course of the agreement, Stanford is due to pay the City \$44.3 million, of which the City has received \$32.5 million. As part of the Development Agreement, the City is expecting to receive the remaining \$11.8 million upon issuance of a use and occupancy permit for the new Stanford University Medical Center in the next year. The funds received per the development agreement are allocated for specific purposes which include funding for the City Council approved Infrastructure Plan. As outlined in the agreement, expenses and revenues for each category must be accounted for separately. A more detailed presentation of the Stanford University Medical Center funding for Fiscal Year 2018 is provided in this section.

Community Health and Safety: Funds are to be distributed to selected community health programs that benefit residents of the City. In Fiscal Year 2018, all previous allocations towards Project Safety Net (PSN) have been fully expended and costs for the Project Safety Net program (both the collaborative and the means restrictions) are fully budgeted in the City's General Fund. The projected 2018 beginning balance in this category is \$2.4 million and there are no

SPECIAL REVENUE FUNDS OVERVIEW

planned expenditures or transfers in Fiscal Year 2018 to the Fiscal Year 2018 - 2022 Capital Improvement Plan.

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. The projected 2018 beginning balance in this category is \$11,569. The Fiscal Year 2018 - 2022 Capital Improvement plan includes a transfer of the remaining balance in Fiscal Year 2018 for Quarry Road Improvements and Transit Center Access. Remaining funding will be expended from the Intermodal Transit Fund, consistent with the development agreement and recognizing cost increases incurred as a result of Quarry Road delays and mobilization of two separate projects rather than one combined project as originally planned.

Intermodal Transit: Funds are to enhance the pedestrian and bicycle connection from the Transit Center to the El Camino/Quarry Road intersection. The projected 2018 beginning balance in this category is \$2.2 million. The Fiscal Year 2018 - 2022 Capital Improvement Plan includes a transfer of \$538,258 in Fiscal Year 2018 for Quarry Road Improvements and Transit Center Access.

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 2018 beginning balance in this category is \$2.9 million. There are no planned transfers in Fiscal Year 2018 to the Fiscal Year 2018 - 2022 Capital Improvement Plan.

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 2018 beginning balance for this category is \$3.9 million. The Fiscal Year 2018 - 2022 Capital Improvement Plan includes \$5.2 million in Fiscal Year 2018 for the Bicycle and Pedestrian Plan-Implementation Project. This action will result in a temporary negative fund balance, however a contribution from Stanford per the development agreement in calendar year 2017 of \$4 million will fix this.

Stanford Hospital Expansion Cost Mitigation: Funds are being held in this category for the purpose of assuring that City costs associated with the project do not exceed revenues to the City. The projected 2018 beginning balance for this category is \$2.8 million.

Special Revenue Summary by Fund Type

Fund Summary (\$000)	Public Art Fund	Com. Dev. Funds	Bus. Improv. District	Housing In-Lieu Funds	Street Improv. Fund	Federal & State Rev. Funds	Public Benefits Fund	Special District Funds	Traffic Mitig. & Parking In-Lieu Funds	Stan. Univ. Medical Center Fund	Total
Revenues											
Charges for Services	120	1,689	—	—	—	—	—	—	257	—	2,066
From Other Agencies	—	—	—	—	1,416	379	—	—	—	—	2,024
Net Sales	—	—	—	—	—	—	—	1,589	—	—	1,589
Operating Transfers-In	155	—	—	—	—	—	—	292	—	—	447
Other Revenue	—	—	—	2,315	—	136	30	—	—	—	2,481
Other Taxes and Fines	—	—	—	—	—	—	—	180	—	—	180
Permits and Licenses	—	—	—	—	—	—	—	2,000	—	—	2,000
Property Taxes	—	—	140	—	—	—	—	—	—	—	140
Rental Income	—	—	—	9	—	—	—	—	—	—	9
Return on Investments	2	264	2	409	13	2	18	27	153	211	1,100
Total	277	1,953	142	2,733	1,430	517	48	4,088	410	211	12,036
Expenses											
Allocated Charges	1	—	—	—	—	1	—	239	—	—	241
Contract Services	—	—	—	102	—	—	—	1,910	—	—	2,012
General Expense	1	—	148	100	—	744	28	121	—	—	1,141
Operating Transfers-Out	3	—	—	1	364	—	—	134	—	—	502
Salary & Benefits	180	—	—	60	—	73	—	1,075	—	—	1,387
Supplies & Material	—	—	—	—	—	—	—	110	—	—	110
Transfer to Infrastructure	—	1,628	—	—	1,400	—	—	1,103	—	5,750	9,881
Total	185	1,628	148	263	1,764	818	28	7,692	-	5,750	12,276

SPECIAL REVENUE FUNDS OVERVIEW

Consolidated Special Revenue Funds

Fund Summary (\$000)	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Revenues						
Gas Tax	2,083	1,461	1,416	1,416	-	0.00
Federal & State Grants	140	126	-	-	-	0.00
Federal CDBG	372	240	442	379	(63)	(14.25)
Housing In-Lieu	6,169	4,882	3,400	2,150	(1,250)	(36.76)
Traffic Mitigation Fees	3,508	484	1,517	267	(1,250)	(82.40)
Developer Impact Fees	1,492	1,893	1,679	1,679	-	0.00
Parking Mitigation Fees	2,123	3,221	2,398	3,768	1,370	57.13
BID Assessment	86	100	140	140	-	0.00
Interest Income	1,482	1,756	1,236	1,100	(136)	(11.00)
Other Revenue	480	583	488	460	(28)	(5.73)
Subtotal Revenue	17,935	14,746	12,716	11,359	(1,357)	(10.67)
Operating Transfers In						
Housing Improvement	-	-	-	-	-	0.00
Technology Fund	12	12	12	14	2	16.67
Utility Admin Fund	24	24	24	31	7	29.17
Capital Projects Fund	300	-	-	-	-	0.00
General Fund	274	713	433	403	(30)	(6.93)
Subtotal Operating Transfers In	610	749	469	448	(21)	(4.48)
Total Source of Funds	18,545	15,495	13,185	11,807	(1,378)	(10.45)
Expenditures						
General Expense	2,978	4,909	4,556	4,892	336	7.37
SUMC	393	1,074	85	-	(85)	(100.00)
Subtotal Expenditures	3,371	5,983	4,641	4,892	251	5.41
Transfers Out						
General Fund	-	422	461	480	19	4.12
Refuse Fund	-	101	-	-	-	0.00
General Benefits	-	-	-	22	22	100.00
CIP	5,446	5,675	14,814	9,881	(4,933)	(33.30)
Subtotal Operating Transfers Out	5,446	6,198	15,275	10,383	(4,892)	(32.03)
Total Use of Funds	8,817	12,181	19,916	15,275	(4,641)	(23.30)
Net To (From) Reserves	9,728	3,314	(6,731)	(3,468)	3,263	(48.47)

Community Development Block Grant

Community Development Block Grant Fund	FY 2017 Adopted Budget	FY 2018 Agency Requests	FY 2018 Proposed Budget
SOURCE OF FUNDS			
Housing & Urban Development, current year	441,253	-	379,477
Housing & Urban Development, prior years	-	-	-
Prior Year Excess/Reallocation (1)	213,165	-	329,057
Program Income			
Palo Alto Housing Corporation	100,000	-	136,049
TOTAL SOURCE OF FUNDS	754,418	-	844,583
USE OF FUNDS			
Public Service			
Palo Alto Housing Corporation - SRO Resident Support Services	22,983	49,457	21,000
Catholic Charities - Long-Term Care Ombudsman	5,012	10,000	7,000
YWCA/Support Network for Battered Women - Domestic Violence	8,020	10,000	8,489
InnVision/Shelter Network - Opportunity Center	35,592	50,000	35,000
Silicon Valley Independent Living Center	5,012	5,032	5,000
Subtotal: Public Service	76,619	124,489	76,489
Planning and Administration			
Project Sentinel/Fair Housing Services	30,941	32,012	28,810
City of Palo Alto - CDBG Administration includes 0.10 FTE & 0.48 Hourly CDBG Administrative Staff	77,310	85,000	74,295
Subtotal: Planning and Administration	108,251	117,012	103,105
Housing, Economic Development, Capital Projects, & Public Facilities			
Downtown Streets Team/Workforce Development	290,723	317,400	317,400
MidPen Housing - Palo Alto Gardens Rehab Project	278,825	-	-
City of Palo Alto - Microenterprise Assistance Program	-	-	-
La Comida - Kitchen Renovation	-	321,000	321,000
Subtotal: Housing, Economic Development & Capital Projects	569,548	638,400	638,400
TOTAL USE OF FUNDS	754,418	879,901	817,994

SPECIAL REVENUE FUNDS OVERVIEW

University Avenue Parking Permit Fund

	FY 2017 Adopted	FY 2017 Adjusted	FY 2018 Proposed
Revenues			
Permit Sales	1,402,000	1,402,000	1,747,500
Day Passes	312,000	312,000	312,000
Ticket Machine	215,000	215,000	215,000
Transfer from Other Funds for City Share	169,935	169,935	217,156
Investment Income	21,800	21,800	21,800
Total Revenue	2,120,735	2,120,735	2,513,456
Expenditures			
Administration			
Positions	1.42	1.42	1.18
Salaries & Benefits	171,027	171,027	154,227
Miscellaneous Supplies	20,880	20,880	20,548
Bank card charges for ticket machines	6,000	6,000	6,000
Indirect costs	-	-	-
Subtotal Administration	197,907	197,907	180,775
Maintenance			
Positions	3.87	3.87	3.87
Salaries & Benefits	455,261	455,261	478,239
Supplies	60,090	60,090	60,090
Twinkle/Tree Lights	-	-	30,000
Maintenance (garage, elevator, fire sprinkler, landscaping)	88,751	88,751	88,751
Custodial (power washing, sweeping)	121,706	121,706	121,706
Steam Cleaning	94,660	94,660	94,660
Subtotal Maintenance	820,468	820,468	873,446
Police Patrol			
Positions	0.50	0.50	0.50
Salaries & Benefits	97,812	97,812	116,296
Subtotal Patrols	97,812	97,812	116,296
Other			
Valet Programs (Lots R, CC, CW, & S)	465,572	465,572	289,972

University Avenue Parking Permit Fund

	FY 2017 Adopted	FY 2017 Adjusted	FY 2018 Proposed
Downtown Streets Team	72,543	72,543	118,744
Transportation Management Authority (TMA)	-	-	135,000
Utilities	138,012	163,286	197,942
Transfer to GF (PARS trust)	-	-	10,802
Transfer to CIP Fund	682,676	682,676	953,084
Subtotal Other	1,358,803	1,384,077	1,705,544
Total Operating Expenses	2,474,990	2,500,264	2,876,061
Income from Operations	(354,255)	(379,529)	(362,605)

SPECIAL REVENUE FUNDS OVERVIEW

California Avenue Parking Permit Fund

	FY 2017 Adopted	FY 2017 Adjusted	FY 2018 Proposed
Revenues			
Permit Sales	125,000	125,000	271,250
Day Passes	70,000	70,000	70,000
Investment Income	5,200	5,200	5,200
Transfer from General Fund	-	0	75,000
Total Revenue	200,200	200,200	421,450
Expenditures			
Administration			
Positions	0.56	0.56	0.62
Salaries & Benefits	56,316	56,316	85,259
Miscellaneous Supplies	8,453	8,453	8,453
Subtotal Administration	64,769	64,769	93,712
Maintenance			
Positions	0.43	0.43	0.43
Salaries & Benefits	57,458	57,458	65,273
Supplies	7,855	7,855	7,855
Garage maintenance	5,255	5,255	5,255
Sweeping Ted Thompson and Cambridge garages	4,008	4,008	4,008
Fire sprinkler maintenance	1,453	1,453	1,453
Steam Cleaning	7,060	7,060	7,060
Landscaping	9,253	9,253	9,253
Facilities repair	637	637	637
Street Sweeping	82,101	82,101	82,101
Subtotal Maintenance	175,080	175,080	182,895
Utilities	18,518	18,854	30,484
Transfer to GF (PARS trust)	-	-	2,499
Transfer to CIP Fund	-	-	340,000
Subtotal Other	18,518	18,854	372,983
Total Operating Expenses	258,367	258,703	649,590
Income from Operations	(58,167)	(58,503)	(228,140)

Stanford Development Agreement Fund

	FY 2017 Estimated	FY 2018 Proposed	Change
SOURCE OF FUNDS			
Unrestricted- Community Health and Safety	2,646,913	2,413,418	(233,496)
Unrestricted- Stanford Hospital Expansion Cost Mitigation	2,692,330	2,761,905	69,575
Unrestricted- Intermodal Transit	2,104,335	2,158,715	54,380
Unrestricted- Quarry Road Improvements	361,234	11,569	(349,665)
Unrestricted- Neighborhoods and Communities and Affordable Housing	12,867,620	2,850,145	(10,017,475)
Unrestricted- Climate Change	4,975,758	3,904,341	(1,071,417)
Total Beginning Fund Balance	25,648,190	14,100,093	(11,548,097)
Revenue			
Interest - Community Health and Safety	68,401	36,032	(32,370)
Interest - Stanford Hospital Expansion Cost Mitigation	69,575	41,234	(28,341)
Interest - Intermodal Transit	54,380	32,229	(22,151)
Interest - Quarry Road Improvements	9,335	173	(9,162)
Interest - Neighborhoods/Communities/Affordable Housing	332,525	42,552	(289,973)
Interest - Climate Change	128,583	58,291	(70,293)
Total Revenue	662,800	210,510	(452,290)
Transfers In			
Total Transfers	-	-	-
TOTAL SOURCE OF FUNDS	26,310,990	14,310,603	(12,000,387)
USE OF FUNDS			
Expenditures			
Community Health and Safety: Project Safety Net Director	-	-	-
Community Health and Safety: Project Safety Net Coordinator	85,000	-	(85,000)
Community Health and Safety: Project Safety Net Supplies	2,394	-	(2,394)
Community Health and Safety: Project Safety Net Contracts	214,503	-	(214,503)
Total Operating Expenditures	301,897	-	(301,897)

SPECIAL REVENUE FUNDS OVERVIEW

Stanford Development Agreement Fund

	FY 2017 Estimated	FY 2018 Proposed	Change
Transfers Out			
Stanford Hospital Expansion Cost Mitigation	-	-	-
Neighborhood and Communities and Affordable Housing: Capital Improvement Fund	10,350,000	-	(10,350,000)
Climate Change: Capital Improvement Fund	1,200,000	5,200,000	2,762,632
Intermodal Transit: Capital Improvement Fund	441,000	538,258	97,258
Quarry Road Improvements: Capital Improvement Fund	359,000	11,742	(347,258)
Total Transfers	12,350,000	5,750,000	(7,837,368)
Total Expenditures	12,651,897	5,750,000	(6,901,897)
Ending Fund Balance			
Unrestricted- Community Health and Safety	2,413,418	2,449,449	36,032
Unrestricted- Stanford Hospital Expansion Cost Mitigation	2,761,905	2,803,139	41,234
Unrestricted- Intermodal Transit	2,158,715	1,652,686	(506,029)
Unrestricted- Quarry Road Improvements	11,569	-	(11,569)
Unrestricted- Neighborhoods and Communities and Affordable Housing	2,850,145	2,892,697	42,552
Unrestricted- Climate Change	3,904,341	(1,237,368)	(5,141,709)
Total Ending Fund Balance	14,100,093	8,560,603	(5,539,490)
TOTAL USE OF FUNDS	26,751,990	14,310,603	(12,441,387)



CITY OF
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ALTO**



DEBT SERVICE FUNDS



CITY OF
**PALO
ALTO**

DEBT SERVICE FUNDS OVERVIEW

Debt Service Funds Overview

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 Council. For all other City funds annual debt service shall not exceed 15 percent of annual operating expenses unless an exception is approved by Council.

B. Minimize borrowing costs by:

DEBT SERVICE FUNDS OVERVIEW

- 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.
- 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 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.
- Using debt 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 re-financings when economically beneficial. A refinancing 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 a re-financing is optimal. As a "rule of thumb," a minimum 3 percent net present value savings will be used as a basis to begin re-financing efforts. As with new debt, all refinancings must be approved by Council.

Recently, the state legislature adopted Senate Bill 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 existing Debt Policy and practice substantially complied with the new requirements, minor updates to the Debt Policy were approved by the City Council on April 11, 2017 to explicitly comply with SB 1029 requirements. This statute also added additional reporting requirement to the California Debt and Investment Advisory Commission (CDIAC) such as the submission of annual report for any issue of debt.

LEGAL DEBT LIMIT

Based upon the assessed valuation of \$29.4 billion for the fiscal year ending June 30, 2016, the City is limited to general obligation indebtedness of \$1.04 billion. As of June 30, 2016, the amount of debt applicable to the debt limit is \$65.2 million, which is well below its legal debt

limit. The debt amount is related to the voter approved general obligation bonds to renovate and build out the City's libraries including the Mitchell Park Library and Community Center.

DEBT OBLIGATIONS

Summaries of the City of Palo Alto debt activity for Fiscal Year 2017 are provided in the following section.

DEBT OBLIGATION DESCRIPTIONS

2002B Downtown Parking Improvement Project Certificates of Participation (COPs)

On January 16, 2002, the City issued \$3.6 million of COPs to finance the construction of certain improvements to the non-parking area contained in the City's Bryant/Florence Garage complex. Due to lower construction costs, \$0.9 million in par bonds were paid off early in January 2005. Principal payments are due annually on March 1 and interest payments semi-annually on March 1 and September 1, and are payable from lease revenues received by the Corporation from the City's available funds.

As of June 30, 2017, there will be \$1 million principal and \$0.2 million interest as the remaining debt service on the bonds with final payment occurring in Fiscal Year 2022.

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 percent to 5 percent, and are payable from property tax revenues.

As of June 30, 2017, for the above 2010 and 2013 bonds, \$47 million and \$16.7 million principal and \$30.7 million and \$9.8 million interest as the remaining debt service on the bonds with final payment occurring in Fiscal Year 2041 and Fiscal Year 2042, respectively.

2011 Golf Course Master Lease-Purchase Agreement

On August 2, 2011, the City entered into a master lease-purchase agreement with JP Morgan Chase Bank, N.A. to finance redemption of the 1998 Golf Course COPs. The lease is secured by a first priority security interest in eighteen Fire Department emergency vehicles. Lease proceeds were \$3.2 million. Principal payments are due annually on September 1 and interest payments are due semi-annually on September 1 and March 1 at a rate of 2.49 percent, payable from General Fund revenues.

As of June 30, 2017, there will be \$0.8 million in principal and \$21,091 in interest as the remaining debt service on the bonds with final payment occurring in Fiscal Year 2019.

1995 Utility Revenue Bonds, Series A

The City issued Utility Revenue Bonds on February 1, 1995 to finance certain extensions and improvements to the City's Storm Drainage and Surface Water System. The Bonds are special obligations of the City payable solely from and secured by a pledge of and lien upon the reve-

DEBT SERVICE FUNDS OVERVIEW

nues derived by the City from the funds, services and facilities of all Enterprise Funds except the Refuse Fund and the Fiber Optics Fund. Principal payments are payable annually on June 1, and interest payments semi-annually on June 1 and December 1. A \$2.9 million 6.25 percent term bond is due June 1, 2020. 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 \$1.8 million principal and \$0.2 million interest as the remaining debt service on the bonds with final payment occurring in Fiscal Year 2020.

1999 Utility Revenue and Refunding Bonds, Series A

The City issued Utility Revenue Bonds on June 1, 1999 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 "Storm Drain 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 Storm Drain (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 \$9 million principal and \$2.2 million interest as the remaining debt service on the bonds as of June 30, 2017, with final payment occurring in Fiscal Year 2024.

2007 Electric System Clean Renewable Energy Tax Credit Bonds:

On November 1, 2007 the City issued \$1.5 million of Electric Utility Clean Renewable Energy Tax Credit Bonds (CREBS), 2007 Series A, to finance the City's photovoltaic solar panel project. The bonds do not bear interest. In lieu of receiving periodic interest payments, bondholders are allowed federal income tax credit in an amount equal to a credit rate for such CREBS multiplied by the outstanding principal amount of the CREBS owned by the bondholders. The Bonds are payable solely from and secured solely by a pledge of the Net Revenues of the Electric system and other funds pledged therefore under the Indenture.

The pledge of future Electric Fund Net Revenues ends upon repayment of the \$0.6 million as the remaining debt service on the bonds as of June 30, 2017 with final payment occurring in Fiscal Year 2022.

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 1.80 percent to 5.95 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 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 are 32 percent of interest payable. 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 \$534,538, which represents 32.8 percent of the two interest payments due on June 1, 2015 and December 1, 2015.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$28.8 million principal and \$17.4 million interest as the remaining debt service on the bonds as of June 30, 2017 with final payment occurring in Fiscal Year 2035.

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 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 \$4.5 million principal and \$0.9 million in-substance interest as the remaining debt service on the bonds as of June 30, 2017 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 \$6.1 million principal and \$1.2 million interest as the remaining debt service on the bonds as of June 30, 2017 with final payment occurring in Fiscal Year 2030.

2011 Utility Revenue Bonds, Series A

On September 22, 2011 the City issued Utility Revenue Bonds to refinance the 2002 Utility revenue bonds which was 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 percent to 4 percent. The Reve-

DEBT SERVICE FUNDS OVERVIEW

nue Bonds are secured by net revenues generated by the Water Services and Gas Services Funds.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$10.2 million principal and \$1.5 million interest as the remaining debt service on the bonds as of June 30, 2017 with final payment occurring in Fiscal Year 2026.

Credit Rating Agencies

Credit rating 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 it was most recently reaffirmed in 2013. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed most favorably by credit agencies. The four Utility bonds (1995, 1999, 2009, & 2001) that are rated also received, by S&P, their 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 Fund

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2018 Proposed	FY 2018 Change \$	FY 2018 Change %
Revenues						
Property Tax	4,633	4,582	4,655	4,433	(222)	(4.8)
Return on Investments	0	39	0	0	0	N/A
Subtotal Revenues	4,633	4,582	4,655	4,433	(222)	(4.8)
Operating Transfers In						
Parking 2002B COPS Taxable - General Fund	238	234	243	233	(10)	(4.1)
Library GO Bonds - Capital	0	3,018	0	0	0	N/A
Subtotal General Fund Operating Transfers	238	3,252	243	233	(10)	(0)
Total Source of Funds	4,871	7,834	4,898	4,666	(232)	(0)
Expenses						
Parking 2002B COPS Taxable Principal	145	150	150	170	20	13.3
Parking 2002B COPS Taxable Interest	93	84	93	63	(30)	(32.3)
Library GO Bonds Debt Service	0	32	0	0	0	N/A
Library GO Bonds Principal	1,420	6,585	1,445	1,570	125	8.7
Library GO Bonds Interest	3,262	4,146	3,210	2,863	(347)	(10.8)
Total Use of Funds	4,920	10,997	4,898	4,666	(232)	(4.7)
Net to (from) Reserves	(49)	(3,163)	0	0	0	



CITY DEPARTMENTS



CITY OF
**PALO
ALTO**

CITY ATTORNEY

Mission Statement

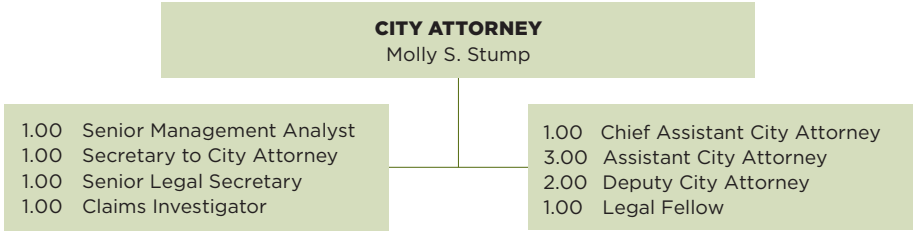


The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

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 and negotiate on behalf of the City; provide training and advice on how to manage risk and comply with the law; and enforce the municipal code and defend the City when it is sued.





FY 2018 POSITION TOTALS
12.00 - 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 legally represents the City by: providing legal advice and/or 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.

Accomplishments

- Drafted ordinances advancing Council priorities, including dewatering regulations, retail preservation and new residential preferential permit parking districts.
- Supported design and implementation of election for new storm water management fee.
- Negotiated and drafted loan agreements and contract documents for multi-million dollar sludge dewatering facility and plant rehabilitation project at the Regional Water Quality Control Plant.
- Supported Council's housing initiatives, including new rules for accessory dwelling units and increases in development impact fees to fund affordable housing.
- Assisted with documentation and launch of various Smart Cities technology pilot projects.
- Supported electric utility cost of service study and new rate design.
- Updated standard City contracts to increase efficiency and ensure City-protective provisions in professional service, purchase of goods and construction contracts.
- Drafted updates to the California Building Codes, including cutting-edge measures in green building and energy efficiency.

Initiatives

Perform legal services to:

- Complete negotiation and drafting of agreements for major infrastructure initiatives, including the public safety building, two new garages, bicycle and pedestrian bridge and a redesigned Junior Museum and Zoo.
- Support completion of natural gas cost of service study and new rate design, and programs to support green gas initiatives.
- Draft and negotiate agreement to transfer a portion of the City's guaranteed water supply to East Palo Alto.
- Support sustainability initiatives, such as electrification and electric vehicle adoption.
- Support Caltrain electrification, exploration of grade separation options and quiet zones.

- Draft ordinance addressing data collection and potential privacy impacts in City programs and service

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.
- Increase transparency by publicly reporting claim filings and resolutions.
- 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of claims resolved within 45 days of filing	91.00%	93.00%	90.00%	90.00%	90.00%
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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed who agree/strongly agree that the training provided is useful and relevant	90.00%	93.00%	90.00%	90.00%	90.00%
Description	This measure tracks the usefulness and relevance of the training provided by the Office of the City Attorney to City staff. By collecting this data, we can assess the relevance and usefulness of the training provided, and revise our training as needs change.				
Purpose	Knowledgeable staff is less likely to make errors thereby reducing the exposure of liability to the City.				
Status	In FY2017, the Office of the City Attorney conducted training for Boards and Commissions, and Council Candidate orientation as well as other department trainings. In FY 2018, the Office of the City Attorney will conduct training on the Brown Act, Ethics, Public Records and contracting.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of claims handled	95	112	95	93	98

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	224,549	463,073	553,824	571,995	18,171	3.3%
Consultation and Advisory	1,567,456	1,477,082	1,872,448	2,002,460	130,012	6.9%
Litigation and Dispute Resolution	693,500	771,956	636,168	661,247	25,078	3.9%
Official and Administration Duties	100,276	84,335	116,104	120,198	4,094	3.5%
Total	2,585,780	2,796,446	3,178,544	3,355,900	177,355	5.6%
Dollars by Category						
Salary & Benefits						
Healthcare	157,307	134,723	221,194	256,190	34,997	15.8%
Other Benefits	67,161	74,900	63,960	73,020	9,060	14.2%
Pension	311,744	318,434	460,605	497,657	37,052	8.0%
Retiree Medical	130,050	132,445	144,937	152,481	7,544	5.2%
Salary	1,258,097	1,289,893	1,734,929	1,772,423	37,494	2.2%
Workers' Compensation	—	2,878	21,609	59,526	37,917	175.5%
Total Salary & Benefits	1,924,360	1,953,272	2,647,234	2,811,297	164,063	6.2%
Allocated Charges	117,054	162,490	107,818	121,178	13,360	12.4%
Contract Services	500,580	626,943	340,301	340,301	—	—%
Facilities & Equipment	—	10,538	1,000	1,000	—	—%
General Expense	23,653	23,881	53,642	53,642	—	—%
Rents & Leases	1,683	1,295	2,050	2,050	—	—%
Supplies & Material	18,450	18,026	26,500	26,432	(68)	(0.3)%
Total Dollars by Expense Category	2,585,780	2,796,446	3,178,544	3,355,900	177,355	5.6%
Revenues						
Charges for Services	14,062	14,845	28,052	28,052	—	—%
Charges to Other Funds	755,613	584,882	639,985	577,833	(62,151)	(9.7)%
Other Revenue	22,899	(2,191)	10,789	10,789	—	—%
Total Revenues	792,574	597,536	678,826	616,675	(62,151)	(9.2)%
Positions by Division						
Administration	1.47	1.47	1.47	1.47	—	—%

Budget Summary

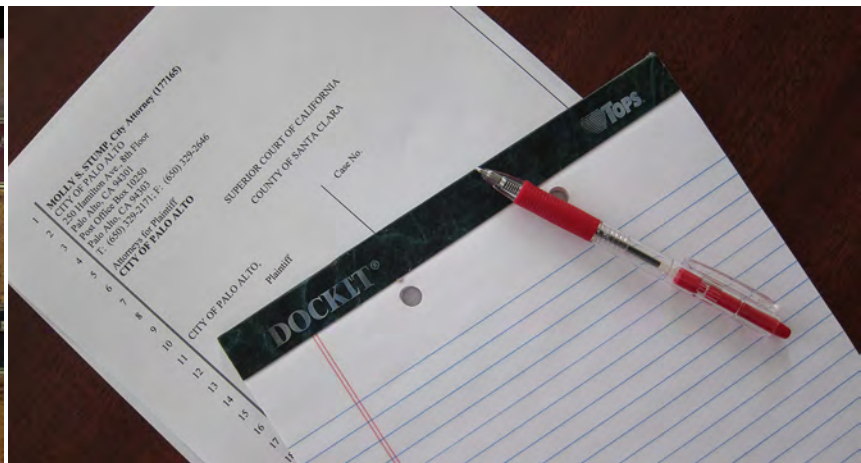
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Consultation and Advisory	7.31	7.31	7.31	7.31	—	— %
Litigation and Dispute Resolution	1.86	1.86	1.86	1.86	—	— %
Official and Administration Duties	0.36	0.36	0.36	0.36	—	— %
Total	11.00	11.00	11.00	11.00	—	— %

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Assistant City Attorney	1.00	1.00	1.00	3.00	2.00	560,394
Chief Assistant City Attorney	—	—	—	1.00	1.00	220,397
City Attorney	1.00	1.00	1.00	1.00	—	270,712
Claims Investigator	1.00	1.00	1.00	1.00	—	96,075
Deputy City Attorney	—	—	—	1.00	1.00	130,104
Legal Fellow	1.00	1.00	1.00	1.00	—	96,470
Legal Services Administrator	1.00	—	—	—	—	—
Principal Attorney	1.00	1.00	1.00	—	(1.00)	—
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	73,882
Senior Assistant City Attorney	2.00	2.00	2.00	—	(2.00)	—
Senior Deputy City Attorney	1.00	1.00	1.00	—	(1.00)	—
Senior Legal Secretary	1.00	1.00	1.00	1.00	—	71,947
Senior Management Analyst	—	1.00	1.00	1.00	—	120,952
Sub-total: Full-Time Equivalent Positions	11.00	11.00	11.00	11.00	—	1,640,933
Total Positions	11.00	11.00	11.00	11.00	—	1,640,933

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	11.00	3,178,544	678,826	2,499,718
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	171,473	—	171,473
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(68)	—	(68)
General Fund Cost Allocation Plan Adjustment	—	—	(62,151)	62,151
General Liability Insurance Allocated Charges Adjustment	—	20,401	—	20,401
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(7,239)	—	(7,239)
Information Technology Allocated Charges Adjustment	—	(1,158)	—	(1,158)
Print & Mail Allocated Charges Adjustment	—	1,356	—	1,356
Adjustments to Costs of Ongoing Activities	—	184,765	(62,151)	246,916
Total FY 2018 Base Budget	11.00	3,363,309	616,675	2,746,634
Budget Adjustments				
1 City Attorney's Office Staffing Restructure	—	(7,409)	—	(7,409)
Total Budget Adjustments	—	(7,409)	—	(7,409)
Total FY 2018 Proposed Budget	11.00	3,355,900	616,675	2,739,225



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 City Attorney's Office Staffing Restructure	0.00	(7,409)	0	(7,409)

This action consolidates the position and job classification structure in the City Attorney's Office resulting in the reallocation of 2.0 Senior Assistant City Attorney to 2.0 Assistant City Attorney, retitling 1.0 Senior Deputy City Attorney to Deputy City Attorney (an additional 1.0 Senior Deputy City Attorney, budgeted in various utility funds will also be retitled as detailed in the Table of Organization), and retitling 1.0 Principal Attorney to 1.0 Chief Assistant City Attorney. This classification restructure eliminates one job classification layer in the attorney classification series and aligns with industry standards. (Ongoing savings: \$8,010)

Performance Results



The realignment will more accurately reflect the roles and responsibilities of the positions and streamline the classification series.



CITY OF
**PALO
ALTO**

CITY AUDITOR

Mission Statement



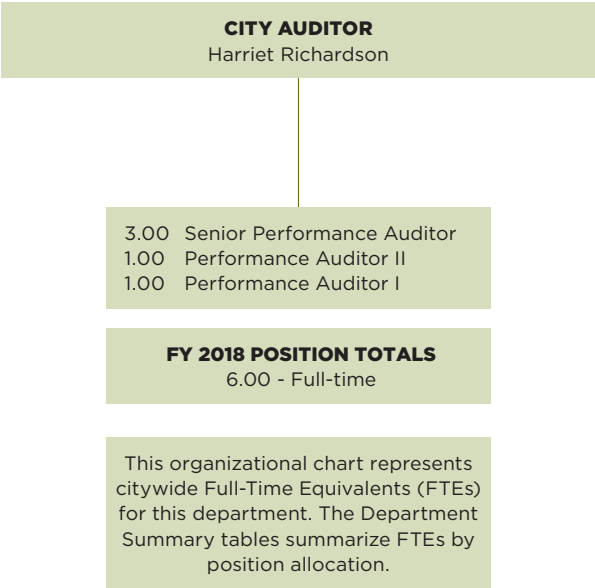
The mission of the Office of the City Auditor is to promote honest, efficient, effective, economical, and fully accountable and transparent City government.

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, and provides other analyses of financial and operating data as directed by the City Council.





Description

The Office of the City Auditor 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 Office of the Auditor (OCA) coordinates the annual citizen survey and issues the annual City of Palo Alto Performance Report summarizing costs, workload, and performance results for City services over the last ten years.

Each fiscal year, the Office presents an annual audit work plan for City Council approval. The Office will continue to report quarterly to the City Council on the status of audit projects.

The Office contracts with an independent certified public accountant for the City's annual external financial audit. The Office also conducts and coordinates revenue monitoring of sales and use tax.

Accomplishments

- City Auditor Harriet Richardson received a national award from the Association of Government Accountants (AGA) for Excellence in Government Leadership for a state or local government professional.
- Identified and confirmed the City's receipt of \$59,551 in sales and use tax recoveries through the end of Fiscal Year 2016.
- Published the Cable Franchise and Public, Education, and Government (PEG) Fee Audit, which presented nine recommendations related to PEG fees and the cable communications program and state franchises.
- Published the Disability Rates and Workers' Compensation Audit, which presented 15 recommendations to ensure the City's Workers' Compensation policies and Injury and Illness Prevention Program are implemented in a manner that minimizes injuries and illnesses and workers' compensation costs.
- Compiled the results of the 2016 National Citizen Survey™ into data visualization software that allows users to view the results of each question or multiple questions based on selected demographics or geographic areas of Palo Alto.

Initiatives

- ERP Planning: Data Integrity, Reliability, and Security: Evaluate the integrity, reliability, and security of data in the current SAP system and make recommendations to ensure that any identified deficiencies are corrected prior to transferring data to the new ERP system.
- ERP Planning: Segregation of Duties: Evaluate the adequacy of segregation of duties for various activities in the current SAP system and make recommendations to ensure that any identified deficiencies are corrected for the new ERP system.
- ERP Planning: Data and System Governance: Evaluate the adequacy of data and system governance in the current SAP system and make recommendations to ensure that any identified deficiencies are corrected for the new ERP system.
- Business Registry (limited scope): Evaluate the rules and processes used to establish the business registry and make recommendations to help clean up the data and ensure accuracy in the future.
- Code Enforcement: Evaluate code enforcement policies and practices for responsiveness, consistency, and follow-up, particularly for repeat offenders and complex cases.
- Contract Risk and Oversight: Develop a systematic, data-driven process to identify high-risk expenditures and revenues that occur under formal contracts. Audit selected high-risk contracts to determine if the City has received the goods and/or services it paid for and/or revenues to which it is entitled, that the contracts are needed and do not result in unnecessary overlaps in services, and that potential contract extensions are appropriately disclosed in the original contract documents.
- Analysis of Agreements with PAUSD: Identify all agreements with PAUSD and the parties involved in each, and benchmark against other school districts to determine which services are generally provided by a school district or the city. Report will be an information report.
- Public Safety: Civilianization of Sworn Positions: Evaluate if the City can reduce costs by converting certain sworn public safety positions to nonsworn positions without increasing risk to an unacceptable level. Audit will include benchmarking with other public safety organizations.
- Sales and Use Tax Monitoring: The OCA monitors sales and use tax payments due to the City both through its own analysis and through partnering with a third party specialist.
- Performance Report and Citizen-Centric Reporting: designed to provide residents, City Council, and City staff with important data and information regarding the performance of the City. Additionally, we publish the annual National Citizen Survey which provides insight into residents' perceptions of the City's performance and allows the City to compare itself to other jurisdictions.
- Administration of the Fraud, Waste, and Abuse Hotline: Incident routing and monitoring is administered by the OCA and the City Auditor is a member of the Hotline Review Committee with the City Manager and the City Attorney.

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:

- Administer the National Citizen Survey to collect data from survey respondents regarding the quality of City services.
- Publish the City of Palo Alto Performance Report to provide consistent, reliable information on the performance of City services.
- 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.

Key Performance Measures

NUMBER OF MAJOR WORK PRODUCTS PER AUDIT STAFF

Goal	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.				
Objective	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.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of major work products per audit staff.	1.14	0.80	1.50	1.60	1.20
Description	This measure targets the number of major work products generated by each audit staff.				
Purpose	In order to provide timely impactful audit services, the Office of the City Auditor has a target to complete 1.2 major work products per audit staff on an annual basis.				
Status	The number of major work products generated by each audit staff is estimated to be at a higher level of 1.60 for FY 2017 due to changes in staff count which would increase the amount workload per person.				

PERCENT OF AUDIT RECOMMENDATIONS IMPLEMENTED OVER THE LAST FIVE YEARS.

Goal	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.				
Objective	Maintain an effective follow-up process to monitor and evaluate the adequacy, effectiveness, and timeliness of actions taken by management to address the audit recommendations and report to the City Council whether City management has implemented the recommendation or has assumed the risk of not taking action.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of audit recommendations implemented over the last five years.	42.00%	45.00%	75.00%	40.00%	75.00%
Description	This measures the effectiveness of audit recommendations. Recommendations are effective when they are addressed to parties that have authority to act and when the recommended actions are specific, cost-effective, and measurable.				
Purpose	Each audit recommendation is provided to specifically enhance and improve the effectiveness and efficiency of the respective entity being audited.				
Status	Departments are responsible to follow up on audit recommendations every six months from the date of issuance to the Policy and Services Committee with the goal of encouraging management to implement all audit recommendations in a timely manner. The City Auditor's Office must sign off on all audit recommendations before they are considered complete. Due to the number of audit recommendations as well as general capacity of departments, implementation time frames continue to lag.				

RATIO OF SALES TAX REVENUE RECOVERIES TO COST

Goal	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.				
Objective	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.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Ratio of sales tax revenue recoveries to cost.	4:1	3:1	2:1	4:1	2:1
Description	This measure is a ratio of sales tax revenue recovered by our in-house staff and our consultant to the total cost (salary and benefits plus contracted cost).				
Purpose	To determine the effectiveness of cost recovery efforts for sales and use tax revenues.				
Status	The Office of the City Auditor updates the amount of revenue generated on a quarterly basis.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of major work products issued.	4	4	8	8	6

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Audit Services	1,099,838	1,112,413	1,221,149	1,281,326	60,177	4.9%
Total	1,099,838	1,112,413	1,221,149	1,281,326	60,177	4.9%
Dollars by Category						
Salary & Benefits						
Healthcare	33,295	38,475	47,864	42,992	(4,872)	(10.2)%
Other Benefits	30,419	36,498	24,331	27,750	3,420	14.1%
Pension	141,379	157,746	169,812	184,894	15,082	8.9%
Retiree Medical	31,684	31,616	34,598	36,399	1,801	5.2%
Salary	562,385	612,070	641,056	659,949	18,893	2.9%
Workers' Compensation	—	—	8,800	23,777	14,977	170.2%
Total Salary & Benefits	799,161	876,405	926,461	975,761	49,301	5.3%
Allocated Charges	54,966	55,053	45,689	53,306	7,617	16.7%
Contract Services	221,644	157,381	231,719	234,000	2,281	1.0%
General Expense	19,014	17,004	13,760	15,279	1,519	11.0%
Supplies & Material	5,051	6,571	3,521	2,980	(541)	(15.4)%
Total Dollars by Expense Category	1,099,838	1,112,413	1,221,149	1,281,326	60,177	4.9%
Revenues						
Charges to Other Funds	690,666	799,890	795,992	740,731	(55,261)	(6.9)%
Sales Taxes	59,302	117,186	150,000	150,000	—	—%
Total Revenues	749,968	917,076	945,992	890,731	(55,261)	(5.8)%
Positions by Division						
Audit Services	4.50	5.00	5.00	5.00	—	—%
Total	4.50	5.00	5.00	5.00	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	—	—	—	—	—
City Auditor	1.00	1.00	1.00	1.00	—	180,315
Performance Auditor	0.50	—	—	—	—	—
Performance Auditor I	—	1.00	1.00	1.00	—	79,498
Performance Auditor II	—	1.00	1.00	1.00	—	107,890
Senior Performance Auditor	2.00	2.00	2.00	2.00	—	243,339
Sub-total: Full-Time Equivalent Positions	4.50	5.00	5.00	5.00	—	611,042
Total Positions	4.50	5.00	5.00	5.00	—	611,042

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	5.00	1,221,149	945,992	275,157
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	49,301	—	49,301
Triennial Peer Review	—	4,000	—	4,000
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(741)	—	(741)
General Fund Cost Allocation Plan Adjustment	—	—	(55,261)	55,261
General Liability Insurance Allocated Charges Adjustment	—	8,206	—	8,206
Information Technology Allocated Charges Adjustment	—	40	—	40
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(2,780)	—	(2,780)
Print & Mail Allocated Charges Adjustments	—	2,151	—	2,151
Adjustments to Costs of Ongoing Activities	—	60,177	(55,261)	115,438
Total FY 2018 Base Budget	5.00	1,281,326	890,731	390,595
Total FY 2018 Proposed Budget	5.00	1,281,326	890,731	390,595



CITY CLERK

Mission Statement



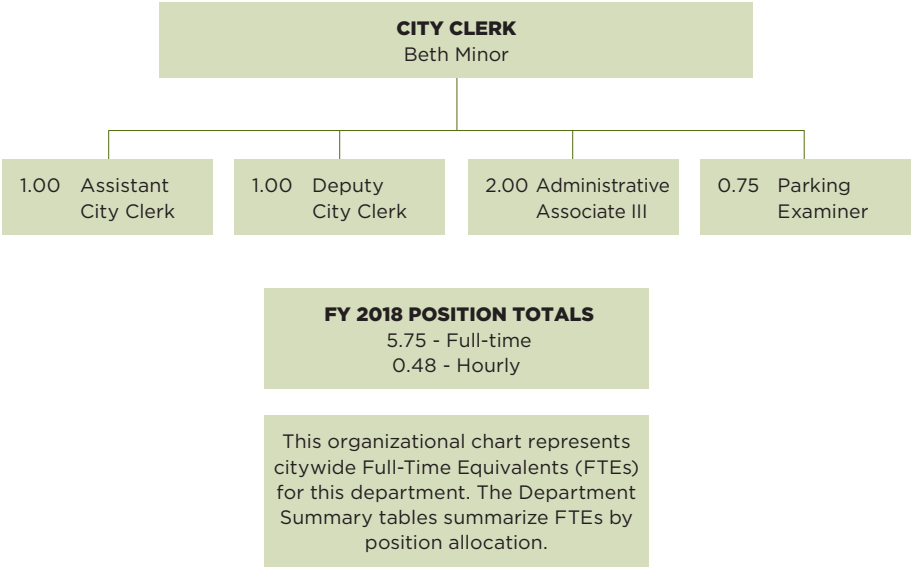
The City Clerk's Office promotes transparency and public engagement through coordinating the legislative process, records management, elections, public records requests, supporting the Mayor and City Council, and acting as a liaison between the City Council and the public.



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; facilitate the preservation of Palo Alto's legislative history, including approved 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.



Description

The City Clerk's Office provides a wide range of public services including: providing support to 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; engaging in records management, elections, and board and commission recruitments; and processing of public records requests.

Accomplishments

- Successfully managed the election of four open City Council Member seats.
- Successfully managed the Storm Water Management Fee mail ballot election.
- Held the fourth annual Board and Commission recognition event at the Palo Alto Art Center.
- Updated the Conflict of Interest Code with the assistance of every department.
- Successfully managed the Mayor's State of the City address at HanaHaus.
- Implemented DocuSign to electronically receive Board and Commission Applications.
- Previewed over 60 applications for Board and Commission vacancies resulting in 38 interviews totaling 8 hours of interviews.
- Prepared and published 51 City Council meeting agenda packets, and 25 Finance and Policy and Services Committees agenda packets in a single calendar year.
- Supported 341 plus hours of Council and Council Standing Committee meetings in a single calendar year.
- Scheduled and supported 348 administrative and citation hearings.

Initiatives

- Assist with upgrade to the Council Chambers audio/video system.
- Work with departments to create a staff report writing guide.
- Continue streamlining the Citywide records destruction process.
- Audit vital records stored off-site.
- Update the Citywide email retention policy.
- Continue working with Board and Commission Staff Liaisons to transition their webpages to a table format for their agendas, minutes, and meeting recordings providing uniformity across City webpages.

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.
- 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, Ordinances, Resolutions, and Minutes on the City Council and City Clerk web pages.
- 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of action minutes posted within one week after each Council meeting	90.00%	97.00%	96.00%	95.00%	95.00%
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	Following a leadership change at the end of FY 2015, the City Clerk's Office has maintained a higher performance level with 95% to 97% of action minutes posted within one week after each Council meeting and anticipates 95% to be an appropriate and reasonable level of performance for FY 2018.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of Council agenda packets posted on Thursday, 11 days prior to Monday Council meeting	90.00%	98.00%	95.00%	98.00%	98.00%
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.				
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 95% to 98% of packets posted 11 days prior to the Monday Council meeting and anticipates to continue to strive to achieve 98% for FY 2018.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of public records requests responded to within the ten days required by law	81.00%	98.00%	98.00%	99.00%	99.00%
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 data.				
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 is on target to exceed the 98 percent goal adopted for FY 2017.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of applications processed for open board and commission seats	51	40	50	60	50
Number of City Council Meeting Action Minutes posted annually	43	57	50	48	50
Number of weekly agenda packets produced annually	42	46	45	42	45
Number of public records requests received annually	313	299	275	355	315

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	135,067	128,736	125,569	118,721	(6,849)	(5.5)%
Administrative Citations	135,750	58,830	193,554	206,481	12,926	6.7%
Council Support Services	556,772	573,092	762,758	746,322	(16,435)	(2.2)%
Election/Conflict of Interest	91,844	92,478	118,779	126,857	8,078	6.8%
Legislative Records Management	82,723	72,085	82,169	86,080	3,911	4.8%
Public Information	76,555	75,920	87,599	89,407	1,807	2.1%
Total	1,078,713	1,001,140	1,370,429	1,373,867	3,439	0.3%
Dollars by Category						
Salary & Benefits						
Healthcare	57,814	52,139	85,251	66,350	(18,901)	(22.2)%
Other Benefits	19,297	15,909	22,495	25,875	3,380	15.0%
Overtime	6,748	5,237	6,696	6,696	—	—%
Pension	103,414	104,007	149,361	165,848	16,487	11.0%
Retiree Medical	79,667	73,486	80,416	84,602	4,186	5.2%
Salary	470,239	425,956	584,996	616,225	31,229	5.3%
Workers' Compensation	—	—	8,081	22,469	14,388	178.1%
Total Salary & Benefits	737,179	676,733	937,296	988,064	50,768	5.4%
Allocated Charges	161,423	129,850	148,187	145,096	(3,091)	(2.1)%
Contract Services	119,921	118,362	222,320	177,320	(45,000)	(20.2)%
General Expense	46,781	56,737	47,591	52,591	5,000	10.5%
Supplies & Material	13,410	19,458	15,035	10,796	(4,239)	(28.2)%
Total Dollars by Expense Category	1,078,713	1,001,140	1,370,429	1,373,867	3,439	0.3%
Revenues						
Charges for Services	288	1	2,043	2,043	—	—%
Charges to Other Funds	399,786	513,239	511,957	487,528	(24,429)	(4.8)%
Other Revenue	313	493	3,143	3,143	1	—%
Total Revenues	400,387	513,733	517,142	492,714	(24,428)	(4.7)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Positions by Division						
Administration	0.35	0.35	0.35	0.35	—	—%
Administrative Citations	1.23	1.23	1.23	1.23	—	—%
Council Support Services	2.85	2.85	2.85	2.85	—	—%
Election/Conflict of Interest	0.65	0.65	0.65	0.65	—	—%
Legislative Records Management	0.50	0.50	0.50	0.50	—	—%
Public Information	0.65	0.65	0.65	0.65	—	—%
Total	6.23	6.23	6.23	6.23	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Associate III	2.00	2.00	2.00	2.00	—	163,379
Assistant City Clerk	1.00	1.00	1.00	1.00	—	94,120
City Clerk	1.00	1.00	1.00	1.00	—	141,149
Deputy City Clerk	1.00	1.00	1.00	1.00	—	79,227
Hearing Officer	0.75	0.75	0.75	0.75	—	90,620
Sub-total: Full-Time Equivalent Positions	5.75	5.75	5.75	5.75	—	568,495
Temporary/Hourly	0.48	0.48	0.48	0.48	—	30,099
Total Positions	6.23	6.23	6.23	6.23	—	598,594

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	6.23	1,370,429	517,142	853,287
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	50,768	—	50,768
ARC Document Solutions (Print & Mail Allocated Charges Realignment) [Supplies & Material]	—	(9,239)	—	(9,239)
General Fund Cost Allocation Plan Adjustment	—	—	(24,428)	24,428
General Liability Insurance Allocated Charges Adjustment	—	7,754	—	7,754
Information Technology Allocated Charges Adjustment	—	(291)	—	(291)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(3,120)	—	(3,120)
Print & Mail Allocated Charges Adjustments	—	(7,434)	—	(7,434)
Adjustments to Costs of Ongoing Activities	—	38,438	(24,428)	62,866
Total FY 2018 Base Budget	6.23	1,408,867	492,714	916,153
Budget Adjustments				
1 Board & Commission Recruitment Budget Reduction	—	(35,000)	—	(35,000)
Total Budget Adjustments	—	(35,000)	—	(35,000)
Total FY 2018 Proposed Budget	6.23	1,373,867	492,714	881,153



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Board & Commission Recruitment Budget Reduction	0.00	(35,000)	0	(35,000)

This action aligns the City Clerk budget with expenditure reductions resulting from consolidation of recruitment for the City's various Boards and Commissions into two regular annual recruitments. One recruitment will be scheduled in the Spring and one recruitment in the Fall of each year. The reduction in the number of recruitments conducted each year resulted in a reduction in the number of newspaper advertisements purchased each year. (Ongoing net savings: \$35,000)

Performance Results



This reduction reflects a more cost-effective recruitment strategy for Board & Commission recruitments resulting in an ongoing expenditure savings that does not impact the performance of the City's Board and Commission recruitments.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
City Council Operations	360,551	429,737	501,444	499,824	(1,620)	(0.3)%
Total	360,551	429,737	501,444	499,824	(1,620)	(0.3)%
Dollars by Category						
Salary & Benefits						
Healthcare	95,567	107,922	116,473	77,303	(39,170)	(33.6)%
Other Benefits	10,172	13,328	4,762	5,614	852	17.9%
Pension	13,700	15,081	25,026	32,827	7,801	31.2%
Retiree Medical	77,652	76,049	83,222	87,553	4,332	5.2%
Salary	67,310	69,965	86,400	108,000	21,600	25.0%
Workers' Compensation	—	—	1,227	4,270	3,044	248.1%
Total Salary & Benefits	264,401	282,346	317,110	315,568	(1,542)	(0.5)%
Allocated Charges	1,219	2,285	15,949	15,871	(78)	(0.5)%
Contract Services	44,712	111,373	108,000	108,000	—	—%
General Expense	47,199	31,251	57,455	57,455	—	—%
Supplies & Material	3,021	2,483	2,930	2,930	—	—%
Total Dollars by Expense Category	360,551	429,737	501,444	499,824	(1,620)	(0.3)%
Revenues						
Charges to Other Funds	91,042	99,396	77,099	95,624	18,525	24.0%
Total Revenues	91,042	99,396	77,099	95,624	18,525	24.0%
Positions by Division						
City Council Operations	9.00	9.00	9.00	9.00	—	—%
Total	9.00	9.00	9.00	9.00	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
City Council	9.00	9.00	9.00	9.00	—	108,000
Sub-total: Full-Time Equivalent Positions	9.00	9.00	9.00	9.00	—	108,000
Total Positions	9.00	9.00	9.00	9.00	—	108,000

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	9.00	501,444	77,099	424,345
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	(1,542)	—	(1,542)
General Fund Cost Allocation Plan Adjustment	—	—	18,525	(18,525)
General Liability Insurance Allocated Charges Adjustment	—	1,474	—	1,474
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(1,141)	—	(1,141)
Information Technology Allocated Charges Adjustment	—	(411)	—	(411)
Adjustments to Costs of Ongoing Activities	—	(1,620)	18,525	(20,145)
Total FY 2018 Base Budget	9.00	499,824	95,624	404,200
Total FY 2018 Proposed Budget	9.00	499,824	95,624	404,200





CITY OF
**PALO
ALTO**

CITY MANAGER

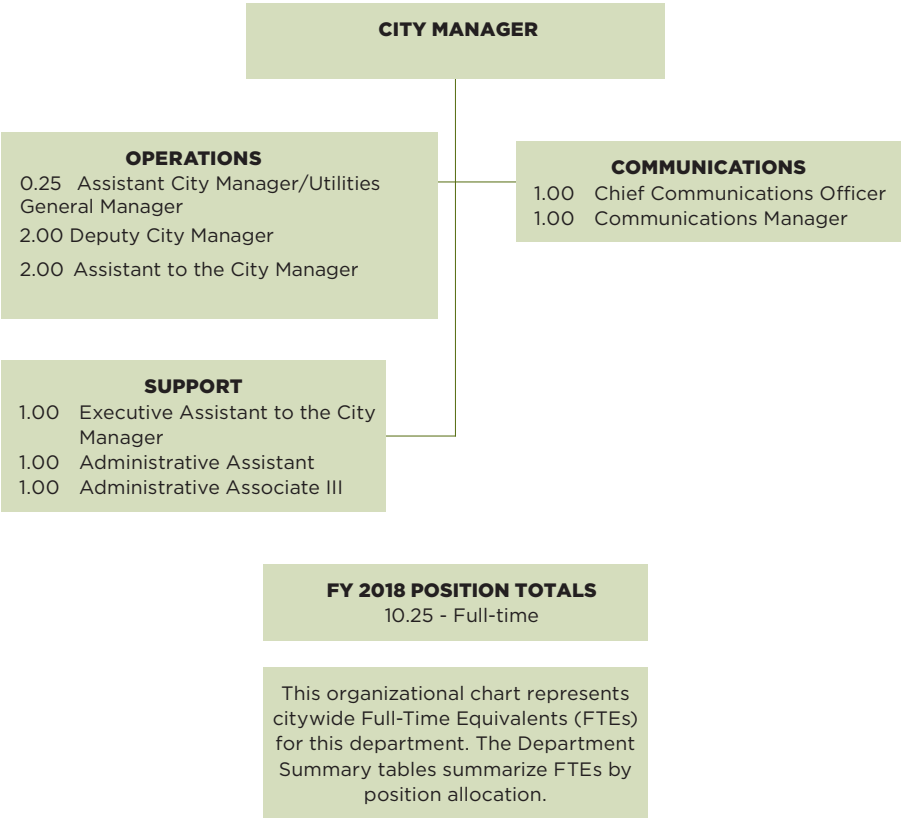


The City Manager's Office provides leadership and professional management to the City government organization and works with the City Council to develop and implement its policies to maintain and enhance Palo Alto's quality of life.



The City Manager's Office adheres to guiding values that emphasize community, stewardship, and public service.

CITY MANAGER



Description

The City Manager's Office provides strategic leadership and guidance to the City operations and services for the City of Palo Alto through the following areas (including incubation of new programs):

ADMINISTRATION AND CITY MANAGEMENT

Provides the organizational support and leadership necessary to implement Council programs and policies to meet the City's current and future needs; ensures City operations demonstrate transparency and fiduciary responsibility to the public; builds a strong service culture and provides ongoing, informative communications to City employees regarding key objectives, challenges and accomplishments.

PLACE AND NEIGHBORHOODS

Fosters an informed and engaged community; develops mutual understanding and support between City government and the community by proactively communicating public information, creating and supporting community partnerships, and facilitating citizen involvement; cultivates livability by recognizing the distinctiveness and diversity of Palo Alto and its neighborhoods.

ECONOMIC VITALITY

Develops programs in support of a healthy, prosperous economic environment; maintains collaborative relationships with residents and businesses to facilitate desired economic activity.

Accomplishments

The City Manager's Office provides leadership and professional management to the City government organization. The accomplishments demonstrated throughout the budget document, within the department chapters, are a consequence of the overall guidance provided by the office. In addition to these many accomplishments, the office through its general administration, public communication and economic development duties completed a series of key projects and activities:

- Supported City Council priority setting and agenda planning while providing leadership and guidance to organization.
- Supported City Council election cycle by providing candidate orientation forums to increase knowledge and awareness about key City priorities, projects and functions.
- Advanced organizational excellence through work plans, support for professional development and work/life balance, and performance management through the Executive Leadership Team.
- Played a key role with the San Francisquito Creek Joint Powers Authority to break ground on Phase 1 Flood Protection Project and continued progress with upstream next phase

elements, beginning the environmental clearance and coordination with stakeholders including Stanford University.

- Supported emergency preparedness and ready response throughout winter storm season.
- Coordinated advocacy for Santa Clara County Measure B transportation tax, with particular attention to grade separation funding and the flexible use of street paving funds.
- Continue ongoing interdepartmental focus on Caltrain safety.
- Negotiated extension of Stanford University fire/emergency services agreement, and restarted negotiations on a new long term agreement.
- Assisted with efforts to resolve key land use issues including Buena Vista, Edgewood Plaza, Palo Alto Square and Castilleja School.
- Transitioned essential leadership and staff positions, restructuring the office to ensure the execution of key City Council priorities.
- Supported the Police Department during the retirement of the Police Chief and Assistant Police Chief, and began recruitment efforts for a new Police Chief.
- Collaborated with Santa Clara Cities Association and the Administrative Services Department regarding regional minimum wage implementation leading to City Council approval on September 26, 2016.
- Coordinated with the Planning and Community Environment Department regarding the activities for approval of the Comprehensive Plan.
- Restructured City's state and federal legislative program by utilizing resources in the Utilities Department while continuing to advance City Council and City department goals.
- Hosted several international delegations including representatives from China, European Union, Kenyan, Holland, Germany, Taiwan, and United Arab Emirates.
- Provided communications advice and support for issue specific efforts ranging from storm and floods to the Center for Disease Control Epi-Aid report.
- Supported multiple community outreach efforts on variety of issues aimed at increasing civic participation, feedback and engagement.
- Produced and published multi-platform communications content related to City Council and organizational goals and programs; further expanded social media channel reach and provided responsive, informed and timely information to community, public and media stakeholders.
- Administered the Know Your Neighbor Grant Program encouraging neighborhood activities that foster a sense of place and community.
- Organized the Bike Palo Alto & Expo which featured local vendors of cargo bikes, electric scooters, three-wheeled bikes, electric assist bikes, and many other ways to get around town other than driving a car solo.
- Led Veteran Day Recognition Event to honor the armed services and hosted Lieutenant General Rex C. McMillian, Commander of Marine Forces Reserve and Marine Forces North, for the ceremony.

- Partnered with local community groups to host the United Nations Association Film Festival throughout various City locations and assisted with the California Avenue Trick or Treat Halloween event.
- Continued to advance the Animal Services Assessment leading to a non-binding exclusive negotiation with Pets In Need, a local nonprofit animal rescue.
- Advanced efforts to address impacts of air traffic by supporting the local Congressional Select Committee which resulted in numerous recommendations to the Federal Aviation Administration (FAA).
- Continued partnership with the Department of Veterans Affairs regarding impacts of their development project at their Palo Alto location on citizens and the Bol Park Bike Path.
- Continued to support key business districts such as Downtown Palo Alto, California Avenue, Stanford Shopping Center and the Stanford Research Park, during vacancy of Economic Development Manager, to ensure outreach regarding minimum wage, parking and development activity.

Initiatives

- Continue to support the City Council, the priority setting process and regular, special and committee meetings.
- Continue to provide leadership and professional management to the City government organization.
- Advance City Council priority projects through the new staffing structure while promoting the high performance organization and smart cool cities initiatives.
- Work with Rail Committee, citizens and stakeholders to achieve consensus on a grade separation strategy for the Caltrain intersections.
- Organize the delivery of City parking services and reach agreement on a paid parking strategy.
- Continue and complete negotiations with Stanford University regarding fire safety services.
- Advance international programs through our partnership with Neighbors Abroad to create new smart city relationships with existing sister cities and vice versa to transition existing sister city relationships into smart sister cities to share knowledge, experience and best practices related to government services and innovation.
- Continue to support the City Council and departments with federal and state legislative priorities and goals.
- Continue to work with Congress, FAA, San Francisco International Airport, San Jose International Airport, other local governments, regional organizations or groups and citizens to implement goals and measures that reduce aircraft noise.
- Continue to working collaboratively with Department of Veteran Affairs regarding impacts from their development activity at their Palo Alto location.

- Continue to lead the Animal Shelter assessment for City Council consideration of a possible new service model.
- Assess the future of the City's current website platform for usability, responsiveness and mobile accessibility.
- Further advance the city's digital engagement and online presence through responsiveness and quality content to both inform and engage the community.
- Provide strategic communications support to departments across the city with a focus on programs and projects under the Council priorities.
- Provide strategic support for outreach efforts specifically related to infrastructure projects including parking garages and major downtown construction projects.
- Continue partnership with businesses to advance the City's economic development goals and to meet the needs of business owners with regards to, but not limited to, transportation, parking and development.
- Continue to administer the Know Your Neighbors Grant Program to foster sense of place and community.

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 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 high-quality, cost-effective, and customer-focused services.				
Objective	Facilitate a high level of citizen satisfaction with City services.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent"	85.00%	81.00%	87.00%	85.00%	87.00%
Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent"	65.00%	58.00%	67.00%	62.00%	67.00%
Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent"	88.00%	86.00%	92.00%	89.00%	92.00%
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 opportunities for improvement.				
Status	Although Palo Alto continues to rank above the benchmark, the City will expand efforts to understand citizen satisfaction measures and how to continue to exceed citizens expectations.				

ECONOMIC VITALITY

Goal	Advocate sound financial planning by developing and implementing Operating and Capital Improvement Program (CIP) budgets.				
Objective	Balance and manage economic growth and development initiatives.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Overall quality of business and service establishments rated as "Good" or "Excellent"	77.00%	72.00%	81.00%	75.00%	81.00%
Percent of surveyed rating economic development as "Good" or "Excellent"	69.00%	61.00%	71.00%	65.00%	71.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of economic development 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.				
Purpose	Understanding the community perception of the business environment allows staff to work with developers and investors to ensure the right make-up of business and services are located in Palo Alto.				
Status	Although Palo Alto continues to rank above the benchmark, the high cost of commercial real estate has had an impact on local services. The City continues to work with business owners to increase parking supply, walkability and enhance public spaces with arts and events to increase customers experience.				

OPEN GOVERNMENT AND COMMUNICATION

Goal	Promote and sustain citizen participation and engagement in public matters.				
Objective	Preserve transparency and enhance communication with the public.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed rating the City's public info services as "Good" or "Excellent"	82.00%	78.00%	84.00%	82.00%	84.00%
Percent of surveyed attending a local public meeting	22.00%	21.00%	25.00%	25.00%	25.00%
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.				
Purpose	Robust levels of community awareness and participation demand communication systems that are timely, accurate, meaningful, and readily accessible.				
Status	Although Palo Alto continues to rank above the benchmark, the City will be expanding efforts to increase transparency, information sharing and outreach.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of City Council and City Council Committee meetings	87	86	90	98	96
Total Hours of City Council and City Council Committee meetings	353	372	300	420	412

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration and City Management	1,773,746	2,462,341	2,350,270	3,026,223	675,953	28.8%
Economic Development	323,762	305,249	273,615	48,877	(224,738)	(82.1)%
Public Communication	269,974	331,769	260,103	234,528	(25,575)	(9.8)%
Total	2,367,482	3,099,359	2,883,989	3,309,629	425,640	14.8%
Dollars by Category						
Salary & Benefits						
Healthcare	94,919	147,338	160,273	182,959	22,686	14.2%
Other Benefits	94,343	125,036	84,359	60,696	(23,663)	(28.1)%
Overtime	126	—	—	—	—	—%
Pension	229,622	384,662	415,331	481,227	65,895	15.9%
Retiree Medical	105,936	108,257	112,770	118,640	5,870	5.2%
Salary	1,028,485	1,436,369	1,558,120	1,715,490	157,370	10.1%
Workers' Compensation	2,750	6,708	20,310	53,288	32,978	162.4%
Total Salary & Benefits	1,556,181	2,208,371	2,351,162	2,612,298	261,136	11.1%
Allocated Charges	117,868	172,614	127,757	135,673	7,916	6.2%
Contract Services	583,831	506,711	311,185	311,185	—	—%
Facilities & Equipment	1,364	21,870	—	—	—	—%
General Expense	95,175	171,623	79,391	238,641	159,250	200.6%
Operating Transfers-Out	2,039	2,039	2,039	2,039	—	—%
Rents & Leases	64	75	154	154	—	—%
Supplies & Material	10,960	16,055	12,301	9,639	(2,662)	(21.6)%
Total Dollars by Expense Category	2,367,482	3,099,359	2,883,989	3,309,629	425,640	14.8%
Revenues						
Charges to Other Funds	749,418	881,211	935,746	1,455,335	519,590	55.5%
Other Revenue	—	207	—	—	—	—%
Total Revenues	749,418	881,418	935,746	1,455,335	519,590	55.5%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Positions by Division						
Administration and City Management	7.10	7.10	7.10	9.35	2.25	31.69%
Economic Development	1.10	1.00	1.00	—	(1.00)	(100.00)%
Public Communication	0.90	0.90	0.90	0.90	—	—%
Total	9.10	9.00	9.00	10.25	1.25	13.89%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	88,525
Administrative Associate III	1.00	1.00	1.00	1.00	—	81,689
Assistant City Manager	2.00	2.00	2.00	—	(2.00)	—
Assistant City Manager/Utilities General Manager	—	—	—	0.25	0.25	71,250
Assistant to the City Manager	—	—	—	2.00	2.00	300,000
Chief Communications Officer	1.00	1.00	1.00	1.00	—	196,227
Chief Sustainability Officer	0.05	—	—	—	—	—
City Manager	1.00	1.00	1.00	1.00	—	298,542
Deputy City Manager	—	—	—	2.00	2.00	357,000
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	100,131
Manager Communications	1.00	1.00	1.00	1.00	—	112,757
Manager Economic Development	1.00	1.00	1.00	—	(1.00)	—
Sub-total: Full-Time Equivalent Positions	9.05	9.00	9.00	10.25	1.25	1,606,122
Temporary/Hourly	0.05	—	—	—	—	—
Total Positions	9.10	9.00	9.00	10.25	1.25	1,606,122

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	9.00	2,883,989	935,746	1,948,243
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	62,696	—	62,696
City Manager's Office Realignment (CMR #7227), approved on October 24, 2016	1.25	198,441	—	198,441
Town Hall Meeting Funding (CMR #7176), approved on August 22, 2016	—	8,000	—	8,000
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(2,662)	—	(2,662)
General Expense Increases	—	1,250	—	1,250
General Fund Cost Allocation Plan Adjustment	—	—	519,589	(519,589)
General Liability Insurance Allocated Charges Adjustment	—	18,389	—	18,389
Information Technology Allocated Charges Adjustment	—	(7,253)	—	(7,253)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(6,563)	—	—
Print & Mail Allocated Charges Adjustment	—	3,342	—	3,342
Adjustments to Costs of Ongoing Activities	1.25	275,640	519,589	(237,386)
Total FY 2018 Base Budget	10.25	3,159,629	1,455,335	1,710,857
Budget Adjustments				
1 City-wide Parking Evaluation Study	—	150,000	—	150,000
Total Budget Adjustments	—	150,000	—	150,000
Total FY 2018 Proposed Budget	10.25	3,309,629	1,455,335	1,860,857



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 City-wide Parking Evaluation Study	0.00	150,000	0	150,000

This action provides \$150,000 in one-time funding to evaluate the parking ecosystem in the City of Palo Alto. The City continues to refine its parking activities, including the study and implementation of paid parking programs and the building of new parking infrastructure in special parking districts at University Avenue and California Avenue. The City is also continuing and exploring the expansion of Residential Preferential Parking Districts such as Evergreen, College Terrace, Crescent Park, and Southgate. An outside study will help inform the path forward for the City's parking and transportation efforts, contribute to the integration of a strategic vision across each of those efforts, and review what organizational structure would best manage these new initiatives. (Ongoing Costs: \$0)

Performance Results



This action will increase the quality of the City's long-term strategy for parking programs through use of consultant services to independently evaluate and make recommendations on the City's organizational structure to address parking and transportation activities.



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.

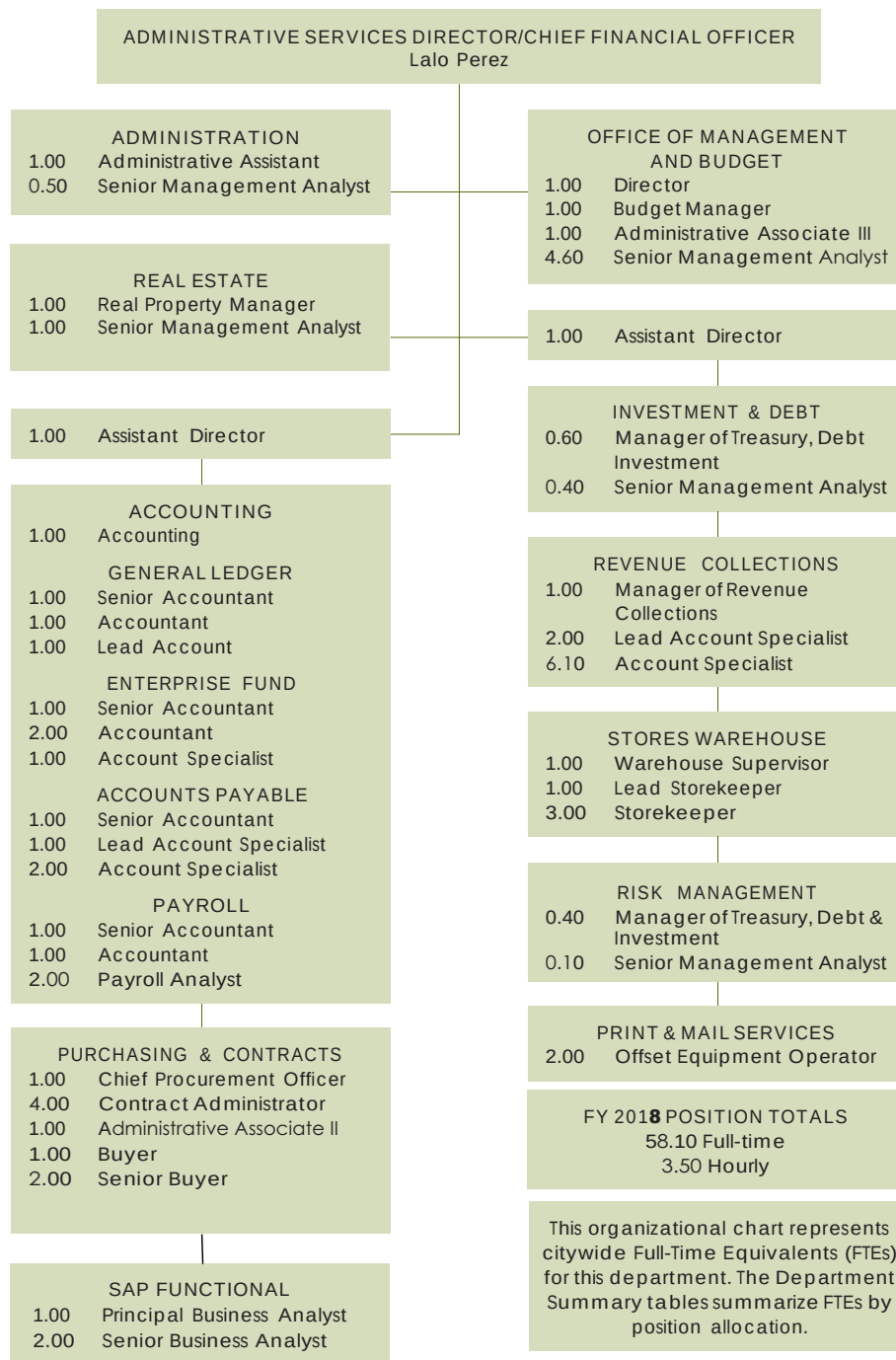
Purpose



The purpose of the Administrative Services Department is to provide excellent customer service to decision makers, the public, employees, and City departments; to provide analytical, organizational, and administrative support for a wide variety

of projects; to record, monitor, and protect City assets in a responsible manner; to provide essential financial management and forecasting reports; and to 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, payroll, and financial reporting.

PURCHASING AND CONTRACTS

Works with departments to facilitate their purchasing and contracting needs in a timely, efficient, and customer-oriented manner.

OFFICE OF MANAGEMENT AND BUDGET (OMB)

Oversees the citywide budget preparation, review and analysis, performance measures, and budget monitoring.

PROPERTY MANAGEMENT AND ACQUISITION

Provides asset management, acquires property rights, manages leasing of City's properties, prepares real estate agreements, completes easement acquisition/vacation, negotiates real estate deals and provides real estate services citywide.

TREASURY

Collects, safeguards, and invests revenue; issues and manages debt; and provides print shop and warehouse services.

Accomplishments

- Facilitated the maintenance of the City's AAA credit rating, which results in the lowest possible borrowing costs.
- Managed the City's real estate leases resulting in revenue of \$4.1 million.
- Continued implementation of a strategic plan for the department emphasizing four focus areas: customer service, innovation, best practices, and employee excellence.
- Implemented online, self-paced training platform, expanded upon the application of eProcurement capability (PlanetBids).
- Began significantly reducing paper and office supply consumption of the City and generating operational efficiency by introducing a new multifunctional printer and managed print services networked program (MFP/MPS) along with an Electronic Document

ADMINISTRATIVE SERVICES

Management System (EDMS) city-wide. The plan forward is to reduce cost initially by 20% then by at least 5% per year over the next three to five years.

- Followed best practices for Accounts Payable electronic payments, using Automated Clearing House (ACH) payments where possible.
- Maintained employee excellence focusing on employee rating form, training plans, and specific goals improving customer service and responsiveness.
- Continued implementation of the citywide procurement process improvements to improve efficiency and align with industry best practices, including new key metrics reporting, knowledge management solution, and electronic document management.
- Continued to expand DocuSign eSignature and electronic workflow for key department forms and facilitated the expanded citywide rollout of DocuSign.
- Explored and identified options for Council to address long-term unfunded liabilities for pension.
- Marketed and executed the sale of 2,500 square feet of Transfer Development Rights for the record price of \$400 per square feet and paid the amount of \$300,000 of the proceed to Environmental Volunteers for capital improvement of the Sea Scout Building.
- Completed 20 easements and easement vacations.
- Completed the transition to paper free workflow in Purchasing and continued to expand scanning and electronic archiving in ASD and other city departments.
- While continuing to uphold the City's policy effort in using recycled paper, the bulk of paper and toner cost has been rolled up into the new managed print services program to further extend cost savings and improve on office operations efficiency.
- Participated in citywide emergency preparation and planning to ensure financial support and reporting will be part of a coordinated emergency response effort.
- Developed and implemented business processes to reduce instances of duplicate vendor payments.
- Received 'Excellence in Financial Reporting' from Government Finance Officers Association (GFOA) for the City's FY 2016 Comprehensive Annual Financial Report (CAFR).

Initiatives

- Continue implementation of the ASD strategic plan in four focus areas: 1) High quality customer service, 2) Innovation and continuous improvement, 3) Best practices, 4) Employee excellence, including: customer support resources in purchasing, payroll and accounting, and implementation of electronic forms.
- Implement new procurement process improvement recommendations, including the new eProcurement system for managing solicitations and vendor relations and contract management.

- Implement department-wide, technology-focused, core competency training such as: SAP module specific training for support resources and SAP reporting training in the human resources and payroll modules.
- Explore option to move current manual garage parking permit process to online platform.
- Establish a cooperative purchasing mall to streamline the purchasing process while ensuring competitive pricing and compliance with policies and procedures.
- Provide additional funding options for unfunded pension liability beyond the annual contributions.
- In conjunction with the Office of Emergency Services, continue to build out the financial support for emergency preparation to include templates for federal financial reporting after a disaster.
- Identify funding sources and investment options for Council to consider to address the City's unfunded liabilities for pension and healthcare.
- Continue implementation of the paperless office program to the Accounting and Real Estate divisions of the Department.

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Fund						
General Fund-Operating	7,132,943	7,497,404	7,797,896	8,032,836	234,940	3.0%
Printing & Mailing Services Fund	1,247,186	1,289,499	1,297,453	1,453,146	155,693	12.0%
Total	8,380,129	8,786,902	9,095,349	9,485,982	390,633	4.3%
Revenues						
Charges for Services	16,082	28,124	12,570	12,570	—	—%
Charges to Other Funds	4,651,562	5,248,028	4,905,882	4,454,246	(451,636)	(9.2)%
Net Sales	—	300	—	—	—	—%
Other Revenue	48,206	264,307	51,400	161,500	110,100	214.2%
Other Taxes and Fines	(1,380)	—	—	—	—	—%
Property Taxes	—	3,720	—	—	—	—%
Return on Investments	(291)	(1,441)	400	400	—	—%
Total Revenues	4,714,179	5,543,038	4,970,252	4,628,716	(341,536)	(6.9)%
Positions by Fund						
General Fund	42.22	41.04	41.50	40.06	(1.44)	(3.47)%
Printing and Mailing Services	1.62	1.62	2.10	2.10	—	—%
Total	43.84	42.66	43.60	42.16	(1.44)	(3.30)%

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 Council's 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 City's real estate assets and risk reduction such as Cubberley, Ventura, and Middlefield road lots.
- Manage real estate assets effectively to enhance revenue and reduce cost.
- Recommend a strategically balanced budget within 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.

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.
- Increase information availability and transparency using open data tools and dashboards.

GOAL 3

- Ensure public funds and assets are invested prudently and well-managed.

Objectives:

- Ensure sufficient cash is always available to meet current expenditures.
- Maintain a reasonable rate of return on investments.

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 for updating or enhancement opportunity.
- Rollout 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 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Annual percentage yield on investments	1.95%	1.82%	1.85%	1.95%	2.10%
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	As anticipated with a declining interest rate environment, the City's adopted goal of 1.85 percent is estimated to be achieved in FY 2017. In comparison, the State Investment Pool average yield through March FY 2017 is 0.07% and the five year treasury average for FY 2016 was 1.00%.				

ADMINISTRATIVE SERVICES

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Track the average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days)	25.00	15.00	15.00	23.00	23.00
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.				
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	In FY 2017, the Purchasing Division began to build on process improvements with increased training and new software solutions to increase efficiency and reduce turnaround time. Despite the process improvements, staff anticipates an increase in larger, more complex PRs in FY 2018 involving significant dollars and City Council decisions, therefore increasing estimated cycle time. The increase is associated with the increasing capital program expenditures.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of P-card (City credit card) transactions	17,799	20,349	18,748	19,000	20,000
Number of purchase orders and purchase requisitions processed	1,694	3,496	2,271	2,300	1,784
Total amount of cash and investments - as of June 30 (Millions)	\$544.70	\$539.70	\$516.00	\$515.00	\$520.00

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Accounting	1,693,803	2,031,310	2,090,866	2,273,096	182,230	8.7%
Administration	683,735	797,339	679,892	452,517	(227,374)	(33.4)%
Office of Management and Budget	1,162,381	1,154,119	1,314,523	1,559,404	244,881	18.6%
Purchasing	1,581,425	1,543,130	1,508,372	1,553,022	44,650	3.0%
Real Estate	669,499	556,027	623,443	641,373	17,930	2.9%
Treasury	1,342,101	1,415,478	1,580,800	1,553,424	(27,376)	(1.7)%
Total	7,132,943	7,497,404	7,797,896	8,032,836	234,940	3.0%
Dollars by Category						
Salary & Benefits						
Healthcare	561,528	566,126	716,258	729,465	13,206	1.8%
Other Benefits	157,648	177,754	138,100	164,266	26,165	18.9%
Overtime	35,716	45,516	33,723	33,723	—	—%
Pension	898,851	979,873	1,105,467	1,238,194	132,727	12.0%
Retiree Medical	523,211	490,474	536,733	564,670	27,937	5.2%
Salary	3,777,732	4,120,344	4,280,155	4,212,658	(67,496)	(1.6)%
Workers' Compensation	19,488	13,346	58,206	150,294	92,088	158.2%
Total Salary & Benefits	5,974,174	6,393,433	6,868,642	7,093,269	224,628	3.3%
Allocated Charges	392,693	451,507	363,446	417,541	54,095	14.9%
Contract Services	379,154	395,562	261,921	255,648	(6,274)	(2.4)%
Facilities & Equipment	3,693	10,071	6,200	4,200	(2,000)	(32.3)%
General Expense	331,358	199,071	239,374	214,924	(24,450)	(10.2)%
Rents & Leases	12,363	12,363	12,856	12,856	—	—%
Supplies & Material	39,508	35,396	45,457	34,398	(11,059)	(24.3)%
Total Dollars by Expense Category	7,132,943	7,497,404	7,797,896	8,032,836	234,940	3.0%
Revenues						
Charges for Services	16,082	28,124	12,570	12,570	—	—%
Charges to Other Funds	3,387,378	3,952,406	3,608,829	3,001,500	(607,330)	(16.8)%
Net Sales	—	300	—	—	—	—%
Other Revenue	48,206	264,307	51,400	161,500	110,100	214.2%

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Taxes and Fines	(1,380)	—	—	—	—	—%
Property Taxes	—	3,720	—	—	—	—%
Total Revenues	3,450,285	4,248,857	3,672,799	3,175,570	(497,230)	(13.5)%

Positions by Division

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Accounting	13.90	12.90	13.60	13.60	—	—%
Administration	1.30	1.60	2.08	1.60	(0.48)	(23.08)%
Office of Management and Budget	6.82	6.62	6.02	6.62	0.60	9.97%
Purchasing	9.83	9.35	9.53	8.57	(0.96)	(10.07)%
Real Estate	2.60	2.80	2.32	2.32	—	—%
Treasury	7.77	7.77	7.95	7.35	(0.60)	(7.55)%
Total	42.22	41.04	41.50	40.06	(1.44)	(3.47)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	5.95	4.95	5.88	4.88	(1.00)	346,880
Account Specialist-Lead	4.59	4.59	4.05	3.05	(1.00)	232,065
Accountant	2.00	3.00	3.00	3.00	—	255,133
Administrative Assistant	1.00	1.00	1.00	1.00	—	88,525
Administrative Associate II	—	—	—	1.00	1.00	76,210
Administrative Associate III	1.00	1.00	1.00	1.00	—	81,689
Assistant Director Administrative Services	1.65	1.75	1.65	1.65	—	323,581
Buyer	2.00	2.00	1.00	1.00	—	100,337
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	142,730
Contracts Administrator	1.70	1.70	1.70	2.70	1.00	285,624
Director Administrative Services/ CFO	0.70	0.70	0.80	0.80	—	187,466
Director Office of Management and Budget	1.00	1.00	1.00	1.00	—	175,989
Manager Accounting	1.00	1.00	1.00	1.00	—	155,168
Manager Budget	—	1.00	1.00	1.00	—	154,000

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Manager Real Property	1.00	1.00	1.00	1.00	—	145,246
Manager Revenue Collections	—	0.70	0.62	0.62	—	87,925
Manager Treasury, Debt & Investments	—	1.00	0.60	0.60	—	82,992
Payroll Analyst	2.00	2.00	2.00	2.00	—	169,536
Principal Management Analyst	1.00	—	—	—	—	—
Senior Accountant	3.00	3.00	3.00	3.00	—	321,069
Senior Buyer	—	—	1.00	1.00	—	101,361
Senior Management Analyst	5.90	4.20	4.90	4.90	—	634,366
Storekeeper	—	—	1.00	1.00	—	73,992
Storekeeper-Lead	1.00	1.00	0.20	0.20	—	15,837
Warehouse Supervisor	0.50	0.50	0.20	0.20	—	19,602
Sub-total: Full-Time Equivalent Positions	37.99	38.09	38.60	38.60	—	4,257,321
Temporary/Hourly	4.23	2.95	2.90	1.46	(1.44)	83,300
Total Positions	42.22	41.04	41.50	40.06	(1.44)	4,340,621

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	41.50	7,797,896	3,672,800	4,125,096
Base Adjustments				
One Time Prior Year Expenditures Deleted				
Temporary Management Specialist (e-Procurement and SAP)	(0.48)	(74,880)	—	(74,880)
Temporary Purchasing Contract Administration Specialist	(0.48)	(53,974)	—	(53,974)
One Time Prior Year Expenditures Deleted	(0.96)	(128,854)	—	(128,854)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	333,100	—	333,100
Purchase Card Rebate Increase	—	—	110,100	(110,100)
Property Tax Liability Adjustment	—	(17,950)	—	(17,950)
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(5,059)	—	(5,059)
General Fund Cost Allocation Plan Adjustment	—	—	(607,330)	607,330
General Liability Insurance Allocated Charges Adjustment	—	43,437	—	43,437
Information Technology Allocated Charges Adjustment	—	(4,700)	—	(4,700)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(17,757)	—	(17,757)
Print & Mail Allocated Charges Adjustments	—	23,908	—	23,908
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	9,207	—	9,207
Adjustments to Costs of Ongoing Activities	—	364,186	(497,230)	861,416
Total FY 2018 Base Budget	40.54	8,033,228	3,175,570	4,857,658
Budget Adjustments				
1 Purchasing Division Staffing Realignment	(0.48)	21,382	—	21,382
2 Non-Salary Reductions	—	(21,774)	—	(21,774)
Total Budget Adjustments	(0.48)	(392)	—	(392)
Total FY 2018 Proposed Budget	40.06	8,032,836	3,175,570	4,857,266



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Purchasing Division Staffing Realignment	-0.48	21,382	0	21,382

This action realigns various positions in the Purchasing Division in order to meet current business needs. Adjustments include adding 1.0 Contracts Administrator, reclassifying 1.0 Account Specialist to Administrative Associate II, eliminating a vacant 1.0 Account Specialist, and eliminating a vacant 0.48 part-time Management Specialist. The addition of a Contracts Administrator and the elimination of the 1.0 Account Specialist and 0.48 Management Specialist reflects the need for increased capacity and purchasing expertise in order to meet the demands of the City's significant investment in capital improvements. This increase in capacity and expertise enables the division to eliminate temporary assistance that has historically been used, providing a long term staffing strategy. The reclassification of 1.0 Account Specialist to Administrative Associate II more accurately aligns current duties with the approved job classification. In FY 2017, a classification study was completed by Koff & Associates which recommended Administrative Associate II as the appropriate classification for the duties assigned. (Ongoing net costs: \$21,656)

Performance Results



This will maintain purchasing contract cycle times, which improves performance for customer departments since the volume of complex capital transactions are increasing.

2 Non-Salary Reductions	0.00	(21,774)	0	(21,774)

This action reduces non-salary expenses by \$21,774. The reductions are attributed to adoption of new technology and processes used to consolidate expenses for supplies, memberships, document scanning, and non-capital office machinery. (Ongoing net savings: \$21,774)

Performance Results



This action will capture the cost savings associated with improved processes to decrease the burden on the General Fund.

PRINTING AND MAILING SERVICES

Accomplishments

- Processed 330,000 utility bills.
- Maintained timelines for producing council packets.
- In December 2016, the print shop updated their production equipment with the latest Xerox technology in order to improve the quality of color requests.

Initiatives

- Maintain a high level of customer service for Printing and Mailing.
- Provide quality printing products.
- In January 2017, postage equipment was replaced with a more efficient model which allows for faster processing of the Utility bills as well as other mail.

Goals and Objectives

GOAL 1

- Provide timely and high quality services for City departments, City Council, and Committees.

Objectives:

- Continue analyzing additional cost saving options.
- Ensure timely distribution of mail and utility bills.
- Ensure timely creation and distribution of City Council and Committee packets.
- Reduce outsourcing of color job requests with the implementation of new color equipment.

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Printing and Mailing	1,247,186	1,289,499	1,297,453	1,453,146	155,693	12.0%
Total	1,247,186	1,289,499	1,297,453	1,453,146	155,693	12.0%

Dollars by Category						
Salary & Benefits						
Healthcare	30,672	32,606	35,546	25,455	(10,092)	(28.4)%
Other Benefits	3,358	3,742	2,355	3,099	744	31.6%
Overtime	2,458	2,832	—	—	—	—%
Pension	21,394	26,657	29,316	31,537	2,221	7.6%
Retiree Medical	61,815	54,687	59,845	62,960	3,115	5.2%
Salary	103,410	122,022	127,551	132,598	5,046	4.0%
Workers' Compensation	204	409	1,439	4,566	3,127	217.3%
Total Salary & Benefits	223,311	242,956	256,053	260,214	4,161	1.6%
Allocated Charges	154,758	183,441	194,794	204,255	9,461	4.9%
Contract Services	67,886	34,411	114,711	249,642	134,931	117.6%
General Expense	354,264	347,081	286,975	286,975	—	—%
Operating Transfers-Out	—	—	—	3,154	3,154	—%
Rents & Leases	317,932	376,213	364,662	368,649	3,987	1.1%
Supplies & Material	129,034	105,397	80,258	80,258	—	—%
Total Dollars by Expense Category	1,247,186	1,289,499	1,297,453	1,453,146	155,693	12.0%

Revenues						
Charges to Other Funds	1,264,184	1,295,623	1,297,053	1,452,747	155,694	12.0%
Return on Investments	(291)	(1,441)	400	400	—	—%
Total Revenues	1,263,893	1,294,182	1,297,453	1,453,147	155,694	12.0%

Positions by Division						
Printing and Mailing	1.62	1.62	2.10	2.10	—	—%
Total	1.62	1.62	2.10	2.10	—	—%

ADMINISTRATIVE SERVICES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Manager Revenue Collections	—	0.10	0.10	0.10	—	14,181
Offset Equipment Operator	1.52	1.52	1.52	1.52	—	102,886
Senior Management Analyst	0.10	—	—	—	—	—
Sub-total: Full-Time Equivalent Positions	1.62	1.62	1.62	1.62	—	117,068
Temporary/Hourly	—	—	0.48	0.48	—	27,232
Total Positions	1.62	1.62	2.10	2.10	—	144,300

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Printing and Mailing Services
Prior Year Budget	2.10	1,297,453	1,297,453	—
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	4,161	—	4,161
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	134,931	134,931	0
Rents & Leases Expenditure Alignment	—	3,987	—	3,987
General Fund Cost Allocation Plan Adjustment	—	29,850	—	29,850
General Liability Insurance Allocated Charges Adjustment	—	1,320	—	1,320
Information Technology Allocated Charges Adjustment	—	(8,378)	—	(8,378)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(2,953)	—	(2,953)
Print & Mail Fund Allocated Charges Adjustment	—	(10,378)	20,763	(31,141)
Adjustments to Costs of Ongoing Activities	—	152,540	155,694	(3,154)
Total FY 2018 Base Budget	2.10	1,449,993	1,453,147	(3,154)
Budget Adjustments				
1 Supplemental Pension Trust Fund Contribution	—	3,154	—	3,154
Total FY 2018 Proposed Budget	2.10	1,453,146	1,453,147	0



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Printing and Mailing Services
1 Supplemental Pension Trust Fund Contribution	0.00	3,154	0	3,154

This action establishes a transfer from the Print and Mail Service Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$3,154 which represents approximately 10% of the Print and Mail Service Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

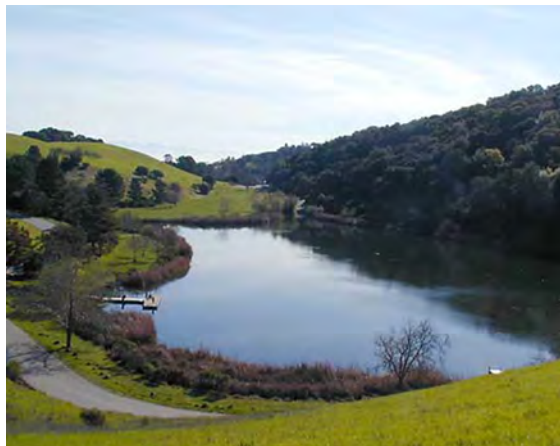
Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

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 the many unique community assets including open space, parks and their related interpretive centers, 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 our carbon footprint; and develops and maintains mutually beneficial partnerships and collaborations with local organizations, businesses, individuals and foundations to achieve our mission.

COMMUNITY SERVICES



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 and dance, and science programs to youth and adults, including a focus on family programs. The division manages the Art Center, Junior Museum and Zoo, 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 nature interpretive centers and operates more than 4,000 acres of open space and urban parkland. The division offers programs in ecology and natural history in open space, maintenance of facilities for outdoor recreational use in City parks, and a full-service golf complex.

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 childhood learning, youth development, 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 and 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 after-school child care program, Palo Alto Mediation Program, the Family Resources data base, and serves as a key liaison to local social services organizations and child care providers.

Accomplishments

- Renovation of Byxbee Park was completed in May 2017, transforming the former landfill to parkland with 2.3 miles of new trails. New park benches, interpretive signs, a group seating area, and native planting islands have also been added to enhance the visitor experience and improve the habitat. Recently, burrowing owls have started using the site.
- The Baylands Nature Center Improvement project was completed on March 3, 2017 and opened on Earth Day, April 22, 2017. The project improved and upgraded the nature center, which was built in 1969. Improvements include swallows nesting features on the exterior of the building where by droppings will now fall harmlessly into the marsh rather than on the park benches and walkway. This project also replaced the decking, railing, structural

COMMUNITY SERVICES

framing members, exterior wood siding, flooring, cabinets, and restroom. The new accessible restroom includes a nature mural.

- The Parks, Recreation, Natural Open Space and Trails Master Plan is expected to be completed by June 2017. The community, Parks and Recreation Commission (PRC) and Council provided significant contributions to the Master Plan throughout the planning process. The Master Plan represents the vision for the City's system of parks, open space, trails and recreation facilities and programs for the next twenty years and will guide staff, the PRC and City Council on future improvements to the system.
- Progress has been made on the Healthy City Healthy Community Resolution and initiatives including a community Health Fair (in partnership with the YMCA), submittal of an application to the World Health Organization to become an Age Friendly Community, and a Healthy Palo Alto website, which provides a list of City resources that support a healthy lifestyle.
- In FY 2017, the synthetic turf at Stanford Palo Alto Playing Fields was replaced with a new type of synthetic turf and infill that contains no crumb rubber and provides a cooler surface temperature. Also in FY 2017, Sarah Wallace Park was renovated with new park benches, pathways, trash and recycling containers, and landscaping.
- The Think Fund grant program, formerly known as Bryant Street Garage Fund, funded a total of 15 grants as of March 2017. The Think Fund also granted the first teen-run hackathon, "Teens Exploring Code". With over 200 attendees, this 12-hour hackathon event was a huge success with approximately 12 computer programming projects being created by teens.
- The Palo Alto Art Center continues to expand its attendance, serving a record 108,840 people last fiscal year. In FY 2017, the Art Center continued celebrating its 45th anniversary, showcasing successful and critically acclaimed exhibition and program series including Fired Up: Monumental Clay and 45 Days of Clay. This innovative program engaged thousands of community members in free educational programs and supported the creation of new work by exhibiting artists and artists in residence.
- The Public Art Program received a grant for \$30,000 from the National Endowment for the Arts and raised more than \$30,000 in corporate sponsorship to support Code:ART, a three day, new media festival in downtown Palo Alto. The festival featured nine installations that activate plazas, alleys and parking structures in the downtown area with temporary installations meant to stimulate conversation regarding the future of downtown Palo Alto.
- The Public Art Program completed its 10 year Public Art Master Plan and has begun to implement the recommendations by updating policies and procedures, increasing the diversity of temporary and permanent public art experiences, and addressing a number of artworks in the permanent collection identified as most in need of treatment, including the Arnautoff frescoes at the Roth Building and the California Avenue Underpass mural.
- The Palo Alto Children's Theatre, celebrating its 85th Anniversary, continued an eight year trend of record attendance reaching more than 52,000 audience members in FY 2017. With funding from Partners in Education (PIE), the theatre's Dance in Schools and Outreach initiatives served more than 8,000 Palo Alto Unified School District (PAUSD) Elementary

students in 3rd through 5th grades. The theatre also premiered a new, commissioned work, The Ballad of Phineas McBoof, funded through the support of the theatre's nonprofit arm organization, Friends of the Palo Alto Children's Theatre.

- A Lucie Stern Community Center renovation project was completed in April 2017, adding air conditioning, a fire sprinkler system, updating air ducts and wiring, and converting wood burning fireplaces to more eco-friendly gas fireplaces. The facility is a popular spot for weddings and was featured in "Here Comes the Guide" as one of the top 12 affordable wedding locations in the Bay Area.
- In coordination with the Art Center, Cubberley Artist Studio Program (CASP) installed a new print studio, which will be available for artists and the public beginning July 2017. The printing press was donated through the generous support of the Paula Z. Kirkeby family.
- In March 2016, the Human Relations Commission (HRC) held a community forum titled, Being Different Together, to raise awareness of implicit biases and how stereotypes affect our interactions in our schools, workplaces, civic and community life. The forum was well attended and stimulated a meaningful dialogue on the topic. This forum was followed with a series of four conversations called Being Different Together-Taking the Conversation Deeper. These thought provoking conversations took participants on a "journey together" towards building and nurturing a community that models respect for differences such as race, religion, gender, origin, sexual orientation, socio-economic status, political affiliation and opinion. These were very timely conversations and directly addressed the sentiments in the December 2016 Council Resolution on "Reaffirming Palo Alto's Commitment to a Diverse, Supportive, Inclusive, and Protective Community."
- The City of Palo Alto Community Services Department hosts several special events that have been long-standing traditions in Palo Alto. Seven new events were added and many more involve partnerships with other organizations. For FY 2017, these included: The Fourth of July Chili Cook-Off; the Community Health Fair; the Moonlight Run; Veterans Day Recognition; Holiday Tree Lighting; New Year's Eve Champagne Brunch; Martin Luther King Celebration; Summer Camp Registration Survivor Fair; the Great Race for Saving Water; May Fete Parade; World Music Day; Bryant Street Garage Fund Grantee Gala (New); Journey for Veterans Walk (New); Teen Buoyancy Festival (New); Bike Expo Event (New); and Honoring the Journey Black History Month Celebration (New).
- The Recreation Division's Boost! Fitness Programs served over 200 seniors, providing a supportive environment to stay active and maintain mobility. A Boost! Fitness Member recently turned 90 years old and credits her longevity and good health to attending recreation's fitness programs that are part of the City Council's Healthy City, Healthy Community resolution.
- Project Safety Net had two major accomplishments: (1) led community engagement activities for Centers for Disease Control and Prevention (CDC) investigation into youth suicide in Santa Clara County and (2) rolled-out 3-Year Roadmap based on the Collective Impact with the goal to engage community stakeholders, measure impact, and advance youth wellbeing.

Initiatives

- The City of Palo Alto's long-awaited Golf Course Reconfiguration Project will be completed in the fall of 2017. This project will transform the Municipal Golf Course into a Baylands links-style course incorporating the native look and feel of the Palo Alto Baylands.
- The Buckeye Creek Hydrology Study is underway and will provide recommendations to solve the creek's erosion problems adjacent to Las Trampas Valley and the maintenance area in Foothills Park. The study will be complete in September 2017.
- Work on the Baylands Comprehensive Conservation Plan will continue, the plan will provide guidance on managing the habitat, wildlife, and appropriate recreation at the Baylands Nature Preserve. The plan is anticipated to be completed in the fall of 2018.
- This year staff will release a request for proposals to bring on a design consultant to assist with a master plan for the Cubberley Community Center. A stakeholder and community engagement plan will be a significant element of the master planning process. Community Services will be working closely with Palo Alto Unified School District during the master planning process.
- The Public Art Program is developing new artworks for municipal projects, such as Fire Station 3, the Charleston/Arastradero corridor, the Junior Museum and Zoo, the Municipal Golf Course, parking garages in downtown and California Avenue, as well as managing dozens of public art in private development projects expected to be constructed in the next few years.
- The construction of a new Junior Museum and Zoo (JMZ) facility will begin, in partnership with the Friends of the JMZ who raised \$25 million, and is expected to re-open in FY 2020. Design and planning for the project is well underway; construction is expected to begin in early 2018.
- Recreation has added several new special events including an upcoming Dogtoberfest in October 2017 in response to survey data collected in the summer of 2016. Staff will continue to engage with the community to plan future special events.
- In FY 2018 the Mitchell Park Adobe Creek Bridge will be replaced. The pathways on each side of the bridge were renovated to meet ADA standards, but the Bridge is only five feet wide and poses safety issues for pedestrians and bicyclists. The new bridge will meet ADA standards. In addition, the Ramos Park playground will be renovated, and some of the amenities will be replaced.

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.
- 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of class registrations occurring online	64.00%	51.00%	68.00%	55.00%	60.00%
Description	Increase self-service, efficient and convenient online class registration processes.				
Purpose	Increase staff productivity and capacity.				
Status	Currently, online class registration is the preferred method of registration.				

COMMUNITY SERVICES

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent"	64.00%	78.00%	81.00%	79.00%	81.00%
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 we provide.				
Status	Palo Alto ranked 15th out of 207 jurisdictions surveyed for preservation of natural areas such as open space and green belts.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent"	84.00%	84.00%	88.00%	85.00%	88.00%
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 we provide.				
Status	Palo Alto's ratings were similar to other cities in the survey benchmark (average ratings in all other cities). Residents' ratings ranked Palo Alto 48th of 309 jurisdictions surveyed.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Average Enrollment in classes/ camps in arts, sciences, recreation, and open space programs	20	23	21	21	22
Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs	14,622	14,494	15,500	15,000	15,500

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration and Human Services	3,774,060	3,938,106	3,914,460	3,893,583	(20,876)	(0.5)%
Arts and Sciences	5,049,313	5,440,712	5,919,433	6,213,036	293,603	5.0%
Open Space, Parks and Golf	8,919,376	9,004,816	8,910,489	10,474,748	1,564,259	17.6%
Recreation and Cubberley	5,306,247	5,894,212	6,652,338	6,880,364	228,026	3.4%
Total	23,048,996	24,277,846	25,396,719	27,461,731	2,065,011	8.1%
Dollars by Category						
Salary & Benefits						
Healthcare	1,462,442	1,484,629	1,851,810	1,851,818	8	—%
Other Benefits	211,846	229,568	202,918	259,224	56,305	27.7%
Overtime	119,244	178,845	101,795	101,795	—	—%
Pension	1,483,780	1,555,993	1,828,928	1,986,661	157,733	8.6%
Retiree Medical	945,877	867,301	949,101	998,502	49,400	5.2%
Salary	7,738,298	8,036,627	9,064,569	9,289,484	224,915	2.5%
Workers' Compensation	53,412	90,352	128,423	333,881	205,458	160.0%
Total Salary & Benefits	12,014,899	12,443,315	14,127,544	14,821,364	693,820	4.9%
Allocated Charges	4,383,256	4,451,750	4,553,717	4,754,360	200,644	4.4%
Contract Services	4,151,067	4,748,754	4,027,259	5,123,296	1,096,037	27.2%
Facilities & Equipment	46,190	85,831	70,700	63,700	(7,000)	(9.9)%
General Expense	1,718,713	1,822,763	1,878,714	1,956,802	78,088	4.2%
Operating Transfers-Out	6,990	6,990	6,990	6,990	—	—%
Rents & Leases	18,642	24,176	25,040	25,505	465	1.9%
Supplies & Material	709,239	694,268	706,755	709,713	2,958	0.4%
Total Dollars by Expense Category	23,048,996	24,277,846	25,396,719	27,461,731	2,065,011	8.1%
Revenues						
Charges for Services	5,096,059	5,154,476	4,201,741	6,332,884	2,131,144	50.7%
Charges to Other Funds	55,688	55,513	58,338	59,230	892	1.5%
From Other Agencies	9,500	52,641	44,885	—	(44,885)	(100.0)%
Other Revenue	679,981	718,116	741,009	566,220	(174,789)	(23.6)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Taxes and Fines	700	(5,942)	1,026	1,026	—	— %
Rental Income	965,673	1,099,522	915,806	1,049,386	133,580	14.6%
Total Revenues	6,807,601	7,074,326	5,962,805	8,008,746	2,045,942	34.3%
Positions by Division						
Administration and Human Services	5.91	5.96	5.79	6.24	0.45	7.77%
Arts and Sciences	44.67	44.64	45.89	46.28	0.39	0.85%
Open Space, Parks and Golf	31.68	31.93	32.87	32.87	—	— %
Recreation and Cubberley	55.74	59.51	59.71	59.65	(0.06)	(0.10)%
Total	138.00	142.04	144.26	145.04	0.78	0.54%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	88,504
Administrative Associate III	0.75	1.00	1.00	1.00	—	81,689
Assistant Director Community Services	2.00	2.00	2.00	2.00	—	335,629
Building Serviceperson	2.00	2.00	2.00	2.00	—	125,496
Building Serviceperson-Lead	2.00	2.00	2.00	2.00	—	134,347
Coordinator Recreation Programs	4.00	4.00	4.00	4.00	—	353,679
Director Community Services	1.00	1.00	1.00	1.00	—	198,806
Division Manager Open Space, Parks and Golf	1.00	1.00	1.00	1.00	—	151,715
Heavy Equipment Operator	0.07	0.07	0.07	0.07	—	6,743
Inspector, Field Services	2.00	2.00	2.00	2.00	—	206,752
Junior Museum & Zoo Educator	2.75	2.75	2.75	3.60	0.85	284,711
Management Analyst	1.00	1.00	1.00	1.00	—	104,998
Management Assistant	1.00	1.00	1.00	1.00	—	88,740
Manager Community Services	5.00	5.00	5.00	5.00	—	469,435
Manager Community Services Senior Program	5.00	4.00	4.00	4.00	—	462,176
Manager Human Services	—	1.00	1.00	1.00	—	124,405

COMMUNITY SERVICES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Park Maintenance Person	6.00	6.00	6.00	6.00	—	451,064
Park Maintenance-Lead	1.00	1.00	1.00	1.00	—	87,158
Park Ranger	5.00	5.00	5.00	5.00	—	418,532
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	163,600
Producer Arts/Science Program	11.75	12.50	12.50	11.00	(1.50)	1,054,371
Program Assistant I	6.75	7.00	8.00	8.00	—	618,571
Program Assistant II	4.00	4.00	4.00	4.00	—	332,455
Project Manager	—	0.10	0.10	0.10	—	10,745
Senior Management Analyst	1.00	1.00	1.00	1.00	—	131,976
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	305,857
Superintendent Community Services	2.00	2.00	2.00	2.00	—	239,949
Superintendent Recreation	—	1.00	1.00	1.00	—	114,899
Theater Specialist	1.00	1.00	1.00	2.00	1.00	205,136
Volunteer Coordinator	0.75	—	—	—	—	—
Sub-total: Full-Time Equivalent Positions	75.82	77.42	78.42	78.77	0.35	7,352,138
Temporary/Hourly	62.18	64.62	65.84	66.27	0.43	3,171,954
Total Positions	138.00	142.04	144.26	145.04	0.78	10,524,093

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	144.26	25,396,719	5,962,805	19,433,914
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Art Center Creative Ecology Grant Funding	—	(44,885)	(44,885)	—
Friends of the Palo Alto Children's Theatre Donation	—	(45,000)	(45,000)	—
JMZ Market Analysis and Collections Management	—	(30,600)	—	(30,600)
Art Center Institute of Museum and Library Services Grant	—	(16,000)	(16,000)	—
One-Time Prior Year Expenditures	—	(136,485)	(105,885)	(30,600)
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustment	—	818,887	—	818,887
Golf Course Revenue and Expense Adjustments	—	1,375,016	1,911,230	(536,214)
Increased Facility Rentals Activity (Lucie Sterns, Mitchell Park, and others)	—	—	100,000	(100,000)
Project Safety Net Community Collaborative (0.45 FTE Administrative Specialist I - H from Stanford University Development Agreement Fund to the General Fund)	0.45	85,000	—	85,000
Foothills Park Donations	—	—	(60,000)	60,000
Human Services Resource Allocation Program / Avenidas / PACC (consumer price index)	—	34,637	—	34,637
Gachina Landscape Contract Annual Increase Adjustment	—	28,097	892	27,205
Open Space, Parks & Golf Division Maintenance minimum wage Adjustments	—	23,000	—	23,000
Recreation Camp Fees (5% increase in fees)	—	—	15,000	(15,000)
Mitchell Park Maintenance Costs	—	10,000	—	10,000
ActiveNet Service Contract Adjustments (Service administration fee decrease)	—	—	4,000	(4,000)
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	3,989	—	3,989
General Liability Insurance Allocated Charges Adjustment	—	106,378	—	106,378
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(57,819)	—	(57,819)
Information Technology Allocated Charges Adjustment	—	(10,070)	—	(10,070)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Print & Mail Allocated Charges Adjustment	—	33,653	—	33,653
Refuse Sales Allocated Charges Adjustment	—	14,950	—	14,950
Storm Drain Allocated Charges Adjustment	—	6,464	—	6,464
Utilities Allocated Charges Adjustment	—	(39,705)	—	(39,705)
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	(51,860)	—	(51,860)
Adjustments to Costs of Ongoing Activities	0.45	2,380,617	1,971,122	409,495
Total FY 2018 Base Budget	144.71	27,640,851	7,828,042	19,812,809
Budget Adjustments				
1 Junior Museum and Zoo Special Event Programming	0.29	28,451	72,175	(43,724)
2 Additional Art Center Classes	0.10	23,046	108,530	(85,484)
3 Arts & Science Program Staffing	—	2,459	—	2,459
4 Aquatics Program Pilot	—	(142,617)	—	(142,617)
5 Open Space, Parks and Golf Division Maintenance	—	(80,000)	—	(80,000)
6 Special Events Staffing and Event Funding	0.48	(10,270)	—	(10,270)
7 Human Services Omega Club Staffing	(0.06)	(190)	—	(190)
8 Make-X Program Staffing Realignment	(0.48)	—	—	—
Total FY 2018 Budget Adjustments	0.33	(179,121)	180,705	(359,826)
Total FY 2018 Proposed Budget	145.04	27,461,730	8,008,747	19,452,983



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Junior Museum and Zoo Special Event Programming	0.29	28,451	72,175	(43,724)

This action expands the science-themed birthday party programs at both the Junior Museum and Zoo and the Lucy Evans Baylands Interpretive Center. This action also raises class and camp fees by 5 percent and eliminates a 3 percent quantity discount for schools. This increase in revenue will allow the Department to open the Baylands Interpretive Center two additional afternoons each week. To facilitate these change, several staffing adjustments necessary, including adding 1) two part-time Instructor I positions (total of 0.18 FTE) to provide increased Baylands Interpretive Center hours, 2) three Recreation Leader III positions (total of 0.30 FTE) to provide additional birthday parties, 3) increase one Producer position from 0.75 to 1.0 to provide marketing and oversight of the expanded birthday party program as well as to staff the Interpretive Center, and 4) reclassify 1.0 Producer to 1.0 Theater Specialist to provide coordination and supervision to these expanded programs, as well as deleting two Recreation Leader positions (total of 0.29 FTE) and reducing one Junior Museum and Zoo educator position from 0.75 to 0.60. (Ongoing net savings: \$43,724)

Performance Results



This action will enhance quality of service and increase customer satisfaction levels by expanding the science-themed birthday party program and increasing open hours at the newly renovated Lucy Evans Baylands Interpretive Center.

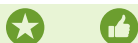
2 Additional Art Center Classes	0.10	23,046	108,530	(85,484)

This action adds 4 ceramics and 8 printmaking classes and workshops. The addition of these classes and workshops is expected to generate gross revenue of \$108,530 partially offset by additional staffing of 0.10 FTE and non-salary expenses of \$18,554 for contracts and materials. Additional details can be found below:

- Staffing changes include the reclassification and increased hours of 0.75 Producer to 1.0 JMZ Educator; reclassification of 0.40 Arts & Science Professional level II to 0.25 Arts & Science Professional level I; and reclassification of four part-time Instructor level I positions within the Children's Fine Arts Program to three part-time Instructor level II and one level III positions. This classification change is anticipated to reduce high turnover in these positions and attract more qualified candidates to fill vacancies.

- Non-salary funding of \$18,554 allows for additional contract instructors for new Adult Fine Art classes and for additional supplies and materials. (Ongoing net savings: \$85,484)

Performance Results



This action will allow the Art Center to enhance the quality of services and increase customer satisfaction levels by offering more high demand classes.

3 Arts & Science Program Staffing	0.00	2,459	0	2,459

This action reclassifies five limited hourly Arts and Sciences Professional I staff members to Arts and Sciences Professional II positions in order to bring these positions to more competitive pay rates, promote the retention of current employees and facilitate the future successful recruitment of new employees into those positions. (Ongoing net costs: \$2,459)

Performance Results



This action will ensure the Art Center can continue to rely on experienced crews to install new exhibits.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
4 Aquatics Program Pilot	0.00	(142,617)	0	(142,617)

This action reduces costs associated with the Aquatics Program by freezing a full time vacant Recreation Coordinator position. Historically, this vacant position has run the City of Palo Alto's approximately \$500,000 Aquatics Program. Due to staffing challenges, the City has explored options for the delivery of aquatic programs and services to meet the increasing service demands. The City issued a Request for Proposals (RFP) and received two proposals. After careful review of both proposals by a team of aquatic professionals, CSD staff began evaluating short and long term options for future program delivery with Team Sheeper LLC (Team Sheeper). In January 2017, the City Council approved a contract for Team Sheeper to manage the year round learn to swim program for the 2017 calendar year. Currently, discussions are underway with Team Sheeper to manage the overall aquatics program for the City in a way that is more financially sustainable and improves the customer experience. Staff anticipates that a contract will be in place for Team Sheeper to commence management of aquatics program in the first quarter of FY 2018. The goal is to establish a revenue and expense sharing model with Team Sheeper that will result in savings to the General Fund while maintaining a high quality aquatics program. This action recognizes these initiatives by holding vacant the Recreation Coordinator position for one year as the department works through the service delivery model, however, does not reflect that final financial implications should the City commence operations with Team Sheeper. It is anticipated that adjustments to both reduce revenues and expenses would be necessary should a contract with Team Sheeper be executed. The department and Human Resources will continue to meet and confer over any appropriate implications. (Ongoing net savings: \$0)

Performance Results



This action aims to implement a more financially feasible and sustainable Aquatics program that also improves customer experience.

5 Open Space, Parks and Golf Division Maintenance	0.00	(80,000)	0	(80,000)

This action reduces maintenance funding in the Open Space, Parks and Golf division due to a deferral of irrigation maintenance on the golf course as a result of its current renovation. In addition, open space maintenance will be reduced over the next year resulting in some overgrown areas of vegetation such as at Baylands Park. (Ongoing net savings: \$0)

Performance Results



This is a one-time cost savings measure for FY 2018 with minimal impact due to the renovation of the golf course which is expected to be completed in October 2017.

6 Special Events Staffing and Event Funding	0.48	(10,270)	0	(10,270)

This action adds a 0.48 Special Events Coordinator position offset by a reduction in contract funding. Previously a special events contractor was used to manage the coordination of special events; however, due to a retirement, the previous contractor is no longer available. This part-time position will assume the responsibilities that previously completed by the special events contractor, including assisting staff with the detailed logistics of event planning.

In addition, funding of \$9,000 is included for the annual holiday tree installation, maintenance, and lighting. Previously this was managed by the City Manager's Office and funded from contingency. This realignment matches the shift in responsibility to this new events coordinator position. (Ongoing net savings: \$10,270)

Performance Results



This action will allow the City to continue to host and organize various special events, providing positive and engaging experiences for residents and visitors to Palo Alto.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
7 Human Services Omega Club Staffing	-0.06	(190)	0	(190)

This action reclassifies 0.18 Recreation Leader I to 0.12 Recreation Leader III to allow Human Services to hire a staff member to serve as a trip leader for the Omega Club. In the past, Human Services has relied on staff from the Palo Alto Art Center to lead this club; however, that staff is no longer available due to other responsibilities at the Palo Alto Art Center. The Omega Club is an active social club for adults, ages 21 and older, with special needs. This is a high-functioning group involved in special trips, community service activities, social events, and life-skills training. Activities include dinners, dancing, music, and sporting events. The Recreation Leader III classification is required to fill this position due to staff experience needed and responsibility required as part of this position based on the special needs presented by the participants. It is anticipated that with the higher level of experience, fewer hours will be necessary; therefore, a reduction from 0.18 to 0.12 FTE is recommended as well. (Ongoing net savings: \$190)

Performance Results



This action ensures that the quality of service provided for adults with special needs will remain high.

8 Make-X Program Staffing Realignment	-0.48	0	0	0

This action eliminates an existing, vacant 0.48 Recreation Leader III - H position and reallocates the funding to non-salary expenses to maintain funding for supplies and equipment necessary to support the Make-X Program projects initiated by participating teens. (Ongoing net costs: \$0)

Performance Results



This action will allow the Make-X Program to continue its in-demand programs through participant driven projects, maintaining customer satisfaction and service delivery.

Golf Course Financials

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Budgeted	FY 2017 Projected	FY 2018 Proposed*
REVENUES					
Tournament fees	37,517	212	0	0	1,400
Green Fees	854,279	859,660	0	0	1,461,264
Monthly play cards	68,521	59,250	0	0	109,988
Driving range	296,933	292,092	154,322	227,791	252,000
Cart/club rentals	216,541	234,556	0	1,236	220,800
Proshop lease	24,818	24,601	18,000	13,423	23,900
Restaurant lease	39,191	44,592	18,000	35,592	39,600
Restaurant Utilities	16,980	18,000	18,000	18,000	26,000
Other Fee	22,239	16,116	24,000	5,274	8,600
Total Revenue	1,577,019	1,549,080	232,322	301,316	2,143,552
EXPENDITURES					
Operating Expenses					
Salaries	52,627	49,053	77,755	71,596	73,279
Benefits	33,056	25,924	52,160	38,460	39,374
Advertising & Publishing	5,599	6,473	15,000	1,502	30,000
Supplies and Materials	1,106	1,477	10,000	3,964	45,000
General Expense	74	72	1,450	47	1,450
Facilities and Equipment Purchases	10,647	250	5,000	7,122	43,100
Allocated Charges	328,504	315,812	157,750	127,984	356,400
Subtotal	431,613	399,061	319,115	250,675	588,603
Contract Services					
Golf Maintenance	831,130	807,230	217,896	217,896	927,800
Miscellaneous	0	38,067	0	54,355	0
Range fees	112,835	110,995	31,710	186,707	95,760
Cart Rentals	81,767	88,906	0	0	44,200
Club Rentals	4,880	4,804	0	0	4,300
Fixed management fees	319,057	349,116	30,500	30,500	300,000
Credit card fees	0	0	4,166	0	17,739
Subtotal	1,349,668	1,399,118	284,272	489,458	1,389,799
Total Operating Expenses	1,781,281	1,798,179	603,387	740,134	1,978,402

*The Golf Course was closed for renovation in July 2016 and is anticipated to re-open in November 2017.

Golf Course Financials

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Budgeted	FY 2017 Projected	FY 2018 Proposed*
Income From Operations	(204,263)	(249,099)	(371,065)	(438,818)	165,150
Debt Expenses					
Debt Service (refunded)	429,020	429,020	429,020	429,020	429,020
Subtotal	429,020	429,020	429,020	429,020	429,020
Cost Plan Charges	20,459		25,000	25,000	25,000
Net Income (Loss)	(653,742)	(678,119)	(825,085)	(892,838)	(288,870)

*The Golf Course was closed for renovation in July 2016 and is anticipated to re-open in November 2017.

Human Service Contracts

Human Services Contracts	FY 2017 Adopted Budget	FY 2017 Agency Award	FY 2018 Base Budget	FY 2018 Agency Requests	FY 2018 Proposed Budget
EXPENDITURE CATEGORY					
Avenidas - Senior Services ¹	465,698	465,698	465,698	465,698	477,341
PACCC - Child Care Subsidy and Outreach ¹	471,797	471,797	471,797	471,797	483,592
Sole Source Contractors Subtotal	937,495	937,495	937,495	937,495	960,933
HUMAN SERVICES RESOURCE ALLOCATION PROCESS²					
Abilities United	43,582	43,582	43,582	51,725	44,691
Adolescent Counseling Services ³	118,780	118,780	118,780	187,513	121,809
Community Technology Alliance ⁴	8,565	8,565	8,565	0	0
Community Working Group	0	0	0	84,000	0
KARA	0	0	0	30,000	8,565
Downtown Streets Team	38,978	38,978	38,978	88,000	39,972
DreamCatchers	13,272	13,272	13,272	15,000	13,609
LifeMoves	34,381	34,381	34,381	35,000	35,257
La Comida de California	35,469	35,469	35,469	36,533	36,372
MayView Community Health Center	26,317	26,317	26,317	32,000	26,990
Momentum for Mental Health	33,861	33,861	33,861	37,247	34,724
Palo Alto Housing Corporation	19,504	19,504	19,504	41,600	20,001
Peninsula HealthCare Connection Inc	28,945	28,945	28,945	31,000	29,684
Senior Adults Legal Assistance	14,043	14,043	14,043	15,400	14,401
Vista Center for the Blind & Visually Impaired	11,190	11,190	11,190	31,500	11,475
Youth Community Service	21,125	21,125	21,125	30,000	21,663
Two-Year Contractors Subtotal	448,013	448,013	448,013	746,518	459,213
Amount Yet to Be Allocated	0	0	0	0	0
Human Services Reserve (One-Time)	50,000	0		0	0
TOTAL	1,385,508	1,385,508	1,385,508	1,684,013	1,420,146

1) Not part of the Human Services Resource Allocation Process (HSRAP).

2) HSRAP contracts are requested as part of a two-year cycle. Once approved, the agencies receive the same level of funding for each year of the cycle. The FY 2018 Agency Request column reflects the requested made for each year.

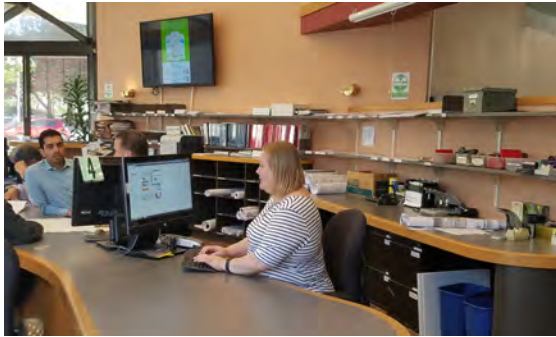
3) Palo Alto Unified School District has issued a Request for Proposal for their on-campus counseling program. The contract will not be awarded until late May or early June; therefore, any recommendations to support on-campus counseling is on hold pending that decision.

4) Community Technology Alliance did not request funding for the upcoming two-year cycle.

Note: Recommended funding amounts have not been finalized and are subject to change based on the Human Relations Commission and the Finance Committee actions.

DEVELOPMENT SERVICES

Mission Statement



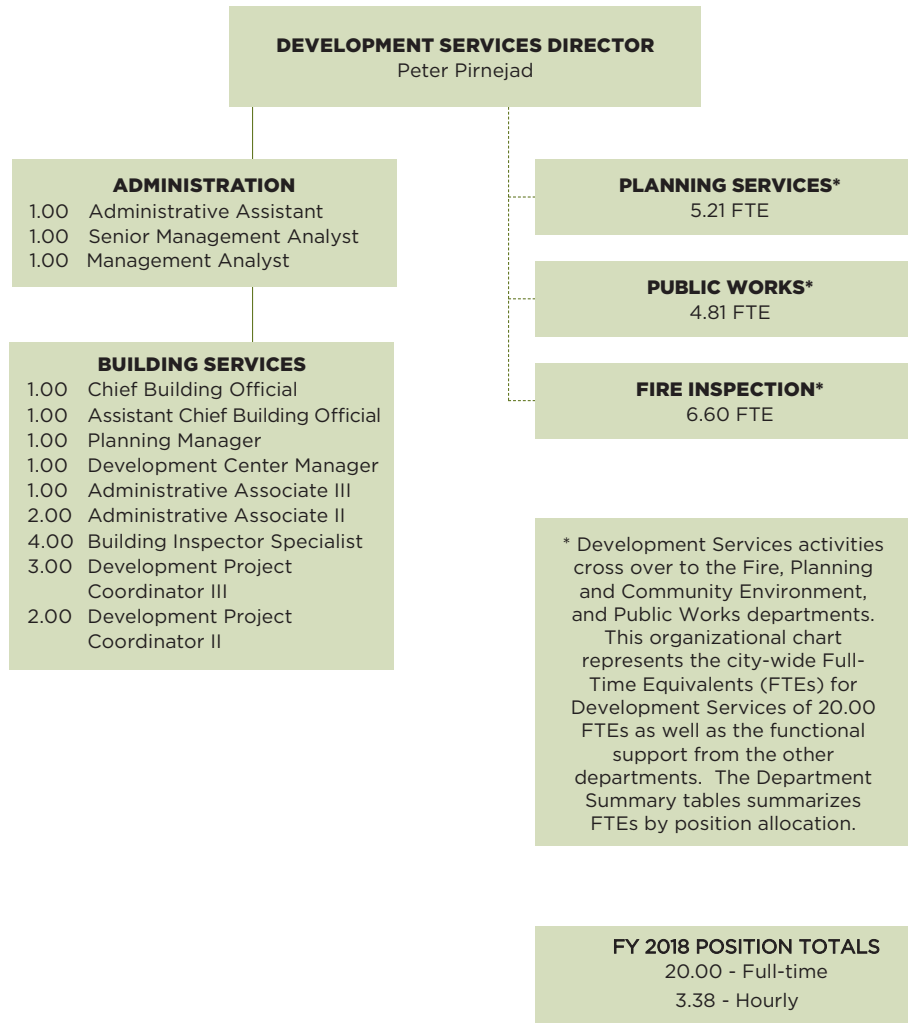
The mission of the Development Services Department is to work collaboratively with other departments to provide citizens, business owners, developers, and applicants reliable and predictable expectations in the review, permitting, and inspection of development projects that meet the minimum municipal and building code requirements to ensure the health, safety, and welfare of the public.



Purpose

The Development Services Department ensures all private construction complies with a set of rules that specify the minimum standards for construction. The main purpose of Development Services is to protect the public health, safety, and general welfare as they relate to the construction and occupancy of buildings and structures.

DEVELOPMENT SERVICES



Description

The Development Services Department is responsible for the following functions:

ADMINISTRATION

Leads the department, provides personnel, contract, budget, and project management support, and liaises with other departments and outside stakeholders. Ensures there is a clear vision for the department as well as the metrics to measure progress.

PLANNING

Works collaboratively with City staff, consultants, and external customers to provide a link between the City's entitlement review and building processes. Planning is also responsible for gathering and analyzing data in support of land use policy; reviewing projects for potential environmental impacts on the City and its residents; and ensuring compliance with the Zoning Ordinance and Comprehensive Plan.

BUILDING

Protects the public's health, safety, and general welfare as they relate to the construction and occupancy of buildings and structures by enforcing laws and regulations that govern the design, construction, use and occupancy of buildings. The building division also provides timely and professional review of plans and documents for all building permit applications to ensure that the proposed work complies with all state and local code requirements. Following permit issuance, building inspectors ensure that construction complies with the approved plans and adopted codes in the plan review, permitting, and inspections of all buildings governed by the City of Palo Alto.

PUBLIC WORKS

Provides engineering support with concern for City-owned facilities, streets, sidewalks, storm drains, and parks infrastructure as well as for the urban forest.

GREEN BUILDING

Assists applicants for all residential and non-residential projects to comply with the City's Green Building and Energy Codes to maximize a project's energy and water use efficiency, and to maintain that level of efficiency into the future. The Green Building contract staff works with other departments to ensure that sustainable measures are incorporated into buildings from design through construction and continue in the monitoring of building performance.

FIRE PREVENTION BUREAU

Ensures compliance with the Fire Code for the safety of occupants and protection of property. They perform fire sprinkler and fire alarm plan checks, permitting, and field inspections with the goal of ensuring all construction complies with local and national codes. The Fire Prevention Bureau works closely with applicants and residents, priding themselves in the level of service they provide customers whether its keeping a project on schedule or the public educated.

UTILITIES

Ensures new construction compliance with standards for water, gas, wastewater, and electric utilities. Projects are required to comply and integrate with the City's existing utility infrastructure in accordance with local and applicable laws.

PROJECT COORDINATION

Development Services provides a one-stop-shop service model that assigns a project coordinator to every project that applies for a building permit to ensure they are helped through the cross-departmental review process. This model ensures that the majority of permits continue to be issued over-the-counter and those applications that need more time to be reviewed are completed in accordance with established performance guidelines.

Accomplishments

- Updated all building codes and ordinances to comply with the triennial building code change cycle.
- Completed the first phase of comprehensive update on building fees to move toward department cost neutrality.
- Nearly completed the Seismic Risk Mitigation Study summarizing local efforts, state regulations and industry best practices. Findings will be presented to Council Spring 2017.
- Worked with Public Works Engineering division in the execution of a pilot dewatering program.
- Received the Industry Leader of the Year Award from the American Construction Inspector Association for exceptional educational outreach for the construction inspection community.
- Received the 2016 CA Energy Efficiency Industry Council Energy Champion Award for efforts in creating an energy reach code in excess of State requirements from State Senator Nancy Skinner.
- Consolidated all public inquiries for building permits and planning entitlements on one website.
- Developed updated Landscape Ordinance reflecting emergency drought regulations required by the Department of Water Resources.
- Updated and Re-Launched Green Building instructional videos.
- Completed Electrification Study in collaboration with Utilities and the Office of Sustainability.
- Continued to improve and support the Palo Alto Inspection smartphone application that allows applicants to schedule and monitor the progress of inspections, reducing call volumes.
- Continued to work with the Office of Economic Development on the administration of the fully automated Business Registry process with the goal of administering the third year.

- Continued the process to develop a tool that is able to track and prioritize all City-related work in the Right-of-Way as well as provide notice to citizens and commuters through a single purpose application.
- Received the 2016 Trendsetter Award from Accela for the creation of an analytic dashboard that leverages building permit data to measure service counts, speed of delivery and timeliness that both improve productivity as well as increase transparency of the development review process.
- A more comprehensive list of accomplishments was prepared and published on the City's website as part of the Department's annual Action Plan.

Initiatives

- Begin the development process for electronic plan review.
- Launch the Citizen Right of Way Notification (CROWN) an online tool that is able to track and prioritize all construction work in the Right of Way.
- Launch the automated expired permit notification system in Accela to inform applicants when the building permit expires.
- Complete evaluation of the Construction and Demolition Debris Diversion Program and develop recommendations to better align implementation.
- Complete phase II of the fee study and revise valuation based fees to ensure that all costs are fully recoverable and the department is self supporting.
- Complete International Organization for Standardization (ISO) Class One Recertification.
- Continue enforcement of the Model Water Efficient Landscape Ordinance (MWELo) required by the State Department of Water Resources and the Urban Forestry Technical Manual required by the City's Department of Public Works.
- Improve and automate revenue evaluation and reporting.
- Obtain Disaster Preparedness ATC-45 (Flood) Rapid Evaluation Safety Assessment training and certification for all inspection and plan review staff.
- Continue enforcement of the Green Building and energy Ordinance reflecting building code changes for the 2016 code cycle.

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 code through inspection and enforcement.

DEVELOPMENT SERVICES

GOAL 2

Work collaboratively with City departments, which support development services, to adequately staff and respond to workload demands and achieve excellent customer service outcomes.

Objectives:

- Provide customers with clear, succinct, and consistent guidelines.
- Implement facility and technology enhancements.
- Develop performance measures with internal and external stakeholders.

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 participate in the Development Services Department.
- 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

AVERAGE NUMBER OF DAYS FROM ISSUANCE TO FINAL

Goal	Provide a high level of customer service and decrease the total time to approve the construction phase of a commercial tenant improvement.				
Objective	Decrease number of days from permit issuance to final inspection.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Average number of days between permit issuance and temporary occupancy or final inspection	156.00	135.00	135.00	135.00	130.00
Description	This measure tracks the amount of time it takes to inspect and approve commercial tenant improvement for occupancy.				
Purpose	Moving new tenants into their space as quickly as possible is essential for the financial health and long-term success of new businesses. It is also important in promoting the general economic vitality of the City by reducing the number of days commercial spaces stay vacant and out of production. The goal is to provide the necessary information and coordination early in the construction phase which results in a positive outcome for the business owner while enhancing the economy of Palo Alto. Meanwhile, inspectors need to ensure construction complies with ever increasing requirements added to the building and green codes.				
Status	Development Services has maintained an average of 135 days over the past two years as the department works to adapt to workload associated with the increased Green Building and Energy requirements. The department is also working towards further efficiency through development of an electronic plan check application that facilitates inspection scheduling.				

INSURANCE SERVICES OFFICE (ISO) RATING

Goal	Exemplify the City's commitment to well-enforced building codes and a commitment to health, safety, and general welfare.				
Objective	Obtain and maintain the highest rating (level 1)				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Insurance Services Office (ISO) Rating	1.00	1.00	1.00	1.00	1.00
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 grade 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	Since receiving a rating of 4 in 2006, the Development Services department has made an effort to implement better staff training, certifications, public awareness and outreach programs. Development Services has received an Insurance Service Office (ISO) Class 1 rating and is one of only three cities in California to be honored with this distinguished award. The Class 1 rating indicates that the City maintains the highest standards for structural safety in the nation which reduces insurance costs to Palo Alto property owners.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of permits initiated within a given period where all department reviews are completed	73.00%	77.00%	85.00%	79.00%	80.00%
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 Development Services. 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 continues to work on implementing streamlining initiatives and innovative technologies to improve cross-departmental collaboration to improve results. Technology upgrades such as transitioning from Accela version 8.0 to 9.0, and Accela Citizen Access, have improved the ability to streamline the exchange of information between the applicant and reviewer. This has helped put more control in the hands of the applicant, allowing them to apply for and research permits online. Further contributing to process improvement, the department has fully integrated the fire permitting process from a paper based system to digital, and has automated PW, photovoltaic, and electric vehicle charger permitting. Lastly, automated reminders and a performance dashboard have been put into place to help a reviewer track, report, and prioritize plans that are late or coming due. Calendar year 2016 was the end of tri-annual code cycle, and as a result, the department received an unusual number of submittals at the end of calendar year. This resulted in a spike in workload and longer than expected plan review times.				

DEVELOPMENT SERVICES

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of permits that are reviewed and approved by all necessary departments over-the-counter.	66.00%	65.00%	69.00%	67.00%	69.00%
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	The department is continuously looking for areas to improve the ability to issue same day permits and over the past year has focused on adding necessary staff from other departments, making key information available to the counter staff by utilizing technologies, standardizing processes, and improving public outreach, education, and formalized training. Key staffing expertise is critical to the success of this measure. In FY 2017, staff turnover and vacancies slightly impaired the ability to process OTC permits.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of building permit applications	3,853	3,978	4,121	3,554	3,600
Number of building permits issued	3,844	3,137	4,303	2,880	3,100
Fire permit inspections	1,981	2,815	2,300	2,420	2,500
Number of walk-in customer interactions	N/A	23,457	N/A	20,259	21,860
Number of building inspections	N/A	31,158	N/A	27,945	29,550
Number of calls and virtual contacts	N/A	7,648	N/A	9,221	9,682

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	2,013,944	2,398,193	2,540,932	2,593,471	52,540	2.1%
Building	4,260,844	4,513,057	5,522,448	5,524,855	2,407	—%
Fire	1,691,504	1,935,955	2,043,291	2,196,300	153,009	7.5%
GIS	122,424	(2,029)	—	—	—	—%
Green Building	162,731	346,302	304,000	304,000	—	—%
Planning	663,360	616,486	787,300	758,018	(29,282)	(3.7)%
Public Works	978,389	856,944	971,230	1,162,966	191,736	19.7%
Total	9,893,196	10,664,909	12,169,201	12,539,610	370,410	3.0%

Dollars by Category

Salary & Benefits

Healthcare	560,362	525,922	724,106	723,352	(753)	(0.1)%
Other Benefits	80,329	90,467	90,624	114,257	23,633	26.1%
Overtime	93,806	317,769	47,500	47,500	—	—%
Pension	935,780	1,004,236	1,141,124	1,273,390	132,266	11.6%
Retiree Medical	370,316	353,758	387,121	407,271	20,150	5.2%
Salary	3,402,255	3,299,985	4,082,729	4,293,217	210,488	5.2%
Workers' Compensation	532	398	59,091	142,533	83,443	141.2%
Total Salary & Benefits	5,443,380	5,592,534	6,532,293	7,001,520	469,227	7.2%
Allocated Charges	850,114	813,783	972,831	1,014,339	41,508	4.3%
Contract Services	2,351,628	2,812,040	3,107,674	2,989,039	(118,635)	(3.8)%
Facilities & Equipment	5,553	28,638	6,300	3,800	(2,500)	(39.7)%
General Expense	240,364	353,934	418,080	419,210	1,130	0.3%
Rents & Leases	978,451	1,028,212	1,090,048	1,081,577	(8,471)	(0.8)%
Supplies & Material	23,706	35,768	41,975	30,126	(11,849)	(28.2)%
Total Dollars by Expense Category	9,893,196	10,664,909	12,169,201	12,539,610	370,410	3.0%

Revenues

Charges for Services	6,613,781	6,339,627	6,974,082	7,498,861	524,778	7.5%
Charges to Other Funds	66,351	43,567	21,797	21,797	—	—%
Other Revenue	153	1,636	—	—	—	—%

DEVELOPMENT SERVICES

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Taxes and Fines	7,000	8,500	4,247	4,247	—	—%
Permits and Licenses	5,397,801	6,222,505	6,700,758	6,896,341	195,583	2.9%
Total Revenues	12,085,087	12,615,834	13,700,885	14,421,246	720,361	5.3%

Positions by Division

Administration	4.66	4.25	5.21	5.21	—	—%
Building	15.61	18.17	17.21	17.81	0.60	3.49%
Fire	8.37	9.23	7.08	7.08	—	—%
GIS	0.65	—	—	—	—	—%
Green Building	0.85	—	—	—	—	—%
Planning	5.83	5.69	5.69	5.09	(0.60)	(10.54)%
Public Works	6.00	5.36	4.72	4.81	0.09	1.91%
Total	41.97	42.70	39.91	40.00	0.09	0.23%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	78,894
Administrative Associate II	3.02	3.02	3.00	3.00	—	228,629
Administrative Associate III	1.01	1.01	1.00	1.00	—	81,689
Assistant Chief Building Official	—	1.00	1.00	1.00	—	115,336
Assistant Director Public Works	0.02	0.02	—	—	—	—
Associate Engineer	0.16	0.16	0.02	0.02	—	2,275
Associate Planner	0.90	0.90	0.90	0.90	—	95,394
Building Inspector Specialist	3.00	4.00	4.00	4.00	—	457,010
Building/Planning Technician	1.80	1.80	2.30	2.30	—	197,716
Chief Building Official	1.00	1.00	1.00	1.00	—	164,174
Chief Planning Official	0.20	0.20	—	—	—	—
Code Enforcement Officer	0.50	0.40	0.40	0.40	—	41,119
Code Enforcement-Lead	—	0.20	0.20	0.20	—	22,000
Deputy Chief/Fire Marshal	0.84	0.85	0.80	0.80	—	145,317
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	186,862

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	309,071
Development Services Director	1.00	1.00	1.00	1.00	—	200,512
Engineer	0.62	0.62	0.64	0.64	—	81,992
Engineering Technician III	2.10	2.10	1.78	1.78	—	170,516
Fire Fighter	1.00	1.00	—	—	—	—
Fire Inspector	4.00	4.00	3.20	3.20	—	502,384
Hazardous Materials Inspector	1.90	1.90	1.60	1.60	—	251,192
Industrial Waste Inspector	0.01	0.01	0.01	0.01	—	947
Industrial Waste Investigator	0.21	0.21	0.35	0.35	—	37,235
Inspector, Field Services	0.70	0.70	0.68	0.68	—	70,296
Management Analyst	0.01	1.01	1.01	1.01	—	106,637
Manager Development Center	1.00	1.00	1.00	1.00	—	124,197
Manager Environmental Control Program	0.10	0.10	0.10	0.10	—	10,976
Manager Planning	1.80	2.00	2.00	2.00	—	267,176
Manager Urban Forestry	0.04	0.04	0.04	0.04	—	5,678
Manager Watershed Protection	0.05	0.05	—	—	—	—
Planner	0.80	0.25	0.17	0.17	—	19,262
Planning Arborist	0.25	0.25	0.25	0.29	0.04	36,309
Plans Check Engineer	1.00	—	—	—	—	—
Project Engineer	0.15	0.13	0.03	0.03	—	4,137
Project Manager	0.07	0.07	0.07	—	(0.07)	—
Senior Engineer	0.68	0.68	0.46	0.46	—	70,058
Senior Industrial Waste Investigator	0.01	0.01	0.01	0.01	—	1,138
Senior Management Analyst	1.00	1.00	1.00	1.00	—	121,992
Senior Planner	0.40	0.36	0.24	0.24	—	31,418
Senior Technologist	0.50	—	—	—	—	—
Supervisor Inspection and Surveying	0.27	0.27	0.27	0.27	—	32,562
Surveyor, Public Works	0.47	—	—	—	—	—
Sub-total: Full-Time Equivalent Positions	38.59	39.32	36.53	36.50	(0.03)	4,272,102

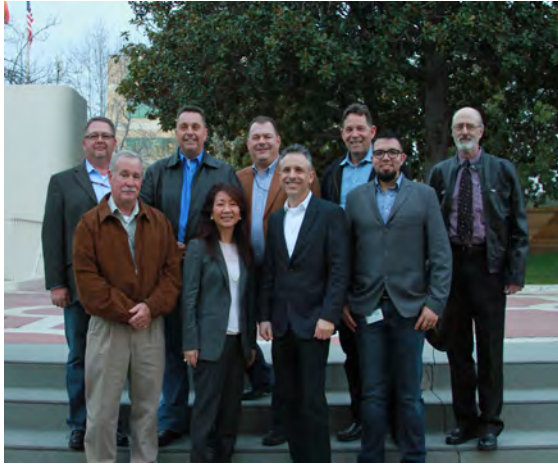
DEVELOPMENT SERVICES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Temporary/Hourly	3.38	3.38	3.38	3.50	0.12	226,095
Total Positions	41.97	42.70	39.91	40.00	0.09	4,498,197

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	39.91	12,169,201	13,700,885	(1,531,684)
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Mayfield Development Contract Services	—	(371,280)	(371,280)	—
Front Counter Planning Technician (IT Core Package)	—	(2,500)	—	—
One-Time Prior Year Expenditures and Revenues	—	(373,780)	(371,280)	—
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	465,740	—	465,740
Development Services Fee Revenue Adjustments	—	—	424,287	(424,287)
Public Works Fee Revenue and Expense Adjustments	—	122,645	417,354	(294,709)
Public Works Staffing Reallocation (Increase of 0.04 FTE Planning Arborist and 0.12 FTE Project Construction Inspector; decrease of 0.07 FTE Project Manager)	0.09	3,282	—	3,282
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(10,649)	—	(10,649)
General Liability Insurance Allocated Charges Adjustment	—	49,188	—	49,188
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(27,711)	—	(27,711)
Information Technology Allocated Charges Adjustment	—	20,845	—	20,845
Print & Mail Allocated Charges Adjustment	—	13,960	—	13,960
Rents & Leases Expenditure Alignment	—	(8,471)	—	(8,471)
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	(14,639)	—	(14,639)
Adjustments to Costs of Ongoing Activities	0.09	614,190	841,641	(227,451)
Total FY 2018 Base Budget	40.00	12,409,611	14,171,246	(1,759,135)
Budget Adjustments				
1 Permit System (Accela) Technical Support	—	130,000	—	130,000
2 Technology Surcharge	—	—	250,000	(250,000)
Total Budget Adjustments	—	130,000	250,000	(120,000)
Total FY 2018 Proposed Budget	40.00	12,539,611	14,421,246	(1,879,135)

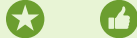


Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Permit System (Accela) Technical Support	0.00	130,000	0	130,000

This action increases funding for technical support by \$130,000 for a total of \$250,000. On September 6, 2011, the City Council approved the implementation of the Development Center Blueprint project to streamline and modernize the City's permit process. The design and build out of this project is nearly complete and ongoing funding for operations and maintenance of the central permit system (Accela) is needed. (Ongoing net costs: \$130,000)

Performance Results

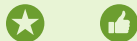


This action will ensure end users continue to receive necessary technical service support on the permit system including creation and modification of reports.

2 Technology Surcharge	0.00	0	250,000	(250,000)

This action establishes a two percent technology surcharge to all of the Development Service Department (DSD) fees and recognizes the estimated corresponding revenue. This new surcharge will be utilized to fund costs associated with a new Accela support service contract, which DSD estimates to be approximately \$250,000 annually. Any additional costs not covered by this surcharge will need to be identified and funded within the Department's budget. (Ongoing net savings: \$250,000)

Performance Results



This action will ensure the maintenance costs for the electronic permit system will be fully funded by the users.

FIRE

Mission Statement

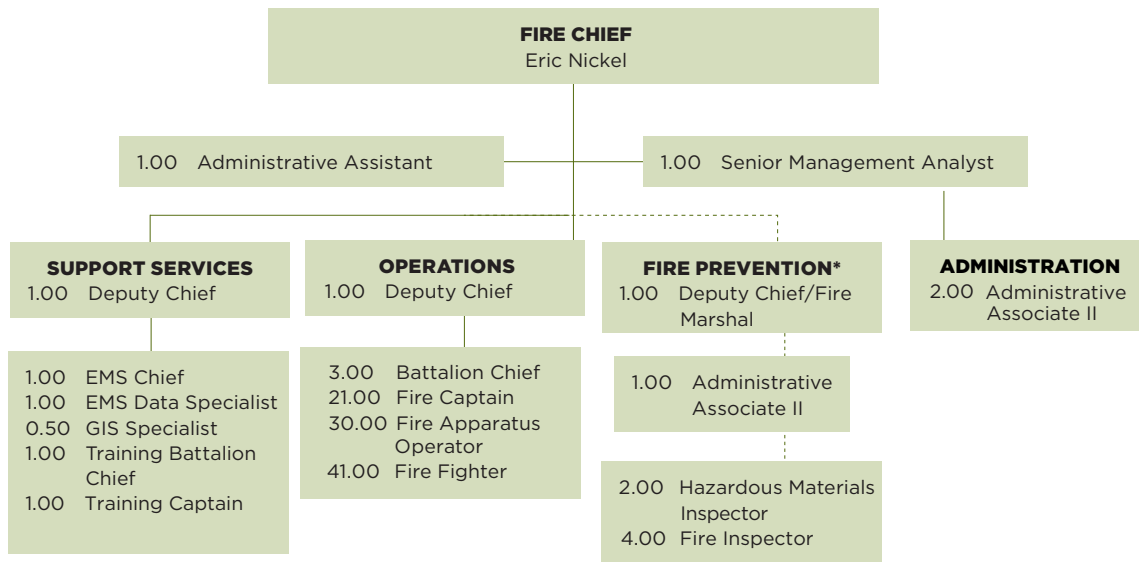


We are a professional team of men and women dedicated to safeguarding and enriching the lives of anyone, anytime, anywhere with compassion and pride.

Purpose

The purpose of the Fire Department is to protect life, property, and the environment from fire, hazardous materials, and other disasters; to provide rapid emergency response, proactive code enforcement, modern fire prevention methods, and progressive safety education for our citizens and coworkers; and to promote customer satisfaction by maintaining quality, professional, and friendly service to others.





FY 2018 POSITION TOTALS

114.50 - Full-time
0.55 - 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 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.

Accomplishments

- Responded to 150 fire incidents in Fiscal Year 2016 with 89% of responses in 8 minutes.
- Responded to 5,356 medical/rescue calls in Fiscal Year 2016; 99% of paramedic calls for service were responded to within 12 minutes and 92% of emergency medical calls within 8 minutes.
- Conducted 2,806 Fire Inspections in Fiscal Year 2016, a 43% increase from the prior fiscal year.
- EMS revenue totaled approximately \$3.1 million in Fiscal Year 2016, a 20% increase over the last five years.
- Sustained expanded outreach efforts, providing a total of 198 events in Fiscal Year 2016.
- Began accreditation self-assessment process; the Department is on track to become accredited in calendar year 2017.
- New Fire Code adopted after extensive collaboration with Santa Clara County Fire Agencies to unify standards across the County.

- Established innovative multi-agency agreement with Stanford Hospital to serve as the single agency providing consistent medical direction for all Santa Clara County Advanced Life Support services delivered.
- Completed Active Shooter Policy and multi-agency and multi-jurisdictional training implementation.
- Initiated efficiency meeting with IAFF Labor Group designed to maximize resources while maintaining emergency response times.
- Finalize automatic aid agreement with Woodside Fire District.
- Implemented new 48/96 shift schedule pilot program.
- Completed successful labor contract negotiations with the Fire Chiefs Association
- Implemented HAAS Alert on Fire units, alerting drivers and pedestrians through their phone that an emergency vehicle is approaching their location and instructs them to move to the right.
- Developed and converted to new hose deployment model, which provides efficiencies, safety and more flexible operations when battling a fire.
- Community Health Needs Assessment started, designed to predict future needs and opportunities for emergency medical services.
- Hired and successfully graduated 1 firefighter in the Santa Clara Joint Fire Academy; successfully appointed 3 fire cadets through the College of San Mateo program who successfully completed the year long program.

Initiatives

- Evaluate community and public health risks and explore evidence-based prevention programs to reduce those risks.
- Support efforts to modernize and replace essential public safety facilities, investing in updating equipment, and station furniture.
- Continue to invest in and focus on training plans, professional certifications and succession planning efforts to develop a highly effective and prepared emergency response workforce.
- Continue to work with Stanford University to renegotiate a service delivery contract for Emergency Response Services to the campus.

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.
- Fire response time will be within 8 minutes 90 percent of the time.
- Advanced Life Support (ALS) response times will be 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 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/month per employee of fire related training.
- Maintain, as mandated, records of training related to EMS and 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 by focusing on customers' view 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of responses to EMS calls within 8 minutes	92.00%	92.00%	90.00%	92.00%	90.00%
Percent of responses to paramedic calls within 12 minutes	99.00%	99.00%	99.00%	99.00%	99.00%
Percent of responses to fire emergencies within 8 minutes	83.00%	89.00%	90.00%	90.00%	90.00%
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 Fiscal Year 2016, the Fire Department responded to 99 percent of paramedic calls for service within 12 minutes and responded to 92 percent of emergency medical calls within 8 minutes. The Department responded to 89 percent of fire calls within 8 minutes, which is the closest we've come to meeting our goal of 90 percent in many years. Using the results from the Community Focused Integrated Risk Management Assessment, the Department launched an Operational Readiness Initiative aiming at reducing response times.				

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% of the time.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of fires contained to the room or area of origin.	92.00%	71.00%	90.00%	90.00%	90.00%
Description	This measure tracks the percentage of fires that are contained to the room of origin.				
Purpose	Containing a fire to the room of origin limits damage and spread of the fire.				
Status	In Fiscal Year 2016, the Department limited 71 percent of fires to the room of origin which was below the goal of 90 percent. This measure can vary significantly from year to year because of the small number of structure fires the Department responds to each year. Of the 13 building fires in FY16, four were not contained to the area of origin. In every case, the fire had spread throughout the entire structure prior to arriving on scene despite a response time under 8 minutes.				

PERCENT OF SURVEYED RESIDENTS RATING FIRE DEPARTMENT SERVICES GOOD OR EXCELLENT

Goal	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 by focusing on customers' view of assistance that was provided.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed residents rating fire services good or excellent	97.00%	97.00%	95.00%	95.00%	95.00%
Percent of surveyed residents rating fire prevention services good or excellent	85.00%	85.00%	85.00%	85.00%	85.00%
Percent of surveyed residents rating ambulance/EMS services good or excellent	95.00%	96.00%	95.00%	95.00%	95.00%
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	More than 90 percent of surveyed residents have rated fire and EMS/ambulance services good or excellent in each of the last ten years.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Fire calls average response time (Target: 6:00 Minutes)	4:57	5:06	5:45	5:30	5:25
Medical/rescue calls average response time (Target: 6:00 Minutes)	5:11	6:37	5:45	5:40	5:30
Number of fire calls for service	135	150	150	150	150
Number of medical/rescue calls for service	5,270	5,356	5,356	5,400	5,400
Number of all other calls for service	3,143	3,376	3,376	3,350	3,350
Total number of calls for service	8,548	8,882	8,882	8,900	8,900
Number of ambulance transports	3,862	3,842	3,750	3,800	3,800

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	1,981,824	2,081,753	1,063,714	1,606,088	542,375	51.0%
Emergency Response	22,921,088	23,895,813	25,851,773	28,064,541	2,212,768	8.6%
Environmental Safety Management	119,869	168,475	240,826	181,549	(59,277)	(24.6)%
Records and Information Management	304,232	399,836	310,202	348,496	38,293	12.3%
Training and Personnel	863,963	1,006,042	1,480,777	1,573,198	92,421	6.2%
Total	26,190,976	27,551,919	28,947,291	31,773,872	2,826,580	9.8%
Dollars by Category						
Salary & Benefits						
Healthcare	1,856,739	1,900,382	2,186,317	2,250,001	63,684	2.9%
Other Benefits	307,179	315,685	225,618	295,753	70,135	31.1%
Overtime	2,171,315	2,595,138	1,413,714	1,396,436	(17,278)	(1.2)%
Pension	4,208,876	4,276,724	5,324,358	5,856,769	532,412	10.0%
Retiree Medical	2,287,736	2,034,464	2,433,066	2,559,706	126,640	5.2%
Salary	10,943,398	11,197,348	12,861,242	13,745,200	883,957	6.9%
Workers' Compensation	792,688	852,598	338,640	1,046,143	707,503	208.9%
Total Salary & Benefits	22,567,930	23,172,338	24,782,955	27,150,008	2,367,053	9.6%
Allocated Charges	2,655,297	3,132,327	2,860,444	2,903,441	42,996	1.5%
Contract Services	349,717	453,343	516,325	645,325	129,000	25.0%
Facilities & Equipment	132,113	162,882	157,200	196,700	39,500	25.1%
General Expense	180,838	197,479	264,722	426,722	162,000	61.2%
Supplies & Material	305,080	433,549	365,645	451,676	86,031	23.5%
Total Dollars by Expense Category	26,190,976	27,551,919	28,947,291	31,773,872	2,826,580	9.8%
Revenues						
Charges for Services	11,628,005	9,888,335	11,778,932	9,970,718	(1,808,214)	(15.4)%
Charges to Other Funds	161,322	168,222	161,322	161,322	—	—%
From Other Agencies	319,454	155,857	129,000	397,000	268,000	207.8%
Other Revenue	221,498	569,022	57,000	57,000	—	—%
Other Taxes and Fines	—	—	1,000	1,000	—	—%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Permits and Licenses	2,970	1,436	15,713	15,713	—	—%
Total Revenues	12,333,249	10,782,872	12,142,966	10,602,753	(1,540,214)	(12.7)%

Positions by Division

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Administration	4.00	3.00	3.00	3.00	—	—%
Emergency Response	99.07	99.07	99.07	99.07	—	—%
Environmental Safety Management	0.48	0.48	0.48	0.48	—	—%
Records and Information Management	1.50	1.50	1.50	1.50	—	—%
Training and Personnel	3.00	3.00	5.15	5.15	—	—%
Total	108.05	107.05	109.20	109.20	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	—	166,483
40-Hour Training Captain	—	1.00	1.00	1.00	—	156,995
Administrative Assistant	1.50	1.00	1.00	1.00	—	79,144
Administrative Associate II	2.00	2.00	2.00	2.00	—	152,419
Battalion Chief	3.00	3.00	3.00	3.00	—	483,658
Business Analyst	0.80	0.80	0.80	0.80	—	119,792
Deputy Chief/Fire Marshal	—	—	0.05	0.05	—	9,082
Deputy Director Technical Services Division	0.20	0.20	0.20	0.20	—	37,993
Deputy Fire Chief	2.00	2.00	2.00	2.00	—	402,334
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	137,010
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	—	81,689
Fire Apparatus Operator	30.00	30.00	30.00	30.00	—	4,043,954
Fire Captain	22.00	21.00	21.00	21.00	—	3,191,038
Fire Chief	1.00	1.00	1.00	1.00	—	234,354
Fire Fighter	40.00	40.00	41.00	41.00	—	5,244,154
Fire Inspector	—	—	0.80	0.80	—	125,596

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	62,852
Hazardous Materials Inspector	—	—	0.30	0.30	—	47,098
Police Chief	0.50	—	—	—	—	—
Senior Management Analyst	1.00	1.00	1.00	1.00	—	138,299
Sub-total: Full-Time Equivalent Positions	107.50	106.50	108.65	108.65	—	14,913,945
Temporary/Hourly	0.55	0.55	0.55	0.55	—	53,316
Total Positions	108.05	107.05	109.20	109.20	—	14,967,262

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	109.20	28,947,291	12,142,967	16,804,324
Base Adjustments				
One-Time Prior Year Expenditures Deleted				
Fire Station Furniture, Fixtures, and Equipment - Phase 2	—	(125,000)	—	(125,000)
Fire Services Staffing	—	453,676	151,225	302,451
One-Time Prior Year Expenditures	—	328,676	151,225	177,451
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	3,213,377	—	3,213,377
Stanford Emergency Fire Services Revenue Adjustment (align with 4th amendment contract term, net \$6.2 million)	—	—	(2,049,439)	2,049,439
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(1,469)	—	—
Medical Transport Reimbursement/Revenue from Other Agencies (Ongoing: \$47,000/\$95,000)	—	162,000	268,000	(106,000)
General Liability Insurance Allocated Charges Adjustments	—	105,914	—	105,914
Information Technology Allocated Charges Adjustments	—	(31,018)	—	(31,018)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(63,298)	—	(63,298)
Print & Mail Allocated Charges Adjustments	—	(7,718)	—	(7,718)
Utilities Allocated Charges Adjustments	—	21,793	—	21,793
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	100,123	—	100,123
Adjustments to Costs of Ongoing Activities	—	3,499,705	(1,781,439)	5,282,613
Total FY 2018 Base Budget	109.20	32,775,672	10,512,753	22,264,388
Budget Adjustments				
1 Medical Gurney Replacement and Cardiac Monitor Warranty	—	126,000	—	126,000
2 EMS Transport Services/Medical Transport Fee Increases	—	80,000	90,000	(10,000)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
3 International Accreditation Phase III	—	50,000	—	50,000
4 Fire Hydrant Maintenance Program (reassign to Public Works)	—	42,200	—	42,200
5 Fire Services Deployment Changes	—	(1,300,000)	—	(1,300,000)
Total Budget Adjustments	—	(1,001,800)	90,000	(1,091,800)
Total FY 2018 Proposed Budget	109.20	31,773,872	10,602,753	21,172,588



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Medical Gurney Replacement and Cardiac Monitor Warranty	0.00	126,000	0	126,000

This action provides one time funding for the replacement of two gurneys (\$45,000) and extends the warranty for three years for the departments 18 cardiac monitor machines (\$81,000). In total, the City has seven gurneys for the six ambulance apparatus the department manages; two gurneys have reached the end of their useful life (typically a 7 year cycle). Additionally, the warranty for all eighteen cardiac machines that are maintained on various fire apparatus, is set to expire in FY 2018. This three year extension will ensure appropriate repair and replacement needs are guaranteed until FY 2021. Ongoing Costs: \$0)

Performance Results



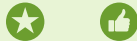
Ensures compliance with state and national laws on the delivery of emergency medical treatment for medical calls.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
2 EMS Transport Services/Medical Transport Fee	0.00	80,000	90,000	(10,000)

This action increases funding for Emergency Medical Services (EMS) supplies and equipment in the amount of \$80,000 offset by anticipated higher than budgeted medical transport fee revenues. In Fiscal Year 2016, two new ambulances were approved for purchase to address increasing medical call volume. This additional funding provides sufficient supplies to maintain service delivery for increasing call volume, deployment of the two additional ambulances, and to comply with minimum inventory requirements from the County of Santa Clara in providing medical transport services. As part of the development of the 2018 Municipal Fee Schedule, transportation fees are recommended to increase a total of 9%. This increase is attributed to program cost increases of 3% and a 6% citywide annual inflator, and aligns fees to "high" recovery levels established in the User Fee Recovery Level Policy adopted by City Council. (Ongoing net savings: \$10,000)

Performance Results

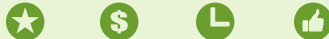


This action ensures that costs for EMS transport are aligned with the demand for services and that the high level of quality of those services is maintained.

3 International Accreditation Phase III	0.00	50,000	0	50,000

This action provides one-time funding necessary for the third phase of the accreditation process, which includes site visits from the Center for Public Safety Excellence (CPSE) representatives and attendance to the CPSE conference to present at an accreditation hearing. (Ongoing Costs: \$0)

Performance Results



The accreditation model is used to set goals, craft strategic and action plans, and continuously evaluate and improve services provided to the public and results in the development of planning documents, including short-term action and long-term strategic plans, important tools in the budgeting process and a basis for justifying departmental programs and services. Accreditation has the potential to dramatically improve a department, its services, and its vision for the future.

4 Fire Hydrant Maintenance Program (reassign to Public Works)	0.00	42,200	0	42,200

This action provide one-time funding to address the backlog of maintenance of the City's fire hydrants as well as supports the ongoing maintenance activities. In FY 2018, a total of \$125,000 in funding is provided for contractual services to address a backlog of maintenance including: clearing overgrowth, painting, flow testing hydrants, and ensuring compliance with the National Fire Protection Agency (NFPA) standards. This is funded by reallocating \$82,800 include in the base budget intended to reimburse the Utilities funds for their work in maintaining the hydrants and the one-time addition of \$42,200. The Utilities Department will no longer be performing this maintenance work. Once this backlog of catch-up and clean-up is complete, the ongoing maintenance for painting will be completed by the Public Works Department. Flow testing and clearing work will remain the responsibility of the Fire Department. Funding will be realigned in FY 2019 to reflect the realignment of responsibilities. (Ongoing Costs: \$0)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

Bringing fire hydrants in compliance with standards set by the National Fire Protection Agency will increase safety of the community, and assist in improving the department Insurance Service Office (ISO) rating.

5 Fire Services Deployment Changes	0.00	(1,300,000)	0	(1,300,000)

This action eliminates \$1.3 million in salary and benefits costs, consistent with current proposals in meet and confer discussions with the International Association of Fire Fighters (IAFF). The FY 2018 Proposed Budget assumed Stanford University contractual funding levels for fire services at the current fourth amendment contractual level, approximately a net \$6.2 million in annual revenues. In 2016, representatives from the City and Stanford have met periodically to discuss alternative service and cost allocation models for current and future service requirements. While progress has been made, the parties have not yet reached agreement on a full set of terms and the proposed alternative service and cost models have not been implemented. The Fire Department is also simultaneously meeting and conferring with the International Association of Fire Fighters, Local 1319 regarding impacts of the alternative staffing strategies that are expected to maintain response performance while reducing expenses. Although final agreement has not been reached in either negotiation, the City continues to pursue and anticipates being able to achieve savings of \$1.3 million annually. (Ongoing Savings: \$1.3 million)

Performance Results



This action will achieve a portion of the savings necessary to offset the reduction in the contract with Stanford Services for Fire Services while maintaining response performance.

HUMAN RESOURCES

Mission Statement



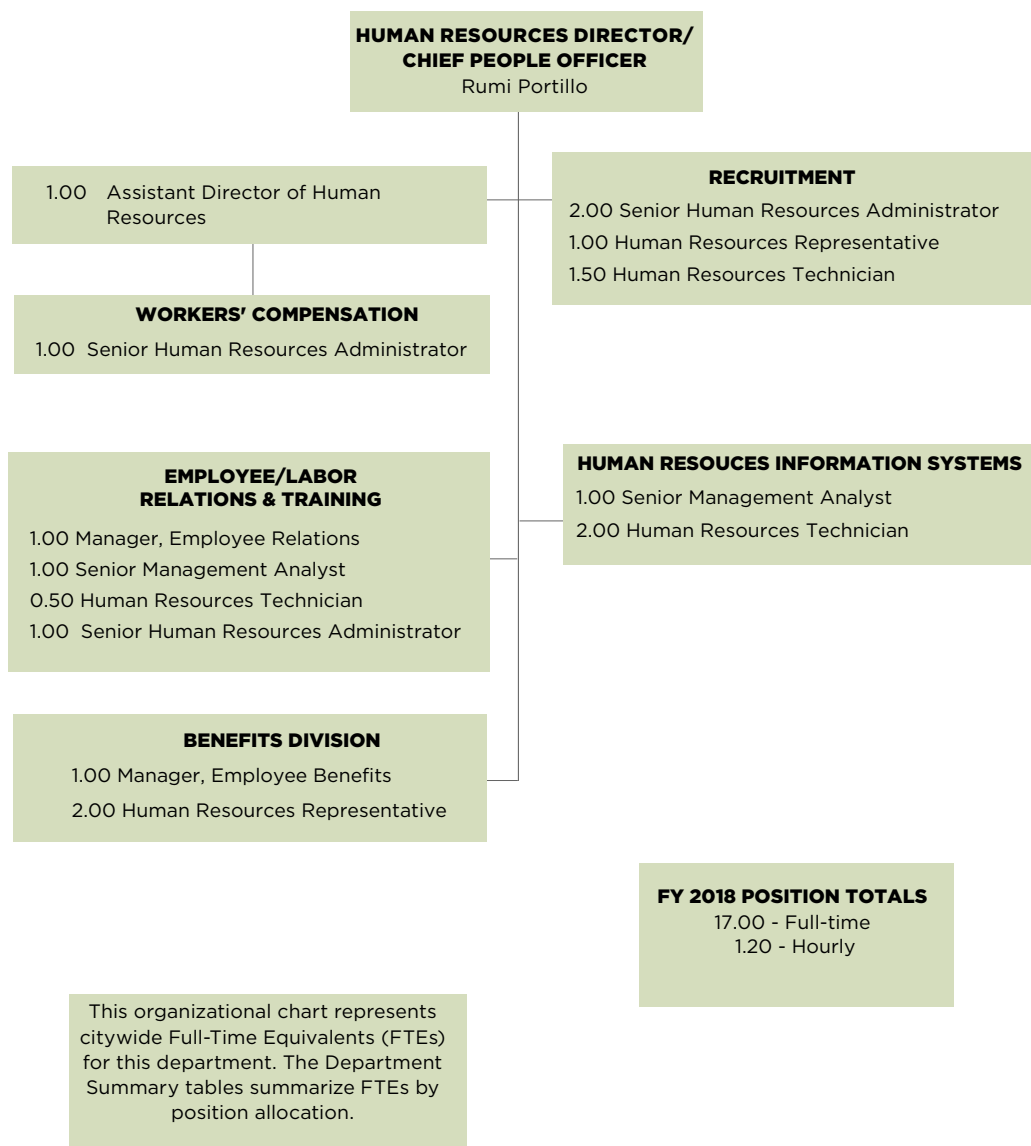
The Human Resources Department's mission is to recruit, develop, and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve, and to lead City departments in positive employee relations, talent management, succession planning, and employee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



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.

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.

Accomplishments

- Fully launched a new hire onboarding platform (NEOGOV) for all new hires; full time and part time.
- Implemented a benefits enrollment portal for all new hires in efforts to go paperless.
- Introduced an enhanced benefits open enrollment process for all benefited City staff.
- Completed a Benefits and Open Enrollment fair for all benefited employees.
- Reached agreement with the Palo Alto Fire Chiefs' Association for a successor Memorandum of Agreement.
- Recruited 278 positions for the City of Palo Alto including Utilities Director, Police Officers, Fire Fighters, Librarians and Utilities Systems Operators.
- Enhanced access to City-wide training resources by instituting an annual Leads academy, conducting Supervisor and Manager training throughout the year, and completing a new City-wide Ethics course.
- Planned and executed employee engagement survey to over 1,100 full time and part time employees.
- Completed communication and outreach for the medical retirement plan under California State Code 22893.

HUMAN RESOURCES

- Completed organization-wide launch of an on-line Personnel Action Form (PAF) to streamline City-wide personnel transaction process.
- Digitized official employee personnel files.
- Continued contract negotiations with Utilities Managers and Professionals Association of Palo Alto (UMPAPA)

Initiatives

DEPARTMENT EFFECTIVENESS

- Implement departmental Infographics and Dashboards
- Plan and implement an intake tracking system; enabling the department to account and track incoming requests
- Expand the use of DocuSign approval process for HR Departmental forms

TALENT MANAGEMENT

- Source recruitment applications and tools that will enhance the City's recruitment efforts
- Re-engineer the recruitment process to reduce time to fill vacancies
- Integrate the Onboarding (NEOGOV) tool with the Human Resources workforce database (SAP) to enhance productivity

ORGANIZATION AND EMPLOYEE DEVELOPMENT

- Evaluate the City-wide engagement survey data and leverage the information to enhance workforce development

RISK MANAGEMENT, SAFETY AND WORKERS COMPENSATION

- Explore tracking tools to ensure injury and illness prevention program compliance including completion of safety inspections
- Enhance the City's current Cyber Security liability insurance coverage

BENEFITS

- Transition to a new Retiree Medical Benefit third party administrator
- Enhancements to the Employee Self Service process for FY 2018 Open Enrollment

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Fund						
General Fund-Operating	3,263,171	3,559,492	3,356,833	3,615,123	258,290	7.7%
Liability Insurance	389,202	1,848,428	2,122,100	2,953,535	831,435	39.2%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Worker's Compensation	1,315,080	2,180,302	3,922,201	5,787,596	1,865,395	47.6%
Total	4,967,453	7,588,222	9,401,134	12,356,254	2,955,120	31.4%
Revenues						
Charges for Services	514	—	—	—	—	—%
Charges to Other Funds	2,956,655	4,041,870	1,597,581	3,576,085	1,978,504	123.8%
Operating Transfers-In	—	—	—	5,000	5,000	—%
Other Revenue	2,947,701	2,255,360	1,910,901	5,265,000	3,354,099	175.5%
Return on Investments	468,865	528,725	492,000	38,230	(453,770)	(92.2)%
Total Revenues	6,373,736	6,825,955	4,000,482	8,884,315	4,883,833	122.1%
Positions by Fund						
General Fund	16.70	16.70	17.44	17.20	(0.24)	(1.38)%
Workers' Compensation Program Fund	—	—	1.00	1.00	—	—%
Total	16.70	16.70	18.44	18.20	(0.24)	(1.30)%

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:

- Ensure employee attendance rate is high.
- Enhance learning opportunities through a comprehensive employee training program.
- Increase employee communication through all media, including an enhanced HR department website.
- Continue to implement a Wellness Program with a target of 15 percent employee participation.

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:

- Strengthen oversight of benefit plan costs and processes.
- 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Attendance	95.28%	96.16%	96.00%	96.00%	96.00%
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	The actual attendance for Fiscal Year 2016 of 96.16% was an improvement over the Fiscal Year 2015 estimate of 96.00%. Future attendance rates are expected to remain steady at 96% which is in line with the Department of Labor's benchmark rate.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Recruitment - Days to fill a position	110.00	94.55	95.00	95.00	95.00
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 number of days to fill a position decreased in Fiscal Year 2016 to 94.55 days from 110 days in Fiscal Year 2015. It is estimated that this will hold steady in Fiscal Year 2017 and Fiscal Year 2018 at 95 days recruitment cycles despite fierce market conditions. It is expected that the recruitment process will see reduced cycles as process improvements to service delivery is being engineered.				

SUCCESSION PLANNING

Goal	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
Objective	Develop a strategic staffing plan for each department that identifies key roles and a succession plan.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of key roles with succession plan in place	75.00%	N/A	N/A	N/A	N/A
Description					
Purpose	Succession planning is a focused process for keeping talent in the pipeline. The age demographics of the workplace lead the HR Department to expect a turnover of as much as half the staff over the next ten years, making succession planning imperative.				
Status	HR assisted in this process through Fiscal Year 2015 at which point succession planning was diverted to departments. This measure is no longer actively administered nor controlled by HR.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Turnover - Voluntary Turnover	4.48%	6.48%	6.45%	7.00%	7.00%
Turnover - Total Turnover	8.44%	10.14%	9.57%	10.00%	10.00%
Turnover - Involuntary Turnover	1.35%	0.21%	0.42%	0.42%	0.50%
Turnover - Retirement Turnover	2.60%	3.45%	2.70%	2.70%	2.70%
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 actual turnover rates in Fiscal Year 2016 spiked up as the market observed significant competition for talent coupled with an increase in service retirements. Based on the current economic trends and year to date data, the total turnover rate is estimated to hold steady at 10%.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Employee personnel transactions*	2,665	5,376	3,800	4,800	4,500
Percentage of employees participating in Citywide training program**	N/A	N/A	85.00%	85.00%	87.50%

* A significant increase in employee personnel transactions was observed in Fiscal Year 2016 due to the ratification of multiple union contracts. With union contracts in place, the volume of employee personnel transactions is expected to decrease in future years.

***'Percentage of employees participating in Citywide training program' was a new measure for Fiscal Year 2017. It is anticipated that there will be a slight increase in participation in Fiscal Year 2018 as the Human Resources' department increases training opportunities.icipating in Citywide training program**

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration, Employee Org Development and HR Systems	1,181,368	1,550,612	1,077,202	1,166,851	89,649	8.3%
Benefits and Compensation	517,409	418,712	515,689	526,447	10,759	2.1%
Employee and Labor Relations	870,907	980,800	982,601	1,284,146	301,545	30.7%
Recruitment	425,311	407,623	467,526	444,005	(23,521)	(5.0)%
Risk Mgmt, Safety, Workers' Compensation	268,176	201,745	313,816	335,779	21,963	7.0%
Total	3,263,171	3,559,492	3,356,833	3,757,228	400,395	11.9%
Dollars by Category						
Salary & Benefits						
Healthcare	253,153	190,212	249,523	322,912	73,389	29.4%
Other Benefits	88,882	83,324	80,549	91,351	10,802	13.4%
Overtime	1,603	1,451	—	—	—	—%
Pension	406,181	370,224	478,432	534,887	56,456	11.8%
Retiree Medical	174,472	175,169	191,690	201,668	9,977	5.2%
Salary	1,686,158	1,667,000	1,811,523	1,857,392	45,869	2.5%
Workers' Compensation	8,288	73	26,449	77,358	50,909	192.5%
Total Salary & Benefits	2,618,735	2,487,452	2,838,166	3,085,568	247,402	8.7%
Allocated Charges	132,717	192,008	131,060	159,481	28,421	21.7%
Contract Services	371,146	607,404	269,309	249,309	(20,000)	(7.4)%
Facilities & Equipment	250	26,121	4,150	4,150	—	—%
General Expense	85,104	179,334	50,490	198,348	147,858	292.8%
Rents & Leases	43,000	43,000	44,088	43,000	(1,088)	(2.5)%
Supplies & Material	12,219	24,171	19,570	17,372	(2,198)	(11.2)%
Total Dollars by Expense Category	3,263,171	3,559,492	3,356,833	3,757,228	400,395	11.9%
Revenues						
Charges for Services	54	—	—	—	—	—%
Charges to Other Funds	1,693,299	1,673,028	1,597,581	1,856,044	258,463	16.2%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Revenue	—	15	—	—	—	—%
Total Revenues	1,693,353	1,673,043	1,597,581	1,856,044	258,463	16.2%

Positions by Division

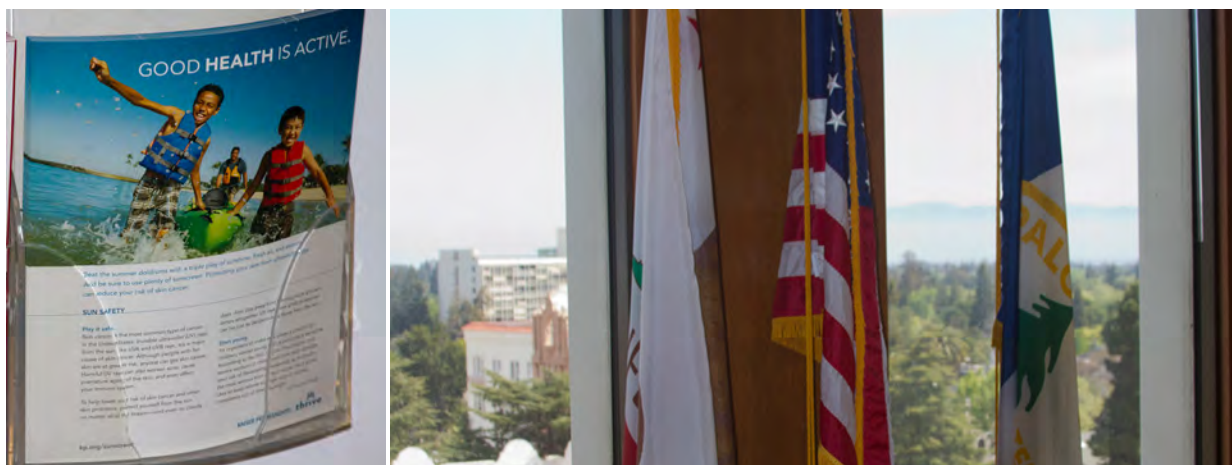
Administration, Employee Org Development and HR Systems	4.65	4.99	5.36	5.56	0.20	3.73%
Benefits and Compensation	2.61	2.51	2.88	2.44	(0.44)	(15.28)%
Employee and Labor Relations	4.69	4.60	4.60	5.00	0.40	8.70%
Recruitment	3.01	3.00	3.00	2.60	(0.40)	(13.33)%
Risk Mgmt, Safety, Workers' Compensation	1.74	1.60	1.60	1.60	—	—%
Total	16.70	16.70	17.44	17.20	(0.24)	(1.38)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	—	(1.00)	—
Assistant Director Human Resources	1.00	1.00	1.00	1.00	—	186,118
Director Human Resources/CPO	1.00	1.00	1.00	1.00	—	209,123
Human Resources Assistant	4.00	—	—	—	—	—
Human Resources Representative	2.00	2.00	2.00	3.00	1.00	233,144
Human Resources Technician	—	4.00	4.00	4.00	—	294,258
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	131,206
Manager Employee Relations	1.00	1.00	1.00	1.00	—	144,019
Senior Human Resources Administrator	4.00	4.00	4.00	3.00	(1.00)	318,302
Senior Management Analyst	1.00	1.00	1.00	2.00	1.00	251,314
Sub-total: Full-Time Equivalent Positions	16.00	16.00	16.00	16.00	—	1,767,485
Temporary/Hourly	0.70	0.70	1.44	1.20	(0.24)	68,625
Total Positions	16.70	16.70	17.44	17.20	(0.24)	1,836,110

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	17.44	3,356,833	1,597,581	1,759,252
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	256,271	—	256,271
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(2,198)	—	(2,198)
General Expense Adjustments	—	(2,142)	—	(2,142)
Rents & Leases Expenditure Adjustment	—	(1,088)	—	(1,088)
General Fund Cost Allocation Plan Adjustment	—	—	258,463	(258,463)
General Liability Insurance Allocated Charges Adjustment	—	32,966	—	32,966
Information Technology Allocated Charges Adjustment	—	(10,281)	—	(10,281)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(7,644)	—	(7,644)
Print & Mail Allocated Charges Adjustment	—	13,380	—	13,380
Adjustments to Costs of Ongoing Activities	—	279,264	258,463	20,801
Total FY 2018 Base Budget	17.44	3,636,097	1,856,044	1,780,053
Budget Adjustments				
1 Labor Negotiations	—	100,000	—	100,000
2 Fire Department Recruiting	—	50,000	—	50,000
3 Human Resources Staffing Reorganization	(0.24)	(8,869)	—	(8,869)
4 Human Resources Non-Salary Expenses	—	(20,000)	—	(20,000)
Total Budget Adjustments	(0.24)	121,131	—	121,131
Total FY 2018 Proposed Budget	17.20	3,757,228	1,856,044	1,901,184



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Labor Negotiations	0.00	100,000	0	100,000

This action provides one-time funding for upcoming labor negotiations with bargaining units in Fiscal Year 2018 as contracts expire. This funding will ensure sufficient resources are available to contract with outside counsel to expeditiously resolve the negotiating process with the bargaining groups, including Palo Alto Peace Officers Association (PAPOA) and International Association of Fire Fighters (IAFF). (Ongoing net costs: \$0)

Performance Results



This action will decrease the cycle time associated with labor negotiations by allocating additional one-time resources.

2 Fire Department Recruiting	0.00	50,000	0	50,000

This action provides one-time funding for contracting the services of industrial psychologists and professional screening firms to explore alternate selection and hiring methods for the Fire Department. The Fire Department will use the recommendations to increase efficiency, shifting from a three-year cycle to a more agile annual recruitment process. It is anticipated that untapped markets for qualified candidates will also be identified, thereby enabling targeted outreach. This action is necessitated due to the increased retirement eligibility, lack of qualified applicants, and diminished availability of qualified candidates as the hire list becomes outdated. (Ongoing net costs: \$0)

Performance Results



This action will decrease the cycle time associated with Fire Department recruitments and is anticipated to increase the quality of applicants through the identification of new outreach targets.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
3 Human Resources Staffing Reorganization	-0.24	(8,869)	0	(8,869)

This action will reclassify 1.0 Senior Human Resources Administrator to 1.0 Senior Management Analyst, delete 1.0 Administrative Assistant and add 1.0 Human Resources Representative, and reduce a 0.48 part-time Management Specialist to a 0.24 part-time Management Specialist to align with needed duties and increase the capacity of the Department. The reclassification of a Senior Human Resources Administrator to a Senior Management Analyst in Employee Relations will facilitate greater organizational capacity for labor matters and special projects, and is anticipated to reduce the ongoing use of outside consultants. The reclassification of an Administrative Assistant to a Human Resources Representative will better position the department to have subject matter expertise and more capacity for ad-hoc special projects while still providing general support to the department. The reduction of 0.24 FTE part-time Management Specialist realigns the anticipated scope of duties to the Management Specialist position commensurate with the reclassifications detailed above. (Ongoing net savings: \$9,220)

Performance Results



With this staffing reorganization, the Department will be better positioned to proactively respond to the Human Resources' needs of the organization.

4 Human Resources Non-Salary Expenses	0.00	(20,000)	0	(20,000)

This action decreases certain non-salary expenses to align with anticipated activity levels. The department recently completed a review of past activity levels for activities such as arbitration, salary studies, and return to work evaluations, and these reductions align funding with these anticipated levels. Reductions include contract costs for workers' compensation (\$3,000), employee relations' contract costs (\$16,000), and employee recruitment costs associated with New Employee Orientation (\$1,000). (Ongoing net savings: \$20,000)

Performance Results

These budget reductions are anticipated to decrease costs associated with current service delivery with minimal impact on current service delivery levels.

GENERAL LIABILITIES INSURANCE PROGRAM

Description

The City's General Liability Program provides funding to cover flood, property, public employee crime, and various other insurance policies for City-owned equipment and machinery. The City is self-insured for the first \$1 million in losses per occurrence and participates in a Joint Powers Authority for coverage up to \$150 million per occurrence.

Accomplishments

- Collaborated with IT Security Manager to meet Cyber Liability insurance requirements from current insurance policy.
- Explored an alternative third party source to obtain Department of Motor Vehicle driving records; implementation is in process.
- In development of the Fiscal Year 2018 Budget, this fund was analyzed by an outside consultant, consistent with the practice used in the development of the FY 2017 Budget. Staff used the 85% confidence level, consistent with the lower number of incidents and associated expenses over the past few years, in order to ensure sufficient budgetary resources are available in this fund.

Initiatives

- Further enhance current Cyber Liability insurance coverage to minimize exposure to evolving cyber risks.
- General Liability costs have been allocated out to respective departments based on the outside consultant's methodology, described above, at an 85% confidence level to ensure sufficient budgetary resources are available. See the Internal Service Fund Overview section of this document for further discussion.

Goals and Objectives

GOAL 1

Reduce liability exposure to the City.

Objectives:

- Reduce liability exposure to the City for employee-involved vehicle collision.
- Review 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Annual number of claims related to City vehicle collision losses	25.00	16.00	20.00	15.00	12.00
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	The number of employee involved vehicle collisions has decreased due to consistent training programs and discussions with staff at department safety meetings. Additional training, such as online and onsite training, will continue to be offered to target specific collisions in efforts to continue the downward trend in claims.				

DEFENSIVE DRIVING TRAINING

Goal	Reduce liability exposure to the City.				
Objective	Provide defensive driver training.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Attendance at mandatory and proactive defensive driver training	56.00	51.00	40.00	50.00	55.00
Description	This measure tracks the number of employees completing a proactive 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	Attendance in defensive driving class has remained steady and has contributed to lower vehicle collision loss. The target is to have more drivers attend the Defensive Driver training to lower the vehicle collision losses.				

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Non-Departmental	389,202	1,848,428	2,122,100	2,953,535	831,435	39.2%
Total	389,202	1,848,428	2,122,100	2,953,535	831,435	39.2%
Dollars by Category						
Salary & Benefits						
Other Benefits	34,886	—	—	—	—	—%
Workers' Compensation	271,376	113,692	—	—	—	—%
Total Salary & Benefits	306,262	113,692	—	—	—	—%
Contract Services	28,625	7,125	88,400	70,000	(18,400)	(20.8)%
General Expense	54,315	1,727,611	2,033,700	2,883,535	849,835	41.8%
Total Dollars by Expense Category	389,202	1,848,428	2,122,100	2,953,535	831,435	39.2%
Revenues						
Charges for Services	460	—	—	—	—	—%
Charges to Other Funds	1,263,356	2,368,842	—	1,775,000	1,775,000	—%
Operating Transfers-In	—	—	—	5,000	5,000	—%
Other Revenue	206,453	(215,609)	40,000	40,000	—	—%
Return on Investments	95,670	139,444	126,300	22,465	(103,835)	(82.2)%
Total Revenues	1,565,939	2,292,677	166,300	1,842,465	1,676,165	1,007.9%
Positions by Division						
Total	—	—	—	—	—	—%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Liabilities Insurance Program
Prior Year Budget	—	2,122,100	166,300	1,955,800
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
General Liability Insurance Claims Adjustments	—	952,835	1,775,000	(822,165)
Town Hall Liability Insurance Adjustment (CMR #7176, approved on August 22, 2016)	—	5,000	5,000	—
Property Loss Adjustment	—	(5,000)	—	(5,000)
Broker and Consultant Adjustments	—	(16,500)	—	(16,500)
Audit and Financial Services Adjustments	—	(1,900)	—	(1,900)
Umbrella Excess Liability Adjustments	—	(103,000)	—	(103,000)
Return on Investment Adjustments	—	—	(103,835)	103,835
Adjustments to Costs of Ongoing Activities	—	831,435	1,676,165	(844,730)
Total FY 2018 Proposed Budget	—	2,953,535	1,842,465	1,111,070

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.

Accomplishments

- Initiated and completed a Request For Proposal for a Workers' Compensation administration provider.
- HR worked with a third party vendor and provided training to key City Staff to use an online claim reporting system to improve timeliness and accuracy.
- Obtained a \$200,000 reduction in Umbrella Excess Liability by increasing self-insured retention from \$500,000 up to \$750,000. HR staff reviewed workers' compensation history with actuary and based on claim information, recommended the change resulting in premium cost reduction.
- In development of the Fiscal Year 2018 Budget, this fund was analyzed by an outside consultant, consistent with the practice used in the development of the Fiscal Year 2017 Budget. Staff used the 85% confidence level, consistent with the lower number of incidents and associated expenses over the past few years, in order to ensure sufficient budgetary resources are available in this fund.

Initiatives

- Explore methodologies to track and ensure injury and illness prevention program compliance including completion of safety inspections.
- Initiatives to pursue a Soft Tissue injury prevention program in efforts to reduce claims and lost time.
- Workers' Compensation costs have been allocated out to respective departments based on the outside consultant's methodology, described above, at an 85% confidence level to ensure sufficient budgetary resources are available. See the Internal Service Fund Overview section of this document for further discussion.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Total dollar amount of claims paid	2,184,857	2,187,149	1,800,000	2,500,000	2,500,000
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	In Fiscal Year 2016, the total cost of workers compensation claims was relatively constant compared to Fiscal Year 2015 workers compensation claims. It is anticipated that the total Fiscal Year 2017 workers compensation claims will increase based on recent trends indicating higher per cost claims, and the same trend is expected to continue in Fiscal Year 2018.				

HUMAN RESOURCES

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of Workers' Compensation Claims Filed	80.00	82.00	75.00	75.00	75.00
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 total number of claims has slightly increased in Fiscal Year 2016 to 82 from Fiscal Year 2015 of 80. The total number of claims was higher than expected due to increase in claims due to sprains, strains, and an aging employee population. HR is pursuing implementation of a soft tissue injury prevention program as a strategy to reduce frequency of these claims. Based on analysis of current data, it is expected that the number of claims will decrease slightly in Fiscal Year 2017 from Fiscal Year 2016 levels and continue at that rate in Fiscal Year 2018.				

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Non-Departmental	1,315,080	2,180,302	3,922,201	5,787,596	1,865,395	47.6%
Total	1,315,080	2,180,302	3,922,201	5,787,596	1,865,395	47.6%
Dollars by Category						
Salary & Benefits						
Healthcare	—	—	26,404	10,464	(15,940)	(60.4)%
Other Benefits	230,006	235,111	243,527	268,725	25,197	10.3%
Pension	—	—	29,902	34,603	4,701	15.7%
Salary	—	—	109,381	123,512	14,130	12.9%
Workers' Compensation	621,334	1,457,186	2,810,086	4,843,932	2,033,846	72.4%
Total Salary & Benefits	851,340	1,692,297	3,219,301	5,281,236	2,061,935	64.0%
Contract Services	2,375	2,375	6,900	6,900	—	—%
General Expense	461,365	485,630	696,000	496,000	(200,000)	(28.7)%
Operating Transfers-Out	—	—	—	3,460	3,460	—%
Total Dollars by Expense Category	1,315,080	2,180,302	3,922,201	5,787,596	1,865,395	47.6%
Revenues						
Other Revenue	2,741,248	2,470,954	1,870,901	5,225,000	3,354,099	179.3%
Return on Investments	373,195	389,281	365,700	15,765	(349,935)	(95.7)%
Total Revenues	3,114,443	2,860,235	2,236,601	5,240,765	3,004,164	134.3%
Positions by Division						
Non-Departmental	—	—	1.00	1.00	—	—%
Total	—	—	1.00	1.00	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Senior Human Resources Administrator	—	—	1.00	1.00	—	114,358
Sub-total: Full-Time Equivalent Positions	—	—	1.00	1.00	—	114,358
Total Positions	—	—	1.00	1.00	—	114,358

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Workers' Compensation Fund
Prior Year Budget	—	3,922,201	2,236,601	1,685,600
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	—	3,089	—	3,089
Workers' Compensation Insurance Claims Adjustments	—	2,033,846	3,354,099	(1,320,253)
Return on Investment Adjustments	—	—	(349,935)	349,935
Administrator Fees	—	25,000	—	25,000
Umbrella Excess Liability Adjustments	—	(200,000)	—	(200,000)
Adjustments to Costs of Ongoing Activities	—	1,861,935	3,004,164	(1,142,229)
Total FY 2018 Base Budget	—	5,784,136	5,240,765	543,371
Budget Adjustments				
1 Supplemental Pension Trust Fund Contribution	—	3,460	—	3,460
Total Budget Adjustments	—	3,460	—	3,460
Total FY 2018 Proposed Budget	—	5,787,596	5,240,765	546,831

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Workers' Compensation Fund
1 Supplemental Pension Trust Fund Contribution	0.00	3,460	0	3,460

This action establishes a transfer from the Workers' Compensation Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$3,460 which represents approximately 10% of the Worker Compensation Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

Workers' Compensation Fund Expense Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Estimated	FY 2018 Proposed
Expense Category				
Claims Paid	2,184,858	2,187,149	2,500,000	4,753,932
Change in Estimated self-insurance liability	(1,656,783)	(837,910)	(311,378)	
CSAC excess insurance premium	461,365	485,630	615,100	495,000
Actuarial Services	2,375	2,375	6,650	6,900
TPA Administrator Fees	230,006	235,111	239,000	264,000
State self-insurance fees	93,259	90,000	90,000	90,000
In-house Administration	0	0	171,214	177,763
Workers' Compensation Fund Subtotal	1,315,080	2,162,355	3,310,586	5,787,595

INFORMATION TECHNOLOGY

Mission Statement



The Information Technology Department's mission is to provide innovative technology solutions that support City departments in delivering quality services to our community.

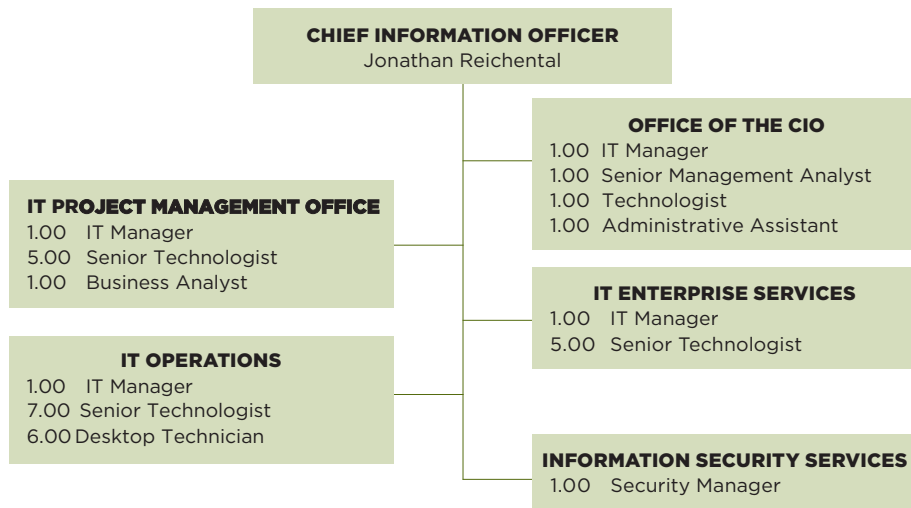
Purpose

The purpose of the Information Technology Department is to champion an inspiring and forward-leaning vision for citywide technology that reflects the unique role of the City of Palo Alto as a global leader in technology innovation; to provide a broad range of high-quality technology-related solutions to employees, departments, council members, and the community in

order for each to meet their respective goals; to support and continuously improve essential technology infrastructure for enabling the day-to-day operations of the City; and to create and maintain an exciting workplace for the Information Technology Department team that inspires high-performance and provides career growth opportunities.



INFORMATION TECHNOLOGY



FY 2018 POSITION TOTALS

33.00 - Full-time
0.98 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

Information Technology's vision statement is, 'to build and enable a leading smart and digital city.' A digital city broadly adopts innovative internet-based technologies to enable quality services and processes among city employees, citizens, visitors and businesses. Being smart means using these same digital city capabilities integrated with the physical environment to improve livability, workability, and sustainability.

Beginning in Fiscal Year 2013, the Information Technology Department embarked on a multi-year journey to transform itself into being a provider of higher-value information technology solutions and make steady progress towards building a leading digital city.

The Information Technology Department provides a wide range of services for the City of Palo Alto through the following operational divisions:

OFFICE OF THE CIO (OCIO)

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 directions for the IT Department and the City. This division is often the public facing component of the team and is responsible for fostering mutually beneficial public-private, technology related partnerships. The core services include IT strategic planning, financial management, contract management, communications, work force development, overall department administration, and data analytics.

IT PROJECT MANAGEMENT OFFICE (PMO)

The IT Project Management Office (IT PMO) oversees technology projects across the City of Palo Alto. Offering IT portfolio management, program management, and project management services, PMO exists to enable the City of Palo Alto's technology projects to succeed, and to ensure that the right technology projects are selected for execution. IT PMO is a synthesis of both the IT Governance and IT Project Services program areas.

IT OPERATIONS

Maintains and supports all deployed back-end and front-end City technologies including the process of retiring products and services. The team also ratifies standards working alongside

other IT divisions. Services include service desk, infrastructure support, server hosting, office automation software support, technical training and support, and asset management.

IT ENTERPRISE SERVICES

Responsible for maintaining a core set of large enterprise resource planning (ERP) systems like SAP and Geographic Information Systems (GIS) for supporting financial business processes, information flow, reporting, and data analytics for the City. These services include all aspects of Enterprise Systems management such as planning, integration, administration, support, maintenance, governance, and change management.

INFORMATION SECURITY SERVICES

Responsible for developing and implementing the citywide information security program that includes the preservation of the availability, integrity, and confidentiality of City information resources. These services include security policy and procedures, legal compliance, risk management, disaster recovery, and security audit.

Accomplishments

- Raj Patel, Information Security Manager was awarded Excellence for Cybersecurity Leadership in Local Government by California Cybersecurity Symposium - Sept 2016
- Cloud-based Communication and Productivity Suite Implementation complete (Office 365) - Sept 2016
- Interactive Voice Response (IVR) System Implementation complete - Oct 2016
- MEOC Network and Phone System upgrade complete - Oct 2016
- Palo Alto Named a Leading Digital City 4th Year in a Row by Center for Digital Government - Nov 2016
- Jonathan Reichental, CIO, recognized as one of the top 100 global influencers of government technology in 2016 by Onalytica - Dec 2016
- CORE cashiering system for credit collections and Utilities customer service upgrade complete - Dec 2016
- Enterprise Asset Management System (EAMS) Implementation complete - May 2017
- Geographic Information System Needs Assessment (GIS) complete - June 2017
- Deployed several new cybersecurity systems and upgrades throughout FY17

Initiatives

The following major initiatives will be worked on by the Information Technology Department in Fiscal Year 2018, but not necessarily completed in Fiscal Year 2018. As circumstances dictate, projects will be re-prioritized or rescheduled as appropriate:

- SharePoint Academy Design, Development and Implementation - The SharePoint Academy provides a framework for understanding SharePoint features, functions, administration and collaboration.

- Next Generation Enterprise Resource Planning (ERP) System Selection - Select and procure new ERP system.
- Geographic Information System (GIS) Implementation - Select and procure new enterprise GIS.
- Council Chambers Equipment Replacement - Remove the old analog equipment and install a 100 percent digital system.
- Service Management System Replacement - Next generation cloud-based solution for work order management, asset management, license management, and configuration management database (CMDB) management.
- Mobility Management - Increased security for smartphones, tablets and laptops.
- Smart City Experiments - Smart Lighting, Digital Signage, and Air Quality Sensors.

Goals and Objectives

GOAL 1

Design and implement high-priority digital capabilities for City staff, residents, visitors, and local businesses.

Objectives:

- Develop and 'pilot' new services that will increase the community's access to online self-services.
- Maintain a governance model and roadmap for mobile application deployment to ensure quality and valuable mobile capabilities are deployed to our community.
- Deploy and maintain platforms and processes for supporting best-in-class open and participative government to enrich our democracy.
- Maintain an ongoing program of civic innovation activities to be ahead of the curve in government technology and include broad participation from innovators in the public and private sectors.
- Execute the GIS strategy that will increase GIS capabilities and bring value to a larger number of stakeholders.

GOAL 2

Maintain and mature an IT governance model.

Objectives:

- Maintain and mature a citywide IT governance process to ensure alignment between technology priorities, project risks, City goals, and available funds.
- Maintain and keep current an accurate 3-year IT roadmap.

GOAL 3

Standardize and enhance IT service delivery.

Objectives:

- Organize IT service delivery around the principles of the Information Technology Infrastructure Library (ITIL) in order to provide high quality, consistent, and efficient IT services.
- Establish and maintain division processes, staff responsibilities, and performance measures.
- Execute appropriate training for IT staff to support established processes.
- Maintain an actionable IT dashboard.
- Manage a program to provide a career path and learning opportunities for the City's technology staff.

GOAL 4

Upgrade and enhance technology infrastructure, communications systems, and information security capabilities.

Objectives:

- Upgrade our data center with emphasis on a 'cloud-first' approach to lower cost and support needs.
- Decommission all unnecessary systems and rationalize core services with a focus on Software-as-a-Service (SaaS).
- Maintain and improve the confidentiality, integrity, and availability of information across the City's system.
- Ensure a fully-tested disaster recovery and continuity program for a core set of City systems.

Key Performance Measures

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of survey respondents rating the services provided by the IT Department as excellent	89.00%	93.00%	90.00%	94.00%	95.00%
Description	This measure identifies the overall level of satisfaction internal customers have with telephone, network, application, and desktop support services.				
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	Ongoing outreach and customer relationship management is being employed to ensure high customer satisfaction. Programs such as "Customer Shadowing" have provided excellent feedback and relationship building.				

PERCENTAGE OF SERVICE DESK REQUESTS RESOLVED AT TIME OF CALL

Goal	Track the overall time it takes to resolve service desk work orders.				
Objective	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of service desk requests resolved within 8 hours	5.00%	6.00%	4.00%	6.00%	6.00%
Percent of service desk requests resolved within 5 days	29.00%	28.00%	25.00%	30.00%	31.00%
Percent of service desk requests resolved beyond 5 days	12.00%	11.00%	17.00%	11.00%	11.00%
Percent of service desk requests resolved at time of call	31.00%	33.00%	33.00%	32.00%	32.00%
Percent of service desk requests resolved within 4 hours	23.00%	22.00%	21.00%	21.00%	20.00%
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	There has been minor fluctuation of actuals for help desk work order resolution times; however, with the implementation of self-service and cloud automation tools to address lower level Tier 1 requests, staff will be available to work on more complex work orders. This may result in higher first call resolution times.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
IT expenditure per workstation	\$5,226.00	\$4,703.00	\$5,808.00	\$4,813.00	\$4,861.00
Number of closed help desk requests	9,885	10,748	11,556	9,778	10,334
Number of datasets published on open data platforms	84	83	102	88	98

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Technology Fund	1,235,268	2,069,255	4,915,087	3,733,077	(1,182,010)	(24.0)%
Enterprise Systems	2,339,887	2,582,366	3,611,975	3,323,269	(288,706)	(8.0)%
Office of the CIO	2,780,458	2,883,501	3,165,386	3,112,935	(52,451)	(1.7)%
Operations	6,716,926	5,702,804	7,351,849	7,788,970	437,122	5.9%
Project Services	607,169	1,112,628	1,433,174	2,146,203	713,029	49.8%
Total	13,679,707	14,350,553	20,477,471	20,104,454	(373,017)	(1.8)%

Dollars by Category						
Salary & Benefits						
Healthcare	531,064	551,700	742,824	789,387	46,562	6.3%
Other Benefits	134,178	182,332	154,168	185,047	30,879	20.0%
Overtime	17,379	11,662	18,585	18,585	—	—%
Pension	673,950	947,892	1,200,041	1,356,582	156,541	13.0%
Retiree Medical	264,356	273,435	299,224	314,799	15,575	5.2%
Salary	3,464,454	3,798,444	4,591,711	4,932,078	340,366	7.4%
Workers' Compensation	2,374	11,212	49,078	127,989	78,910	160.8%
Total Salary & Benefits	5,087,755	5,776,675	7,055,632	7,724,466	668,834	9.5%
Allocated Charges	952,033	1,089,438	1,114,193	997,238	(116,955)	(10.5)%
Contract Services	3,882,450	3,879,837	5,492,521	5,641,332	148,811	2.7%
Facilities & Equipment	1,599,760	572,002	841,573	837,702	(3,871)	(0.5)%
General Expense	496,789	446,099	575,480	569,679	(5,801)	(1.0)%
Operating Transfers-Out	53,219	57,340	16,485	153,762	137,277	832.7%
Rents & Leases	267,047	342,594	351,501	362,749	11,248	3.2%
Supplies & Material	105,387	65,306	115,000	84,450	(30,550)	(26.6)%
Capital Improvement Program	1,235,268	2,121,263	4,915,087	3,733,077	(1,182,010)	(24.0)%
Total Dollars by Expense Category	13,679,707	14,350,553	20,477,471	20,104,454	(373,017)	(1.8)%

Revenues						
Charges for Services	—	80,292	—	—	—	—%
Charges to Other Funds	11,718,436	13,253,295	13,788,468	13,735,894	(52,575)	(0.4)%
Operating Transfers-In	2,349,175	2,479,564	2,077,785	2,031,612	(46,173)	(2.2)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Revenue	53,576	—	130,864	130,864	—	—%
Return on Investments	352,985	381,527	343,300	343,300	—	—%
Total Revenues	14,474,172	16,194,678	16,340,417	16,241,669	(98,748)	(0.6)%

Positions by Division

Enterprise Systems	9.50	9.00	10.50	9.50	(1.00)	(9.52)%
Office of the CIO	6.10	8.10	5.10	6.10	1.00	19.61%
Operations	13.96	13.48	13.48	14.48	1.00	7.42%
Project Services	4.10	5.00	7.00	7.00	—	—%
Total	33.66	35.58	36.08	37.08	1.00	2.77%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	87,173
Assistant Director Administrative Services	0.10	—	0.10	0.10	—	19,192
Business Analyst	—	1.00	1.00	1.00	—	149,739
Desktop Technician	5.00	5.00	6.00	6.00	—	543,198
Director Administrative Services/ CFO	0.10	0.10	—	—	—	—
Director Information Technology/ CIO	1.00	1.00	1.00	1.00	—	220,584
Management Analyst	1.00	—	—	—	—	—
Manager Information Technology	4.00	4.00	4.00	4.00	—	563,950
Manager Information Technology Security	1.00	1.00	1.00	1.00	—	146,682
Principal Business Analyst	—	1.00	1.00	1.00	—	147,950
Principal Management Analyst	1.00	—	—	—	—	—
Senior Business Analyst	—	2.00	2.00	2.00	—	268,403
Senior Management Analyst	2.00	1.00	1.00	1.00	—	119,600
Senior Technologist	13.50	15.00	16.00	17.00	1.00	2,181,678

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Technologist	2.00	2.00	1.00	1.00	—	149,739
Sub-total: Full-Time Equivalent Positions	31.70	34.10	35.10	36.10	1.00	4,597,890
Temporary/Hourly	1.96	1.48	0.98	0.98	—	125,923
Total Positions	33.66	35.58	36.08	37.08	1.00	4,723,813

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Technology Fund
Prior Year Budget	36.08	20,477,471	16,340,417	4,137,054
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Project Management Application Pilot	—	(40,000)	—	(40,000)
Accela Enhancements	—	(100,000)	—	(100,000)
Data Center Failover Redundancy	—	(120,000)	(69,126)	(50,874)
SAP Consultant for Human Resources	—	(125,000)	—	(125,000)
Capital Improvement Project Funding	—	(4,915,087)	(1,140,921)	(3,774,166)
One-Time Prior Year Expenditures and Revenues	—	(5,300,087)	(1,210,047)	(4,090,040)
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	—	485,931	—	485,931
Capital Improvement Funding Adjustments	—	3,733,077	1,067,413	2,665,664
Application Replacement and Maintenance	—	181,083	—	181,083
Infrastructure Replacement and Maintenance	—	(46,957)	—	(46,957)
Desktop Replacement and Maintenance	—	(44,714)	—	(44,714)
Enterprise Systems Service and Maintenance	—	7,317	—	7,317
Telecommunication Services	—	(10,000)	—	(10,000)
Office of the CIO Allocated Charges	—	(5,801)	—	(5,801)
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(550)	—	(550)
Charges to Other Funds - Information Technology Services	—	—	534,832	(534,832)
Information Technology Surcharge Revenue	—	—	27,335	(27,335)
Rents and Leases Expenditure Alignment	—	11,248	—	11,248
Transfer to University Avenue Parking Fund for Employee Parking Permits	—	1,619	—	1,619
General Fund Cost Allocation Plan Adjustment	—	(174,431)	—	(174,431)
General Liability Insurance Allocated Charges Adjustments	—	44,169	—	44,169
Print & Mail Allocated Charges Adjustment	—	1,875	—	1,875
Utilities Allocated Charges Adjustments	—	4,993	—	4,993
Vehicle Replacement & Maintenance Allocated Charges Adjustments	—	6,440	—	6,440

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Technology Fund
Adjustments to Costs of Ongoing Activities	—	4,195,299	1,629,580	2,565,719
Total FY 2018 Base Budget	36.08	19,372,683	16,759,950	2,612,733
Budget Adjustments				
1 Geographic Information System (GIS) Replacement	—	500,000	305,096	194,904
2 Supplemental Pension Trust Fund Contribution	—	135,658	—	135,658
3 City-Wide SharePoint Training	—	50,000	30,510	19,490
4 Security Incident and Event Management	—	27,050	27,050	—
5 Right of Way Notification Application	—	19,063	19,063	—
6 Public Safety Technical Staffing	1.00	—	—	—
7 Information Technology Department Allocation (FY 2016 Salary Savings)	—	—	(900,000)	900,000
Total Budget Adjustments	1.00	731,771	(518,281)	1,250,052
Total FY 2018 Proposed Budget	37.08	20,104,454	16,241,669	3,862,785



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Technology Fund
1 Geographic Information System (GIS) Replacement	0.00	500,000	305,096	194,904

This action adds funding of \$500,000 to replace the City's enterprise Geographic Information System (GIS) with existing funding of \$250,000 that was programmed in the Fiscal Year 2018 base budget for a total project budget of \$750,000. A GIS system will capture, store, manipulate, analyze, manage, and present spatial or geographic data. The City of Palo Alto will continue to use GIS for advanced mapping tools that integrate geographically-referenced data across the enterprise, and will facilitate other systems, departments, and the public to share information, increase productivity, and avoid data redundancy. An assessment of the City's current GIS system, which has been in place for over 20 years, was performed and concluded that a new system would best meet the City's growing needs and would foster collaboration and transparency. Funding will be provided through the following sources: Technology Surcharge Reserve for the General Fund portion (\$195,000), enterprise and internal service funds (\$305,000), and already accrued application replacement funding currently programmed into the Fiscal Year 2018 base budget (\$250,000). Ongoing funding for operations and maintenance is already included in the IT annual budget. (Ongoing net costs: \$0)

Performance Results



The procurement of a new GIS will increase customer satisfaction through more robust mapping integration.

2 Supplemental Pension Trust Fund Contribution	0.00	135,658	0	135,658

This action establishes a transfer from the Technology Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$136,000 which represents approximately 10% of the Technology Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing Costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

3 City-Wide SharePoint Training	0.00	50,000	30,510	19,490

This action provides \$50,000 from the Technology Surcharge Reserve (\$19,490) and from enterprise and internal service funds (\$30,510) for city-wide training on SharePoint. Professional services will be obtained through a training organization to design, develop, and implement a city-wide training in collaboration with the City's SharePoint Leadership committee. The training will provide a framework for understanding features, functions, administration, and collaboration in order to more effectively use SharePoint across the organization. (Ongoing net costs: \$0)

Performance Results



The provision of a SharePoint training is anticipated to reduce cycle time through increased collaboration across the organization.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Technology Fund
4 Security Incident and Event Management	0.00	27,050	27,050	0

This action provides ongoing \$27,050 in ongoing funding for the maintenance costs associated with networking tools and Security Information and Event Management (SIEM) tools to provide more robust security to the City network. SIEM technology will provide real-time analysis of security alerts generated by network hardware and applications, which will make the City more resilient to hacking and malicious events targeting the City's networking infrastructure. This action also aligns with the Information Technology Disaster recovery plan. These costs will be allocated throughout the City through the regular allocation of Information Technology costs. (Ongoing net costs: \$0)

Performance Results



This action will increase the quality of the City's network by decreasing the City's vulnerability to hacking and other networking attacks.

5 Right of Way Notification Application	0.00	19,063	19,063	0

This action provides \$19,000 dollars in ongoing funding for a right of way notification application. This solution will provide notice to residents and commuters by visually demonstrating where all relevant street work and maintenance is scheduled to be performed on a map. Residents and commuters are currently impacted by disruptions to the public right of way by City staff, City contractors, and private entities. This public facing notification solution will enable proactive outreach of any planned right of way impacts. It is anticipated that this notification solution will greatly diminish the volume of phone and e-mail traffic associated with inquiries related to right of way disruptions. The Development Services Department will be responsible for the maintenance and management of this application; charges will be allocated accordingly. (Ongoing net costs: \$0)

Performance Results



This action will increase customer satisfaction through proactive notification of right of way disruptions.

6 Public Safety Technical Staffing	1.00	0	0	0

This action adds 1.0 Senior Technologist for Public Safety and eliminates \$183,000 in contract funding. In the FY 2016 Adopted Budget, funding was approved equivalent to 1.0 Senior Technologist, pending the completion of a staffing assessment by Gartner. The Information Technology Department and the public safety departments agree that the best use of funding is a full-time position which will be added to the Information Technology Department to focus exclusively on public safety technologies. Funding will continue to be allocated to the appropriate departments. (Ongoing net costs: \$0)

Performance Results



This action will increase customer satisfaction by allocating a dedicated resource for public safety technology.

7 Information Technology Department Allocation (FY 2016 Salary Savings)	0.00	0	(900,000)	900,000

This one-time action reduces the allocation of Information Technology Department salary and benefit expenses across the organization consistent with salary savings that was realized in Fiscal Year 2016. Due to the number of vacancies in the Information Technology Department, significant expense savings were realized in FY 2016. Therefore, in order to assist in the City's overall reduction goals for FY 2018 and ensure appropriate reserves in the IT fund, this one-time reduction in allocated charges will generate \$900,000 in reduced charges throughout the organization (\$351,000 in the General Fund). (Ongoing net costs: \$0)

Performance Results

There is no impact on performance levels as a result of this action.



CITY OF
**PALO
ALTO**

LIBRARY

Mission Statement



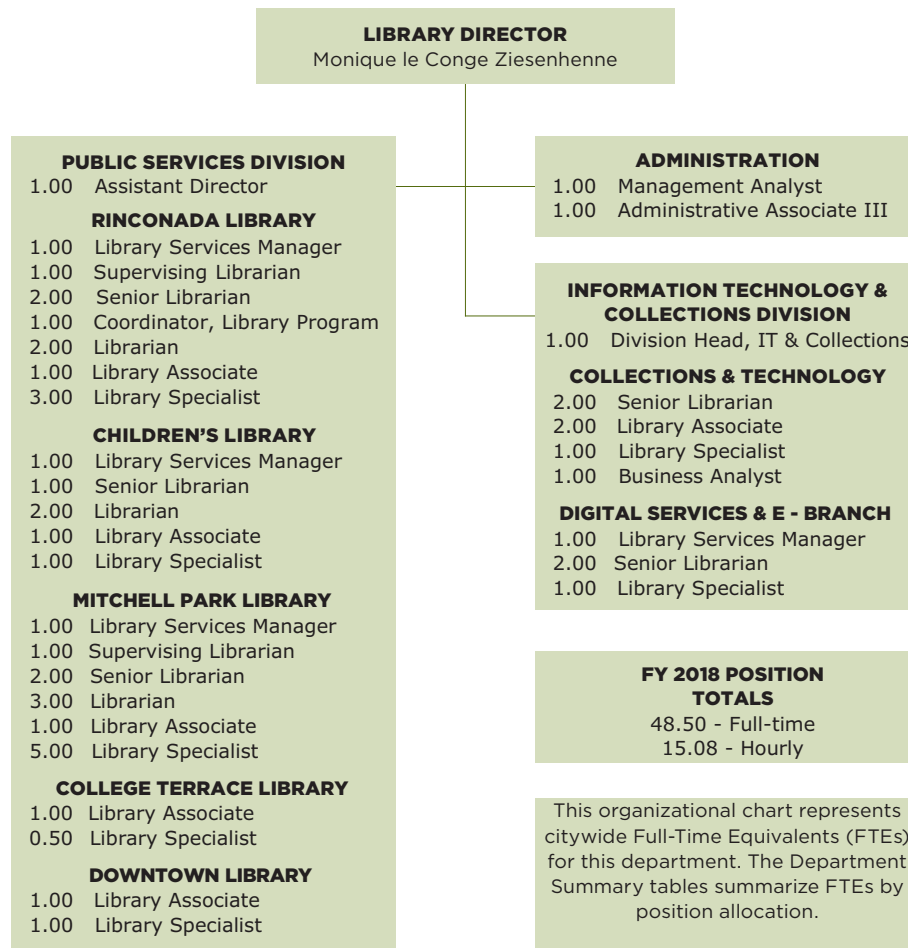
The Library Department connects and strengthens our diverse community through knowledge, resources, and opportunities. We inspire and nurture innovation, discovery, and delight.

Purpose

The purpose of the Library Department is to provide exceptional, responsive public service to Palo Alto residents and employees; to promote exploration of library resources to support learning, recreation, and personal enrichment; to foster a love of reading, creative expression, and community engagement for all ages; and to develop library facilities, technology, and



staff to create a welcoming, inclusive environment in which to share valuable resources and skilled expertise.



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

Provides opportunities for the public to access a variety of technologies, both inside and outside library facilities, including hardware devices, online databases, free WiFi, mobile applications, and experimental partnerships. Library collections include a diverse selection of print and non-print materials, as well as 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.

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.

Accomplishments

- Maintained 91% satisfaction with Library Services (rated 'excellent' or 'good'), as measured by the National Citizen Survey.
- First U.S. public library to implement Kono, a service that provides digital magazines in Chinese and Japanese.
- Implemented Storyplay*r, an online library of digital children's illustrated books in French and English. Palo Alto City Library (PACL) is the first institutional client in North America.
- Initiated multiple Adult English as a Second Language (ESL) conversation groups (beginning and advanced) and an ESL book discussion club, with volunteer support as part of the New Americans program.
- Implemented 3-D printers at Downtown and Rinconada libraries.
- Developed an updated Technology Plan for FY 2017 - FY 2022.
- Participated in the California State Library Initiative 'California Revealed' which aims to assist local public libraries, in partnership with other local heritage groups to digitize, preserve,

and provide online historically significant content on California (e.g. books, documents, audiovisual recordings). PACL and the Palo Alto Historical Association worked together to make more historical information available online.

- Collaborated with Community Services Department and Art Center staff for Mind in the Making (to understand early childhood development) and The Harwood Institute for Public Innovation (to facilitate community conversations to address problems and find solutions).
- Held a children's author and illustrator festival at Mitchell Park.
- Implemented BikePALS with a grant from the Pacific Library Partnership and a donation from the Friends of the Palo Alto Library to support Bike Outreach, including a bike mobile, two bicycle repair stations (one each at Mitchell Park and Rinconada libraries), creation of a Safe Routes to Libraries map, and bicycle safety training for children. The bike mobile project allows staff to set up at schools, farmers' markets, and other outreach events with a small collection and library card distribution, while modeling practices that are environmentally conscious and limit our contribution to traffic. In the first month of outreach, 2,500 people were contacted.
- Installed drive-up book drops at Mitchell Park and Rinconada libraries.
- Completed the library's procedure manual to ensure that new processes reflect the completion of updated buildings, provide staff with appropriate guidance and align with existing policies.
- Visited all PAUSD Kindergarten classes to make sure all kindergarten students have a library card.
- Implemented inclusive programming for children who have differing needs and abilities.
- Implemented a Seed Lending Library at Rinconada Library.
- From 2006-2016, have increased the percentage of residents rating the 'variety of library materials' as 'excellent' or 'good' from 59% (2006) to 82% (2016), as reported by the National Citizen Survey.

Initiatives

- Implement eBranch selection to enhance Library users' on-line and mobile experience, making collections and services more accessible in web searches.
- Partner with PAUSD to create 'Student Success Cards,' where every student ID will work as a public library card.
- Develop a racial equity plan to include in next Library Strategic Plan, FY 2018 - FY 2021.
- Complete 'Positioning Libraries for a Virtual Future' grant, received from the Pacific Library Partnership Innovation Grants program, to test greeter robots and a 3-D modeling workstation.
- Develop a collection maintenance plan and review the collection development policy.
- Implement a Total Business Solution to replace outdated public copy system, scanning, PC management, and printing.

Goals and Objectives

GOAL 1

Create a variety of opportunities for learning and provide effective tools for improving all types of literacy.

Strategies:

- Provide early childhood literacy programs based on current research in child development and learning.
- Create opportunities for community members to acquire the necessary skills to succeed in an increasingly digital world.
- 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.

GOAL 2

Strengthen the community and the library through effective partnerships.

Strategies:

- Support Project Safety Net's programs to promote youth well-being and support 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 librarians to community organizations in order to support their goals and participate in their activities by bringing library resources and services directly to them.

GOAL 3

Facilitate civic participation and effective community engagement.

Strategies:

- Provide a forum to explore issues of local interest and current events.
- Engage community members, with particular attention to teens and seniors, in library services as volunteers and program advisors.

GOAL 4

Expand virtual customer experiences.

Strategies:

- Make the library e-branch as usable and useful on mobile devices as on PCs and laptops.
- Grow digital collections to a robust level to meet increasing demand.
- Make discovery and use of library collections, services, and resources more simple.

GOAL 5

Foster a culture of excellence, continuous improvement, and risk-taking.

Strategies:

- Attract, develop, and retain the most talented employees.
- Provide opportunities and resources for all employees to continue developing their skills and knowledge.
- Embrace and reward creativity and innovation.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of teens who participate in the Library's reading programs for teens	2,746	4,559	6,785	5,778	6,785
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. Combined with expanded spaces for teens at Mitchell Park and Rinconada Libraries, growth in participation is expected to continue.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Meeting Room Reservations	4,339	9,943	6,516	10,000	10,000
Number of visits to library branches	810,962	831,206	956,290	856,142	873,265
Number of virtual visits to the library	1,163,467	1,921,738	1,327,618	1,979,390	2,018,978
Checkouts of library materials	1,499,406	1,400,926	1,781,354	1,442,954	1,450,000
Annual turnover rate of library collections	3.49	3.04	3.00	3.05	3.20

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	975,012	832,826	845,777	879,535	33,758	4.0%
Collection and Technical Services	2,518,152	2,217,832	2,505,504	2,574,027	68,523	2.7%
Public Services	4,486,403	4,909,335	5,640,221	5,992,892	352,671	6.3%
Total	7,979,567	7,959,994	8,991,501	9,446,453	454,952	5.1%

Dollars by Category						
Salary & Benefits						
Healthcare	763,758	760,110	991,346	990,284	(1,062)	(0.1)%
Other Benefits	103,221	116,669	100,627	126,728	26,101	25.9%
Overtime	43,747	36,276	68,783	68,783	—	—%
Pension	740,890	849,070	1,034,342	1,132,460	98,118	9.5%
Retiree Medical	441,876	398,190	435,745	458,425	22,680	5.2%
Salary	3,495,803	3,851,473	4,278,886	4,409,306	130,419	3.0%
Workers' Compensation	9,155	7,458	51,358	139,838	88,480	172.3%
Total Salary & Benefits	5,598,450	6,019,245	6,961,088	7,325,825	364,737	5.2%
Allocated Charges	740,610	664,610	785,733	939,302	153,569	19.5%
Contract Services	282,135	244,150	342,552	350,065	7,513	2.2%
Facilities & Equipment	19,708	13,360	19,400	17,900	(1,500)	(7.7)%
General Expense	91,709	90,618	80,930	81,430	500	0.6%
Rents & Leases	—	—	513	—	(513)	(100.0)%
Supplies & Material	1,246,954	928,011	801,286	731,931	(69,355)	(8.7)%
Total Dollars by Expense Category	7,979,567	7,959,994	8,991,501	9,446,453	454,952	5.1%

Revenues						
Charges for Services	17,130	21,690	22,888	25,460	2,572	11.2%
From Other Agencies	—	—	7,000	—	(7,000)	(100.0)%
Other Revenue	354,719	72,484	18,100	23,600	5,500	30.4%
Other Taxes and Fines	125,769	147,244	154,297	152,225	(2,072)	(1.3)%
Rental Income	—	1,770	—	—	—	—%
Total Revenues	497,618	243,188	202,285	201,285	(1,000)	(0.5)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Positions by Division						
Administration	0.40	0.40	0.40	0.40	—	—%
Collection and Technical Services	10.80	11.64	13.24	13.24	—	—%
Public Services	48.27	52.04	49.94	49.94	—	—%
Total	59.47	64.08	63.58	63.58	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	—	(1.00)	—
Administrative Associate III	—	—	—	1.00	1.00	81,689
Assistant Director Library Services	1.00	1.00	1.00	1.00	—	146,578
Business Analyst	1.00	1.00	1.00	1.00	—	149,739
Coordinator Library Programs	1.00	1.00	1.00	1.00	—	97,746
Director Libraries	1.00	1.00	1.00	1.00	—	196,914
Division Head Library Services	1.00	1.00	1.00	1.00	—	125,466
Librarian	6.70	7.00	7.00	7.00	—	552,495
Library Assistant	4.50	—	—	—	—	—
Library Associate	7.00	7.00	7.00	7.00	—	499,263
Library Specialist	7.00	12.50	12.50	12.50	—	843,111
Management Analyst	—	—	—	1.00	1.00	104,000
Management Assistant	1.00	1.00	1.00	—	(1.00)	—
Manager Library Services	4.00	4.00	4.00	4.00	—	411,986
Senior Librarian	8.50	8.50	9.00	9.00	—	806,736
Supervising Librarian	—	2.00	2.00	2.00	—	176,342
Sub-total: Full-Time Equivalent Positions	44.70	48.00	48.50	48.50	—	4,192,064
Temporary/Hourly	14.77	16.08	15.08	15.08	—	761,731
Total Positions	59.47	64.08	63.58	63.58	—	4,953,794

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	63.58	8,991,501	202,285	8,789,216
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Pacific Library Partnership Building Up the Bicycles Grant	—	(1,000)	(1,000)	—
One-Time Prior Year Expenditures and Revenues	—	(1,000)	(1,000)	—
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	364,737	—	364,737
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(3,555)	—	(3,555)
General Liability Insurance Allocated Charges Adjustment	—	45,141	—	45,141
Information Technology Allocated Charges Adjustment	—	(392)	—	(392)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(20,476)	—	(20,476)
Print & Mail Fund Allocated Charges Adjustment	—	(2,008)	—	(2,008)
Refuse Sales Allocated Charges Adjustment	—	1,413	—	1,413
Storm Drain Allocated Charges Adjustment	—	236	—	236
Utilities Allocated Charges Adjustment	—	132,450	—	132,450
Vehicle Replacement Allocated Charges Adjustment	—	(2,795)	—	(2,795)
Adjustments to Costs of Ongoing Activities	—	514,752	—	514,752
Total FY 2018 Base Budget	63.58	9,505,253	201,285	9,303,968
Budget Adjustments				
1 Electronic Library Material Databases	—	(58,800)	—	(58,800)
2 Administration Division Staffing Reorganization	—	0	0	0
Total Budget Adjustments	—	(58,800)	0	(58,800)
Total FY 2018 Proposed Budget	63.58	9,446,453	201,285	9,245,168



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Electronic Library Material Databases	0.00	(58,800)	0	0

This action reduces the Library's digital resources and technical services, minimizing overlap between existing resources and maintaining current service levels. The Library conducted an analysis of use by reviewing current customer and staff use as well as existing overlap of services and database offering. This reduction reflects the combined implication of eliminating redundant databases and technical services partially offset by the addition of new services intended to further augment and bolster the offerings of the Library. New services include video tutoring resources, live homework tutoring online, and a tool for library market analysis. The library will continue to monitor the use of digital resources and technical services. (Ongoing net savings: \$58,800)

Performance Results



The reduction and consolidation of the Library's digital resources and services will help control costs and minimize impact to overall services. The reduction selections are made by reviewing current customer/staff use and/or partially overlapping coverage by other existing resources.

2 Administration Division Staffing Reorganization	0.00	0	0	0

This action will realign two positions in the Administration Division to facilitate succession planning and more accurately represent the duties and responsibilities of the positions in the division. The reclassification of 1.0 Management Analyst aligns with the primary duties of the position including statistical analysis, management of the department's budget, contract administration, and department personnel administration. This higher level is commensurate with the scope and level of responsibility necessary to manage these tasks. This is offset by the reclassification of 1.0 Management Assistant to 1.0 Administrative Associate III. With the increased capacity and complexity assigned to the Management Analyst, the department will need more administrative and executive support, which is more commensurate with an Administrative Associate III. (Ongoing net costs: \$0)

Performance Results



The realignment will more accurately reflect the current roles and responsibilities of the two positions and increase the quality of work performed by each position.

OFFICE OF EMERGENCY SERVICES

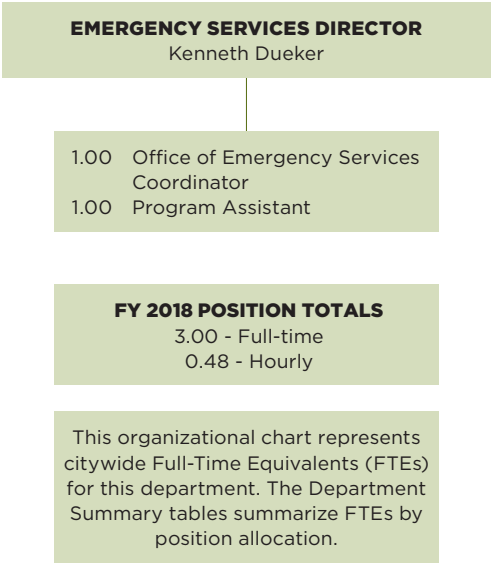
Mission Statement



The Office of Emergency Services mission is to prevent, prepare for and mitigate, respond to, and recover from all hazards.

Purpose

The Office of Emergency Services purpose is to develop, maintain, and sustain a city-wide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.



Description

The Office of Emergency Services develops, maintains, and sustains a citywide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.

Accomplishments

- Completed the five year update of the City of Palo Alto Local Hazards Mitigation and Adaptation Plan (LHMAP).
- Facilitated the update of the Foothills Fire Management Plan, last published in 2007.
- Assisted as subject matter expert in the development of the new Comprehensive Plan Safety Element.
- Activated Emergency Operations Center (EOC) to manage the 2016-2017 Storm Season and other events.
- Worked with Santa Clara County OES to upgrade the Mass Notification System vendor for AlertSCC.
- Continued to develop the Emergency Services Volunteer (ESV) program and general community public safety awareness through ongoing public education sessions, training, and exercises.
- In coordination with CSD and the Police Department, piloted a new technology to improve rail monitoring; support Project Safety Net (PSN) and Track Watch guards/volunteers.
- Continued to work with our regional public safety partners on a wide range of planned and special events, ranging from visits by the President of the United States and other dignitaries to mass-gatherings and high-risk events. The Mobile Emergency Operations Center (MEOC) and other specialized OES vehicles were deployed to the majority of these events.

Initiatives

- Continue to update and develop needed plans and documents such as the Continuity of Operations Plan (COOP), and Earthquake Annex to the Emergency Operations Plan.
- Situational Awareness: Implementing technology and other best practices to improve the efficacy of the City's EOC and other facilities.
- Work with City IT and Utilities department's to deploy a new Public Safety Wireless Network.
- Work with City Public Works, Police, and Fire department's on the design of the new Public Safety Building (PSB).

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 EOC, MEOC, Department Operations Center, or other assignments.
- Maintain emergency management facilities, critical infrastructure, and 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 ESV program 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.
- 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 supporting plans and annexes through an adaptive planning process.

Key Performance Measures

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of Office of Emergency Services resources that are able to respond effectively to hazards	97.00%	97.00%	95.00%	95.00%	95.00%
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 discreet 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) Support Vehicle were also fully operational.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Grant contributions received	\$24,500	\$0	\$15,000	\$0	\$0
Number of presentations, training sessions, and exercises	193	234	150	160	125
Number of deployments of the EOC, MEOC, and Incident Command Post (ICP)	47	46	50	40	40

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Emergency Services	1,169,201	1,044,478	970,969	1,038,721	67,752	7.0%
Total	1,169,201	1,044,478	970,969	1,038,721	67,752	7.0%
Dollars by Category						
Salary & Benefits						
Healthcare	38,817	32,971	36,026	37,420	1,394	3.9%
Other Benefits	13,064	13,436	12,050	14,142	2,093	17.4%
Overtime	480	260	—	—	—	—%
Pension	80,731	86,693	91,918	103,920	12,001	13.1%
Retiree Medical	61,790	59,094	51,613	54,299	2,686	5.2%
Salary	364,197	366,326	375,206	402,563	27,357	7.3%
Workers' Compensation	(1,522)	1,989	7,885	22,588	14,702	186.5%
Total Salary & Benefits	557,557	560,769	574,698	634,931	60,233	10.5%
Allocated Charges	37,031	43,062	29,272	52,168	22,896	78.2%
Contract Services	354,897	229,162	150,000	150,000	—	—%
Facilities & Equipment	151,328	126,759	135,000	117,000	(18,000)	(13.3)%
General Expense	22,509	31,038	32,700	34,700	2,000	6.1%
Supplies & Material	45,879	53,687	49,300	49,922	622	1.3%
Total Dollars by Expense Category	1,169,201	1,044,478	970,969	1,038,721	67,752	7.0%
Revenues						
Charges to Other Funds	94,623	94,623	94,623	94,623	—	—%
Total Revenues	94,623	94,623	94,623	94,623	—	—%
Positions by Division						
Emergency Services	3.48	3.48	3.48	3.48	—	—%
Total	3.48	3.48	3.48	3.48	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	148,990
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	130,666
Program Assistant	1.00	1.00	1.00	1.00	—	72,878
Sub-total: Full-Time Equivalent Positions	3.00	3.00	3.00	3.00	—	352,534
Temporary/Hourly	0.48	0.48	0.48	0.48	—	35,935
Total Positions	3.48	3.48	3.48	3.48	—	388,469

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	3.48	970,969	94,623	876,346
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	60,234	—	60,234
MEOC Expense Reallocation (from Police Department)	—	12,000	—	12,000
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(1,378)	—	—
General Liability Insurance Allocated Charges Adjustments	—	5,023	—	5,023
Print & Mail Allocated Charges Adjustment	—	14,055	—	14,055
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	3,818	—	—
Adjustments to Costs of Ongoing Activities	—	93,752	—	91,312
Total FY 2018 Base Budget	3.48	1,064,721	94,623	967,658
Budget Adjustments				
1 Non-Salary Expense Reduction	—	(26,000)	—	(26,000)
Total Budget Adjustments	—	(26,000)	—	(26,000)
Total FY 2018 Proposed Budget	3.48	1,038,721	94,623	941,658



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Non-Salary Expense	0.00	(26,000)	0	(26,000)

This action reduces the department non-salary expenses. In Fiscal Year 2018, it will result in a delay in enhancements to vehicle storage for the Mobile Emergency Operation Center (MEOC). Ongoing, the department may maintain fewer supplies on-hand to prevent, respond to, and recover from hazardous events, or may increase the cycle time of the purchase/replacement of such supplies. (Ongoing Savings: \$26,000)

Performance Results



This action may result in delays to the acquisition of supplies.



CITY OF
**PALO
ALTO**

OFFICE OF SUSTAINABILITY

Mission Statement



The Office of Sustainability leads the organization, residents, businesses and visitors in promoting a culture of environmental sustainability by developing, coordinating, and leading initiatives citywide, regionally, and through partnerships with the community.



Purpose

The purpose of the Office of Sustainability is to promote and facilitate an environmentally sustainable future in ways that improve quality of life, grow prosperity and build resilience, and provide leadership in

the region and to other communities.

CHIEF SUSTAINABILITY OFFICER
Gil Friend

FY 2018 POSITION TOTALS
1.00 - Full-time
0.96 - 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's Office of Sustainability (OOS), led by the Chief Sustainability Officer, focuses on the following areas:

STRATEGIC PLANNING:

Create, update, and organize City department plans that enhance sustainability.

POLICY AND PROGRAM COORDINATION:

Work with City Council and City staff to design and implement policies and programs that advance the City's sustainability goals.

INTERGOVERNMENTAL RELATIONS:

Collaborate with international, federal, state, county, special districts, and other non-governmental organizations to leverage resources and advance these goals.

Accomplishments

- Received City Council approval on Sustainability and Climate Action Plan (S/CAP) framework establishing a goal of 80% reduction in Green House Gas (GHG) emissions from 1990 levels by 2030.
- Developed Sustainability Implementation Plans (SIP) from 2017 to 2020 to achieve goals of the S/CAP.
- Partnered with community members to implement a Cool City Challenge pilot program which brought together 43 households within 12 neighborhood blocks who worked together on 1,208 actions that eliminated 611,066 pounds of CO2 emissions, an average 7.1 tons of CO2 per household.
- Developed a Municipal Sustainability Finance Toolkit with the Urban Sustainability Directors Network which provides innovative financing mechanisms to allow cities to craft investment deals that provide ongoing funding for climate action activities.
- Developed a Sustainable Purchasing Toolkit with Urban Sustainability Directors Network to develop purchasing policies that enhance and strengthen a city's sustainable procurement efforts dealing to cost and environmental savings.
- Reestablished the Electric Vehicle (EV) Task Force and assisted with work on draft policies for EV charging stations such as potential pricing options.
- Secured California Energy Commission grant by conducting two EV ride and drive events.
- Secured Bay Area Air Quality Management District grant to fund additional EV chargers at City garages and parking lots.
- Participated in regional efforts focused on Mobility as a Service (MaaS).
- Participated in national 'shared used mobility' study and development of database of initiatives.

- Supported development of the Green Building Ordinance and Energy Reach Code.
- Managed City and community GHG emissions reporting to the Climate Registry and the Carbon Disclosure Project.

Initiatives

- Secure City Council's final approval of the S/CAP including detailed Fiscal Year 2017- Fiscal Year 2020 Sustainability Implementation Plan (SIP) and CEQA review.
- Implement OOS-specific SIP elements focused on mobility and climate finance.
- Continue to work on advancing various EV initiatives such as pricing and additional charging infrastructure.
- Further embed S/CAP goals and SIP actions into department work plans, program goals, objectives and operations.
- Advance City's sustainability efforts by working with Office of Management and Budget to integrate sustainability policy goals through the Capital Improvement Project budget process.
- Partner closely with the Utilities Department in updating their strategic plan.
- Coordinate with Administrative Services Department to develop internal carbon pricing strategy and protocols, and to improve effectiveness of City's Environmentally Preferred Purchasing program.
- Work with Public Works Department to develop zero emissions fleet strategy as well as a facilities master plan.
- Partner with Human Resources Department and the Transportation Division to develop commute alternative pilots for city staff and possibly for local businesses and citizens.
- Complete sustainability dashboard to drive stronger community engagement with easily obtained data.
- Continue Cool Block program to add 15 additional neighborhood blocks.

Goals and Objectives

GOAL 1:

Establish bold, coherent and grounded direction, goals and plans.

Objectives:

- Complete and adopt Sustainability and Climate Action Plan (S/CAP).
- Work with City Departments to develop and implement specific S/CAP implementation strategies and plans.
- Assess and refine policies to ensure alignment with City sustainability commitments.
- Deploy sustainability performance dashboard, and use to educate and engage internal and external stakeholders.

GOAL 2:

Integrate sustainability policies, programs and practices into City operations and community actions.

Objectives:

- Upgrade existing "environmentally preferable purchasing" (EPP) initiatives to "default to green" wherever feasible.
- Assess and improve operations and processes.
- Review and implement "total cost of operations" (TCO) and externality policies in CIP and operating budgets.
- Explore development of internal carbon pricing in City management and operations.

GOAL 3:

Foster experimentation, alliances and big leaps

Objectives:

- Develop regional MaaS initiatives and pilot programs.
- Develop external funding resources for sustainability initiatives.
- Develop electrification/fuel switching strategies.

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Sustainability	496,204	495,345	498,701	523,762	25,062	5.0%
Total	496,204	495,345	498,701	523,762	25,062	5.0%
Dollars by Category						
Salary & Benefits						
Healthcare	9,691	18,360	20,001	20,723	722	3.6%
Other Benefits	4,473	7,789	5,488	8,084	2,596	47.3%
Overtime	450	—	—	—	—	—%
Pension	18,466	38,619	46,690	51,685	4,995	10.7%
Retiree Medical	6,572	6,244	12,530	13,182	652	5.2%
Salary	146,842	300,642	176,259	296,681	120,422	68.3%
Workers' Compensation	—	—	2,257	5,921	3,664	162.3%
Total Salary & Benefits	186,494	371,652	263,225	396,276	133,051	50.5%
Allocated Charges	1,779	560	48,976	50,987	2,011	4.1%
Contract Services	287,328	101,797	171,750	61,750	(110,000)	(64.0)%
General Expense	19,342	19,899	13,500	13,500	—	—%
Supplies & Material	1,260	1,436	1,250	1,250	—	—%
Total Dollars by Expense Category	496,204	495,345	498,701	523,762	25,062	5.0%
Revenues						
Charges to Other Funds	—	144,142	124,202	130,234	6,032	4.9%
Other Revenue	—	1,819	—	—	—	—%
Total Revenues	—	145,960	124,202	130,234	6,032	4.9%
Positions by Division						
Sustainability	1.00	2.00	1.00	1.96	0.96	96.00%
Total	1.00	2.00	1.00	1.96	0.96	96.00%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Chief Sustainability Officer	0.50	1.00	1.00	1.00	—	170,810
Sub-total: Full-Time Equivalent Positions	0.50	1.00	1.00	1.00	—	170,810
Temporary/Hourly	0.50	1.00	—	0.96	0.96	110,000
Total Positions	1.00	2.00	1.00	1.96	0.96	280,809

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	1.00	498,701	124,201	374,500
One Time Prior Year Expenditures Deleted				
Sustainability Initiatives Contract Funding	—	(110,000)	—	(110,000)
One Time Prior Year Expenditures	—	(110,000)	—	(110,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	23,051	—	23,051
General Fund Cost Allocation Plan Adjustment	—	—	6,033	(6,033)
General Liability Insurance Allocation Adjustment	—	2,043	—	—
Information Technology Allocated Charges Adjustment	—	1,905	—	1,905
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(1,136)	—	(1,136)
Print & Mail Allocated Charges Adjustments	—	(802)	—	(802)
Adjustments to Costs of Ongoing Activities	—	25,061	6,033	17,787
Total FY 2018 Base Budget	1.00	413,762	130,234	282,287
Budget Adjustments				
1 Office of Sustainability Staffing Resources	0.96	110,000	—	110,000
Total Budget Adjustments	0.96	110,000	—	110,000
Total FY 2018 Proposed Budget	1.96	523,762	130,234	392,287



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Office of Sustainability Staffing Resources	0.96	110,000	0	(110,000)

This action continues one-time funding for temporary staffing that was first added to the Office of Sustainability in FY 2015, continued in FY 2016, and converted to contract dollars in FY 2017. This action converts the contract dollars into part-time staffing. This staffing will continue to assist the Office of Sustainability to implement initiatives such as the Sustainability/Climate Action Plan (S/CAP), departmental Sustainability Implementation Plans (SIP), performance measurement, mobility programs, and community engagement. (Ongoing net costs: \$0)

Performance Results



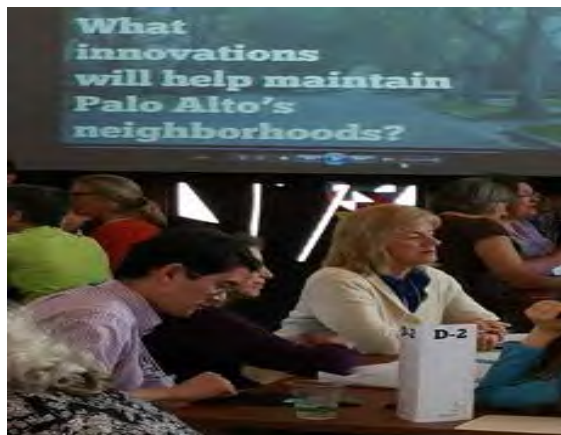
This action will give the Office of Sustainability flexibility to most effectively implement sustainability programs and initiatives, including the Sustainability/Climate Action Plan.



CITY OF
**PALO
ALTO**

PLANNING AND COMMUNITY

Mission Statement



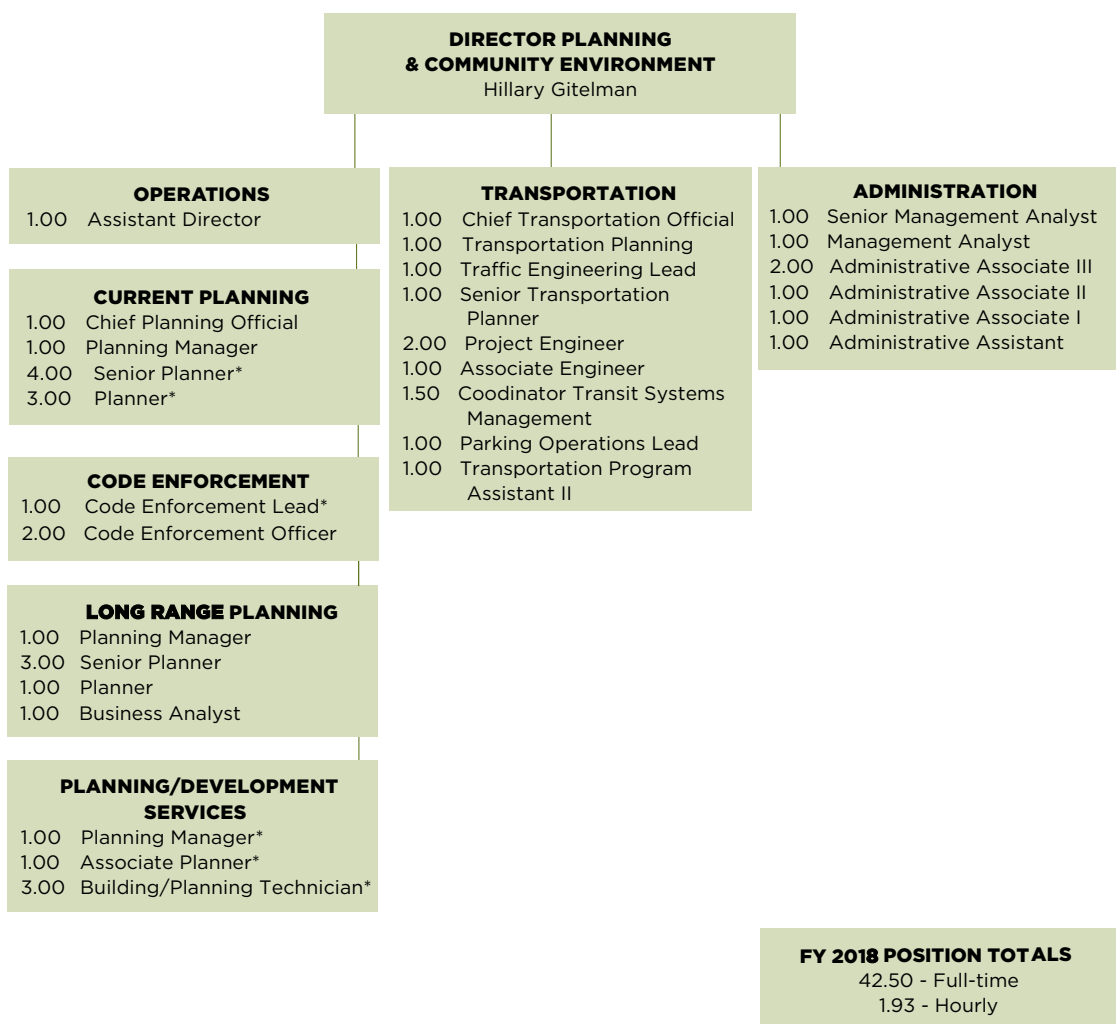
The mission of the Planning and Community Environment Department is to provide the City Council and the community with creative guidance on, and effective implementation of land use development, planning, transportation, housing and environmental policies, and plans and programs that maintain and enhance the City as a safe, vital, and attractive community.



Purpose

The Planning and Community Environment Department is responsible for a range of planning and implementation actions aimed at preserving and enhancing the quality of life in Palo Alto, ensuring wise transportation investments, and facilitating land use and development decisions through consistent and transparent processes.

PLANNING AND COMMUNITY ENVIRONMENT



* Portions of these positions are functionally part of the Development Services Department. The Planning and Community Environment Department retains administrative oversight over department personnel.

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

The Planning and Community Environment Department is responsible for the following functions:

LONG RANGE PLANNING

This division is responsible for updating and maintaining the City's Comprehensive Plan, including its Housing Element. The division also prepares zoning ordinance amendments, site-specific plans, and is responsible for data and analysis to support a wide variety of planning projects.

TRANSPORTATION AND PARKING

This division is responsible for transportation planning and for the City's transportation infrastructure. The division also conducts traffic studies and is responsible for traffic engineering, transportation demand management initiatives, shuttle services, parking supply and management, and implementation of the City's Bicycle and Pedestrian Plan.

CURRENT PLANNING

This division is 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 submitted at the Development Center, and providing general information to the public regarding the City's zoning and Comprehensive Plan provisions.

CODE ENFORCEMENT

This division is responsible for enforcement of code requirements and conditions of approval.

ADMINISTRATION

This division provides personnel, contract, budget, and project support for the department and also supports the Planning and Transportation Commission, Architectural Review Board, Historic Resources Board, Bicycle and Pedestrian Advisory Committee, Comprehensive Plan Citizens' Advisory Committee, and other public meetings.

Accomplishments

- Substantial progress on the Comprehensive Plan Update, including Citizen Advisory Committee recommendations on five elements and circulation of a Supplement to the Draft Environmental Impact Report for public review and comments.
- City Council approval of concept plans for four additional bike boulevards as well as pedestrian and bicycle improvements to Embarcadero Road and Quarry Road.
- Receipt of transportation-related grant for pedestrian streetscape improvements on El Camino Real.
- Continuation of the Downtown Residential Preferential Parking Program (RPP) and initiation of new RPP districts in Evergreen Park/Mayfield and Southgate.

PLANNING AND COMMUNITY ENVIRONMENT

- Completion of traffic signal upgrades citywide and updated signal timing on San Antonio, Middlefield, Embarcadero, Bryant, and other streets.
- Initiation of leaf blower enforcement, including outreach to residents, investigation of about 400 complaints, and issuance of about 250 notices and seven citations in 2016.
- Council adoption of an ordinance to enable additional Accessory Dwelling Units and 'Junior' Accessory Dwelling Units.
- Council adoption of a permanent ordinance to protect ground floor retail spaces from converting to other uses.
- Staff-level approval of about 100 two-story single family homes (Individual Review projects), about 100 staff level (minor) Architectural Review projects, and about 50 sign applications, with no resulting appeals to City Council.
- Staff review of close to 1,800 building permit applications for compliance with the zoning ordinance and conditions of approval.
- City Council adoption of Professorville design guidelines and updated Architectural Review findings for use citywide.
- Updated impact fee calculation and collection procedures to assure consistent application and collection.
- Updated impact fees for affordable housing.

Initiatives

- Complete the Comprehensive Plan Update.
- Initiate priority zoning ordinance changes needed to implement key Comprehensive Plan policies.
- Initiate planning for grade separations to improve connectivity and safety along the Caltrain corridor.
- Complete a study of paid parking downtown and develop a phasing and implementation plan.
- Implement a 'wayfinding' project with changeable messaging (a 'parking guidance system') to make parking easier to find downtown.
- Support the work of the Transportation Management Association (TMA) and conduct the annual survey of commute patterns downtown.
- Implement a pilot program to test traffic safety improvements on Middlefield Road north of University Avenue.
- Implement four major bicycle boulevard projects and complete pedestrian and bicycle connections between the transit center and Stanford University Medical Center (SUMC).
- Continue improvements to the code enforcement program, tracking officer caseloads and response times and increasing the presence and awareness of code enforcement in the community.

- Advance planning entitlements for multifamily housing projects totaling over 200 new dwelling units.

Goals and Objectives

GOAL 1

Increase the public's trust in the City's planning functions, reaffirming the role of the Comprehensive Plan as the City's fundamental land use and transportation policy document, maintaining transparency and objectivity, and providing ample data and a reasonable basis for recommendations.

Objectives:

- Improve the review times for Individual Review (IR) applications, architectural review applications (AR), and building permit applications.
- Improve the review times for Individual Review (IR) applications and building permit applications.

GOAL 2

Deliver ongoing programs that improve people's lives, including code enforcement, housing, historic preservation, community block grant, and transportation and parking programs.

Objectives:

- Continue the City's significant commitment to Safe Routes to School.
- Manage the City's Community Development Block Grant (CDBG) and Below Market Rate (BMR) housing programs.
- Respond to citizen complaints and effectively abate zoning and building code violations.

GOAL 3

Design and implement programs that encourage transportation alternatives to single occupancy vehicle trips and improve traffic flow and parking availability.

Objectives:

- Implement residential parking programs downtown.
- Operate a shuttle system and support a Transportation Management Association dedicated to decreasing the use of single occupant vehicles.
- Respond to work order requests related to parking and traffic and oversee operation of the City's transportation infrastructure.

Key Performance Measures

CODE ENFORCEMENT

Goal	Deliver ongoing programs that improve people's lives, including code enforcement, housing, historic preservation, community block grant, and transportation and parking programs.				
Objective	Respond to citizen complaints and effectively abate zoning and building code violations.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of surveyed residents rating the quality of code enforcement as good or excellent	59.00%	52.00%	70.00%	60.00%	60.00%
Description	This measure tracks residents' opinions through data collected in the National Citizen Survey.				
Purpose	This measure can be used to measure changes in satisfaction as service enhancements to the code enforcement function are implemented.				
Status	The department received a Code Enforcement Lead position in the FY 2016 budget and filled the position in January, 2016. Following the direction of the City Council, the team increased its focus on gas leaf blower enforcement, including outreach to residents, investigating about 400 complaints, issuing about 250 notices and seven citations. In the January 2017 performance report, the City Auditor's Office noted that some responses to the citizen survey seemed contradictory. A correlation analysis was conducted comparing the survey question regarding the rating of code enforcement and the question asking about observed code violations. Many respondents rated the quality of code enforcement as fair to poor although they also said they had not observed any code violations.				

BUILDING PLAN CHECKS

Goal	Increase the public's trust in the City's planning functions, reaffirming the role of the Comprehensive Plan as the City's fundamental land use and transportation policy document, maintaining transparency and objectivity, and providing ample data and a reasonable basis for recommendations.				
Objective	Improve the review times for building permit applications.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of Planning Review of building plan checks completed within 30 days of application intake	81.00%	88.00%	95.00%	90.00%	90.00%
Description	This measure tracks the percentage of building plan checks completed within an expected time frame.				
Purpose	Staff level reviews of building plan checks ensure compliance with land use and development standards.				
Status	Factors that affect results in this area include staff vacancy levels, applicant delays, and application volume.				

TRANSPORTATION AND PARKING

Goal	Design and implement programs that encourage transportation alternatives to single occupancy vehicle trips and improve traffic flow and parking availability.				
Objective	Implement a suite of short-term parking and Transportation Demand Management programs concurrent with neighborhood parking restrictions in downtown.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of annual shuttle bus boardings	152,571	181,259	153,000	159,500	152,500
Description	This measure tracks the annual usage of the shuttle program.				
Purpose	This measure is used to track changes in satisfaction with the shuttle program.				
Status	Ridership is expected to decrease in FY 2017 because the East Palo Alto shuttle route was discontinued. The department is currently assessing opportunities to expand the shuttle system and monitoring a VTA planning process that could have dramatic impacts on local transit service.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of planning and Architectural Review Board applications completed	174	383	135	174	175
Average number of days for Planning to first review building permit applications	21	20	20	19	20
Average number of days from Individual Review (IR) application to approval	143	187	126	175	125

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	1,209,749	1,590,566	1,738,825	1,596,380	(142,445)	(8.2)%
Building	55,175	12,246	—	—	—	—%
Planning and Transportation	6,176,863	7,285,184	7,037,050	6,863,318	(173,732)	(2.5)%
Total	7,441,787	8,887,997	8,775,875	8,459,697	(316,177)	(3.6)%
Dollars by Category						
Salary & Benefits						
Healthcare	425,712	414,698	598,213	558,675	(39,538)	(6.6)%
Other Benefits	94,285	105,503	87,926	103,131	15,205	17.3%
Overtime	44,233	59,226	60,753	60,754	—	—%
Pension	659,237	754,646	966,262	980,842	14,580	1.5%
Retiree Medical	287,667	274,311	300,159	315,782	15,623	5.2%
Salary	2,866,179	3,116,093	3,396,040	3,207,363	(188,678)	(5.6)%
Workers' Compensation	14,011	125,842	40,521	119,435	78,914	194.7%
Total Salary & Benefits	4,391,324	4,850,319	5,449,874	5,345,981	(103,893)	(1.9)%
Allocated Charges	611,709	727,270	677,530	782,009	104,480	15.4%
Contract Services	2,121,541	2,975,806	2,226,339	1,909,939	(316,400)	(14.2)%
Facilities & Equipment	14,316	29,677	39,350	36,850	(2,500)	(6.4)%
General Expense	260,923	260,802	336,925	358,718	21,793	6.5%
Operating Transfers-Out	7,607	7,607	7,607	7,607	—	—%
Rents & Leases	1,444	1,160	—	—	—	—%
Supplies & Material	32,923	35,356	38,250	18,593	(19,657)	(51.4)%
Total Dollars by Expense Category	7,441,787	8,887,997	8,775,875	8,459,697	(316,177)	(3.6)%
Revenues						
Charges for Services	549,617	766,583	1,023,225	1,286,225	263,000	25.7%
Charges to Other Funds	6,694	38,603	—	—	—	—%
Operating Transfers-In	128,000	128,000	128,000	128,000	—	—%
Other Revenue	221,280	221,435	220,900	2,500	(218,400)	(98.9)%
Other Taxes and Fines	(1,312)	360,300	15,390	20,390	5,000	32.5%
Permits and Licenses	881,750	1,256,265	842,239	1,107,239	265,000	31.5%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Rental Income	83	72	—	—	—	—%
Total Revenues	1,786,111	2,771,258	2,229,754	2,544,354	314,600	14.1%
Positions by Division						
Administration	2.30	5.20	6.91	6.95	0.04	0.58%
Building	0.10	—	—	—	—	—%
Planning and Transportation	26.53	26.72	25.53	24.70	(0.83)	(3.25)%
Total	28.93	31.92	32.44	31.65	(0.79)	(2.44)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	64,938
Administrative Associate I	1.00	1.00	1.00	1.00	—	70,126
Administrative Associate II	1.00	1.00	—	—	—	—
Administrative Associate III	2.00	2.00	3.00	3.00	—	245,068
Assistant Director PCE	1.00	1.00	1.00	1.00	—	197,267
Associate Engineer	1.00	1.00	1.00	0.73	(0.27)	83,040
Associate Planner	0.10	0.10	0.10	0.10	—	10,599
Building/Planning Technician	0.20	0.20	0.70	0.70	—	60,174
Business Analyst	1.00	1.00	1.00	1.00	—	149,739
Chief Planning Official	0.80	0.80	1.00	1.00	—	148,200
Chief Transportation Official	0.50	0.50	0.70	0.43	(0.27)	75,666
Code Enforcement Officer	1.50	1.60	1.60	1.60	—	164,475
Code Enforcement-Lead	—	0.80	0.80	0.80	—	87,998
Coordinator Transportation Systems Management	0.90	0.85	0.60	0.88	0.28	95,344
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	222,976
Management Analyst	0.40	0.40	0.88	0.98	0.10	95,438
Manager Planning	1.20	2.00	2.00	2.00	—	252,491
Parking Operations-Lead	—	0.30	0.20	—	(0.20)	—
Planner	3.15	3.00	3.83	3.83	—	433,972

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Program Assistant II	—	—	0.35	0.60	0.25	49,868
Project Engineer	1.65	1.65	1.15	0.50	(0.65)	68,944
Senior Management Analyst	1.00	1.00	1.00	1.00	—	133,141
Senior Planner	7.60	7.64	6.70	6.51	(0.19)	852,217
Senior Project Engineer	0.20	—	—	—	—	—
Traffic Engineering-Lead	—	1.00	0.10	0.38	0.28	48,683
Transportation Planning Manager	—	0.20	0.85	0.20	(0.65)	27,028
Sub-total: Full-Time Equivalent Positions	28.20	31.04	31.56	30.24	(1.32)	3,637,395
Temporary/Hourly	0.73	0.88	0.88	1.41	0.53	133,800
Total Positions	28.93	31.92	32.44	31.65	(0.79)	3,771,194

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	32.44	8,775,875	2,229,754	6,546,121
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Transportation Management Authority	—	(100,000)	—	(100,000)
Scanning and Storage Funding	—	(25,000)	—	(25,000)
Technology for new positions	—	(2,500)	—	(2,500)
One-Time Prior Year Expenditures and Revenues	—	(127,500)	—	(127,500)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustment	—	148,224	—	148,224
Revenue Alignment, Fee Study phase II (CMR #6331)	—	—	433,000	(433,000)
TMA Funding Adjustment, 3rd year (CMR #4766)	—	(130,000)	—	(130,000)
Revenue Adjustment, East Palo Alto Shuttle	—	—	(57,000)	57,000
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(19,657)	—	(19,657)
Termination of East Palo Alto Shuttle Funding Agreement (CMR #7170)	—	(161,400)	(161,400)	—
Information Technology Allocated Charges Adjustment	—	(15,196)	—	(15,196)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(19,178)	—	(19,178)
Liability Insurance Allocated Charges Adjustment	—	99,841	—	99,841
Print & Mail Allocated Charges Adjustment	—	34,862	—	34,862
Utilities Allocated Charges Adjustment	—	2,500	—	2,500
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	1,650	—	1,650
Adjustments to Costs of Ongoing Activities	—	(58,354)	214,600	(272,954)
Total FY 2018 Base Budget	32.44	8,590,021	2,444,354	6,145,667
Budget Adjustments				
1 San Mateo County Transit District Grant	—	22,613	—	22,613
2 On-Call Contractual Services	—	100,000	100,000	—
3 Staffing Alignment	(0.79)	(252,937)	—	(252,937)
Total Budget Adjustments	(0.79)	(130,324)	100,000	(230,324)
Total FY 2018 Proposed Budget	31.65	8,459,697	2,544,354	5,915,343

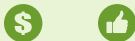


Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 San Mateo County Transit District Grant	0.00	22,613	0	22,613

This action increases expenses necessary to meet the City portion of the local match requirements as defined in the funding agreement with San Mateo County Transit District and the City of Palo Alto for the Grand Boulevard Initiative: Creating Safe and Healthy Corridor Communities Project. The agreement funds a three year planning study for multi-modal improvements along El Camino Real. As part of this agreement, the Planning department will be involved in the public engagement process and guide the development of conceptual designs. (Ongoing Costs: \$0)

Performance Results

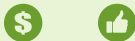


This will prepare the City to apply for a One Bay Area Grant to cover the costs of future construction.

2 On-Call Contractual Services	0.00	100,000	100,000	0

This net-zero action increases revenues and expenses for applicant-funded on-call contractual services. Following direction from the City Council to increase cost recovery for expenses related to the processing of development applications, the Planning and Community Environment Department collects the cost of on-call consultants from the applicant for project-specific contracts. This budget action more accurately aligns projected revenues and expenses, providing necessary expert resources for expected activity levels. (Ongoing net costs: \$0)

Performance Results



The incorporation of revenues and expenses for on-call consultant contracts into the budget will increase transparency regarding the volume of work performed. Use of consultants to augment staff allows for responsive services and allows the City to effectively respond to fluctuating demand in applications.

3 Staffing Alignment	-0.79	(252,937)	0	(252,937)

This action realigns the funding of various positions resulting in a net reduction of 0.79 budgeted positions in the General Fund, reducing the impact to the General Fund. No overall staffing reduction is recommended for the department. However, this action more accurately aligns staff to their FY 2018 work assignments and projects. The largest reallocation reflects the increased focus on capital projects in the General Capital Improvement Fund in order to address significant transportation projects in the pipeline. The staffing realignment also includes the reduction of 0.26 positions in the Community Development Block Grant Fund, 0.24 positions in the University Avenue Parking Permit Fund, and 0.42 positions in the Residential Preferential Parking Fund. These reductions are offset by increases of 0.30 positions in Commercial and Residential Housing In-Lieu Funds, 0.06 positions to the California Avenue Parking Permit Fund, and 1.35 in the General Capital Improvement Fund. (Ongoing Savings: \$252,937)

Performance Results



The adjustment of staff alignment ensures that costs are accurately tracked.

POLICE

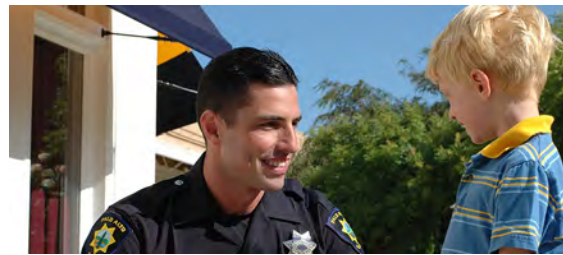
Mission Statement



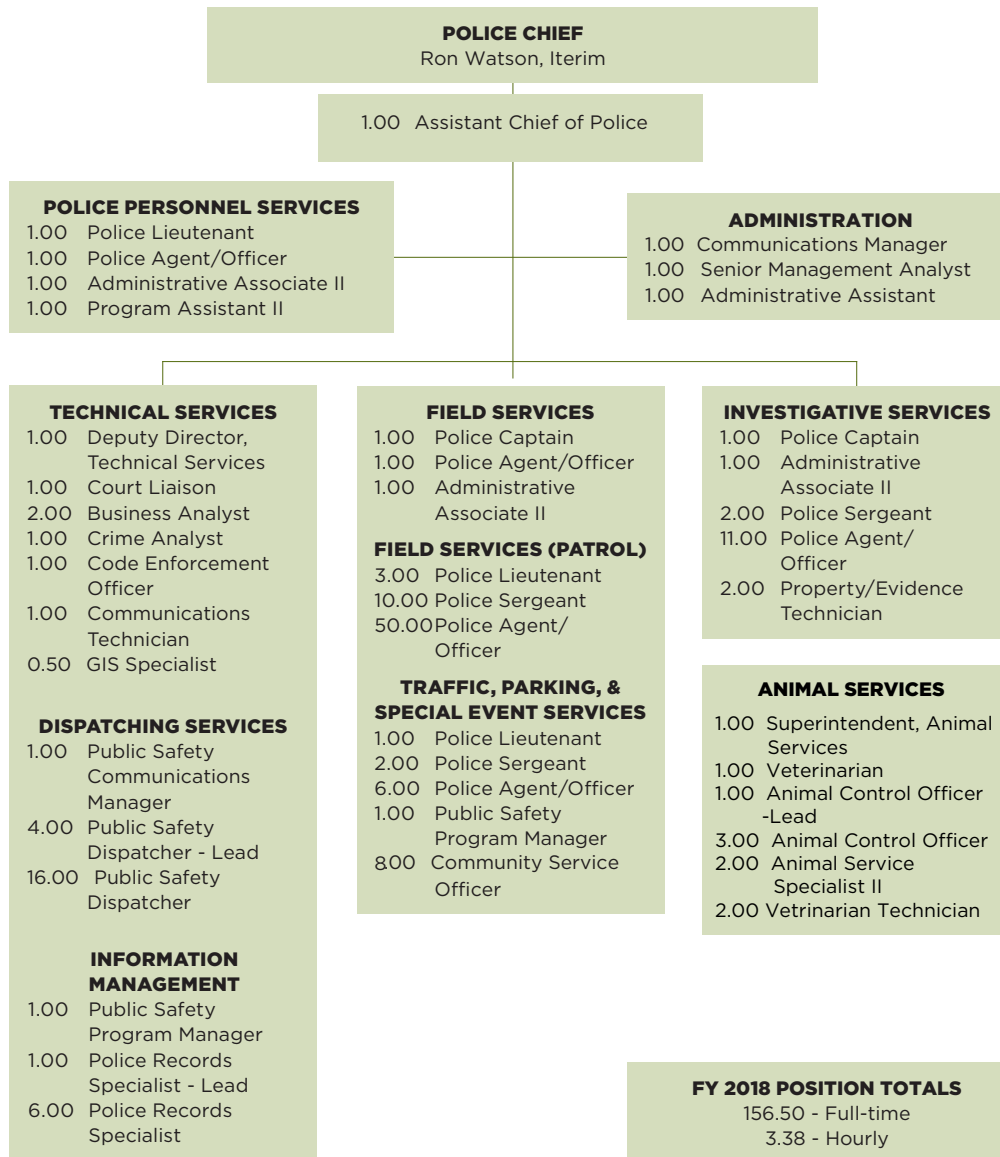
To proudly serve and protect the public with respect and integrity.

Purpose

The purpose of the Police Department is to apprehend and prosecute offenders and resolve investigations in a timely and thorough manner; to provide professional public safety services through comprehensive hiring, training, and development of employees and volunteers; to minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle, and vehicular traffic; to ensure the protection and well-being of animals and people by providing responsive and proac-



tive animal control services; and to manage, enforce, and resolve vehicle parking regulations and issues in an effort to facilitate the timely movement of vehicles and provide for public safety within the City.



This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

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.

TRAFFIC SERVICES

Responsible for traffic enforcement, complaint resolution, and school safety.

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 SERVICES

Provides animal control, pet recovery/adoption services, animal care, animal health and welfare, and regional animal services.

Accomplishments

- Re-implemented the Basic Citizens Police Academy and graduated 50 citizens from the 8-week course as of February, 2017.
- Continued to grow the number of followers on Department social media platforms, so that more residents could receive accurate and timely public safety information.
- Received 88% 'excellent/good' services rating from the National Citizen Survey, and the Citizen Centric Report.
- Continued to participate in several regional initiatives which promote emergency preparedness and response capabilities, including the Silicon Valley Regional Interoperability Authority.

- Completed a pilot project to test a limited number of body-worn cameras in the Patrol division.
- Replaced 911 system in partnership with Mountain View and Los Altos.
- Continued the development of the joint Records Management System (RMS) system in partnership with Mountain View and Los Altos.
- Enhanced first responder training by implementing the following: Countywide active shooter protocol; trained officers and deployed AEDs in all patrol vehicles; enhanced critical incident training with a focus on de-escalation options; and provided updated Fair and Impartial Policing training to all officers.
- Transitioned key leadership and staff after the retirement of the Police Chief and Assistant Police Chief, ensuring stability in the department and services to the City.

Initiatives

- Complete an executive recruitment for a new Police Chief.
- Continue to enhance first responder training in-line with the Police Executive Research Forum's Integrating Communications, Assessment and Tactics (ICAT) nationwide training curriculum with a focus on deescalation options during critical incidents.
- Continue to host three sessions of Basic Citizens Police Academy classes per year, and implement new Advanced Citizens Police Academy courses.
- Continue to provide accurate and timely public safety information to the community using a variety of sources, to include traditional news releases, social media posts, and via our free mobile app.
- Build-out Tri-City (Mountain View, Los Altos, Palo Alto) Fiber Ring to support shared public safety applications.
- Continue progress on the new Public Safety building.
- Migrate to the new 700 MHz regional radio system as part of the county-wide effort led by the Silicon Valley Regional Interoperability Authority.
- Complete and implement new regional Records Management System.
- Implement body-worn camera program, outfitting approximately 50 officers in the Patrol Division.

Goals and Objectives

GOAL 1

Protect and serve the public through proactive and effective policing, animal services, and emergency preparedness.

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 services.
- Provide assistance to the community in the event of a disaster.
- Enhance technology applications in alignment with national initiatives such as text to 911.

GOAL 2

Cultivate, enhance, and foster trustworthy relationships with the community.

Objectives:

- Actively engage the community 24/7/365 through and social media and outreach programs.
- Increase quality and timeliness of response to citizens' complaints regarding use of force, canine investigations, and other internal affairs matters.
- Train and educate all employees in the community policing philosophies.
- Continue to consult with national experts in the field of promoting fair and equitable policing.
- Create opportunities for increased communication, visibility, and interaction with community members.
- Enhance video capabilities by implementing a body-worn camera program for Patrol officers in the field.
- Maintain and enhance the community's satisfaction with police services.

GOAL 3

Minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle, and vehicular traffic.

Objectives:

- Enforce traffic laws, with an emphasis on speed reduction, red light violations, and bicycle and pedestrian safety around schools.
- Participate in regional and statewide initiatives designed to ensure vehicle occupant safety through the use of safety belts and to reduce deaths and injuries in crashes involving alcohol, speed, red light running, and aggressive driving.

GOAL 4

Ensure the protection and well-being of animals and people by providing responsive animal services and spay/neuter advocacy.

Objectives:

- Provide animal control assistance, enforcement, and guidance to the community regarding animals.
- Promote responsible pet ownership through adoption counseling, education, and support services.

GOAL 5

Manage, enforce, and resolve vehicle parking regulations and issues in an effort to facilitate the timely movement of vehicles and provide for public safety within the City.

Objectives:

- Monitor compliance with parking regulations and time limits and issue citations for infractions.
- Efficiency process abandoned and stored vehicle complaints.

Key Performance Measures

ANIMAL SERVICES RESPONSE TIMES

Goal	Protect and serve the public through proactive and effective policing, animal services, and emergency preparedness.				
Objective	Respond promptly to animal calls for service.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of Palo Alto live animal calls responded to within 45 minutes	88.00%	89.00%	90.00%	90.00%	90.00%
Description	A 45 minute response time to live animal calls is the threshold of service set by the Animal Services 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 Division has improved year over year response times from 88% to 89%, and upon hiring the vacant lead animal control position, anticipates to meet or exceed a 90% target in Fiscal Years 2017 and 2018.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Animal Control Services	80.00%	77.00%	80.00%	77.00%	77.00%
Crime Prevention Services	79.00%	80.00%	80.00%	80.00%	80.00%
Traffic Enforcement Services	60.00%	60.00%	66.00%	60.00%	60.00%
Overall Police Services	88.00%	88.00%	90.00%	88.00%	90.00%
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	Crime Prevention surveys met targeted goals in FY 2016 of 80%, and although falling slightly short of targets, the overall Police Services year-over-year ratings have remained constant at 88%. Both measures are anticipated to remain constant in FY 2018 with unchanged targets at 80% and 90%, respectively. The decline in survey ratings for Animal Control from 80% to 77% can be attributed to staff vacancies being held as the City evaluates the service delivery model of animal care services. Traffic Enforcement Services ratings have maintained constant year-over-year ratings at 60%, though targets for this measure have been revised downward, from 66% to 60%. This downward revision reflects the anticipated implications of current staffing levels of the traffic and downtown special teams which are currently all vacant; the Department is actively recruiting for these positions.				

POLICE DEPARTMENT RESPONSE TIMES

Goal	Respond promptly to urgent calls for service.				
Objective	Protect and serve the public through proactive and effective policing, animal services, and emergency preparedness.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of urgent calls responded to within 10 minutes	74.00%	74.00%	90.00%	65.00%	90.00%
Percent of emergency calls responded to within 6 minutes	75.00%	63.00%	90.00%	55.00%	90.00%
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 decline in response times are attributed to three primary factors: increased traffic congestion; call types realigned between what is defined as “emergency” versus “urgent” after the tri-city consolidation of the computer aided dispatch system during FY 2016; and although the department has maintained its average of 8 officers on patrol, department wide vacancies have reduced supplemental on street staffing typically provided by specialty teams such as the traffic and downtown teams.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of police calls for service	59,795	53,870	59,000	54,456	55,000
Number of Part I crimes	1,595	1,613	1,600	1,700	1,600
Number of Part II crimes	3,050	2,889	2,750	2,505	2,650
Average response time for emergency calls (Goal: within 6 minutes)	5:40	5:47	5:30	6:30	6:00
Average response time for urgent calls (Goal: within 8 minutes)	8:30	8:38	8:00	10:30	8:00
Total number of Palo Alto animal service calls	2,579	2,421	2,750	2,400	2,400
Number of regional animal services calls (Los Altos and Los Altos Hills)	566	560	700	400	450

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Administration	678,034	1,194,121	527,862	1,038,302	510,440	96.7%
Animal Services	1,559,074	1,575,147	1,719,360	1,894,420	175,060	10.2%
Field Services	15,616,047	15,696,641	16,864,818	21,705,557	4,840,739	28.7%
Investigations and Crime Prevention Services	4,186,251	4,737,600	5,214,939	4,644,272	(570,667)	(10.9)%
Parking Services	1,192,659	1,241,728	1,418,946	1,496,299	77,352	5.5%
Police Personnel Selection	1,514,692	1,398,558	1,371,056	1,343,204	(27,852)	(2.0)%
Technical Services	7,392,315	7,269,274	8,478,991	8,799,332	320,342	3.8%
Traffic Services	2,420,441	2,552,209	2,541,463	1,411,594	(1,129,869)	(44.5)%
Total	34,559,513	35,665,276	38,137,435	42,332,980	4,195,545	11.0%
Dollars by Category						
Salary & Benefits						
Healthcare	2,775,602	2,734,632	3,068,340	3,224,954	156,614	5.1%
Other Benefits	721,396	1,031,944	598,257	694,156	95,899	16.0%
Overtime	1,893,220	2,019,330	1,500,000	1,700,000	200,000	13.3%
Pension	5,349,308	5,516,331	6,445,707	7,304,834	859,127	13.3%
Retiree Medical	2,629,988	2,352,490	2,666,651	2,805,449	138,798	5.2%
Salary	15,500,707	15,715,984	17,342,746	18,396,666	1,053,920	6.1%
Workers' Compensation	1,045,478	949,783	407,425	1,167,029	759,604	186.4%
Total Salary & Benefits	29,915,700	30,320,494	32,029,126	35,293,089	3,263,962	10.2%
Allocated Charges	2,684,022	2,969,885	3,037,440	3,231,792	194,352	6.4%
Contract Services	1,035,064	1,388,563	1,990,528	2,747,528	757,000	38.0%
Facilities & Equipment	33,429	21,460	69,500	69,500	—	—%
General Expense	361,649	417,774	415,405	452,205	36,800	8.9%
Operating Transfers-Out	60	—	—	—	—	—%
Rents & Leases	3,143	3,282	3,436	3,436	—	—%
Supplies & Material	526,448	543,819	592,000	535,431	(56,569)	(9.6)%
Total Dollars by Expense Category	34,559,513	35,665,276	38,137,435	42,332,980	4,195,545	11.0%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Revenues						
Charges for Services	1,295,895	1,133,298	1,184,632	1,287,121	102,489	8.7%
Charges to Other Funds	427,000	427,000	427,000	481,000	54,000	12.6%
From Other Agencies	260,037	291,554	260,548	290,548	30,000	11.5%
Operating Transfers-In	42,000	42,000	—	—	—	—%
Other Revenue	448,810	338,269	273,016	273,016	—	—%
Other Taxes and Fines	1,732,358	1,701,347	1,846,255	1,881,255	35,000	1.9%
Permits and Licenses	278,662	211,441	195,302	195,302	—	—%
Rental Income	705	400	1,067	1,067	—	—%
Total Revenues	4,485,466	4,145,310	4,187,819	4,409,309	221,490	5.3%
Positions by Division						
Administration	2.30	3.30	3.30	5.30	2.00	60.61%
Animal Services	10.66	10.66	10.66	10.56	(0.10)	(0.94)%
Field Services	66.80	68.80	61.80	73.55	11.75	19.01%
Investigations and Crime Prevention Services	15.28	14.28	21.28	16.38	(4.90)	(23.03)%
Parking Services	8.75	8.75	8.75	7.75	(1.00)	(11.43)%
Police Personnel Selection	5.20	4.10	5.10	4.10	(1.00)	(19.61)%
Technical Services	37.13	37.00	37.00	37.00	—	—%
Traffic Services	11.49	11.49	10.49	3.74	(6.75)	(64.35)%
Total	157.61	158.38	158.38	158.38	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	0.50	1.00	1.00	1.00	—	88,525
Administrative Associate II	3.00	3.00	3.00	3.00	—	228,629
Animal Control Officer	3.00	3.00	3.00	3.00	—	216,435
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	77,188
Animal Services Specialist II	2.00	2.00	2.00	2.00	—	156,899
Assistant Police Chief	1.00	1.00	1.00	1.00	—	204,589

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Business Analyst	1.20	1.20	1.20	1.20	—	179,687
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	102,797
Communications Manager	—	—	—	1.00	1.00	114,400
Communications Technician	1.00	1.00	1.00	1.00	—	104,439
Community Service Officer	8.50	8.50	8.50	7.50	(1.00)	588,776
Court Liaison Officer	1.00	1.00	1.00	1.00	—	102,206
Crime Analyst	1.00	1.00	1.00	1.00	—	102,206
Deputy Director Technical Services Division	0.80	0.80	0.80	0.80	—	151,973
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	62,852
Police Agent	19.00	19.00	19.00	19.00	—	2,739,663
Police Captain	2.00	2.00	2.00	2.00	—	409,178
Police Chief	0.50	1.00	1.00	1.00	—	237,349
Police Lieutenant	5.00	5.00	5.00	5.00	—	918,611
Police Officer	50.00	50.00	50.00	50.00	—	6,421,526
Police Records Specialist II	6.00	6.00	6.00	6.00	—	455,827
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	—	81,289
Police Sergeant	14.00	14.00	14.00	14.00	—	2,266,092
Program Assistant II	1.00	1.00	1.00	1.00	—	83,114
Property Evidence Technician	2.00	2.00	2.00	2.00	—	157,159
Public Safety Communications Manager	—	1.00	1.00	1.00	—	128,170
Public Safety Dispatcher	—	—	16.00	16.00	—	1,744,133
Public Safety Dispatcher - Lead	—	4.00	—	—	—	—
Public Safety Dispatcher I	2.00	2.00	—	—	—	—
Public Safety Dispatcher II	14.00	14.00	—	—	—	—
Public Safety Dispatcher-Lead	4.00	—	4.00	4.00	—	495,440
Public Safety Manager I	2.00	—	—	—	—	—
Public Safety Manager II	1.00	—	—	—	—	—
Public Safety Program Manager	—	2.00	2.00	2.00	—	242,174
Senior Management Analyst	1.00	1.00	1.00	1.00	—	138,528
Superintendent Animal Services	1.00	1.00	1.00	1.00	—	109,491
Veterinarian	1.00	1.00	1.00	1.00	—	125,050

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Veterinarian Technician	2.00	2.00	2.00	2.00	—	147,397
Sub-total: Full-Time Equivalent Positions	154.00	155.00	155.00	155.00	—	19,381,792
Temporary/Hourly	3.61	3.38	3.38	3.38	—	236,772
Total Positions	157.61	158.38	158.38	158.38	—	19,618,564

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	158.38	38,137,435	4,187,819	33,949,616
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Project Safety Net - Track Watch Program	—	(574,000)	—	(574,000)
Police Vehicle Modems	—	(88,000)	—	(88,000)
Police Community Services Staffing	—	101,488	—	101,488
One-Time Prior Year Expenditures and Revenues	—	(560,512)	—	(560,512)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	2,961,341	—	2,961,341
Overtime Adjustment (align with Palo Alto Police Officer's Association contract, ratified April 2016)	—	200,000	—	200,000
Vacancy Realignment	—	(80,000)	—	(80,000)
Project Safety Net - Track Watch Program	—	1,450,000	—	1,450,000
Crossing Guards (CMR #5658, minimum wage compliance)	—	52,000	—	52,000
Parking Citation Processing (CMR #7179)	—	35,000	35,000	—
POST training reimbursement	—	30,000	30,000	—
Uniform Cleaning	—	13,000	—	13,000
Media Subscriptions	—	6,000	—	6,000
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(6,569)	—	(6,569)
MEOC Expense Reallocation (to Office of Emergency Services)	—	(12,000)	—	(12,000)
Stanford Emergency Communication Services Revenue Adjustment	—	—	102,490	(102,490)
Communication Allocated Charge Adjustment	—	—	54,000	(54,000)
General Liability Insurance Allocated Charges Adjustment	—	259,521	—	259,521
Information Technology Allocated Charges Adjustment	—	(60,199)	—	(60,199)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(60,890)	—	(60,890)
Printing and Mailing Allocated Charges Adjustment	—	20,961	—	20,961
Utilities Allocated Charges Adjustment	—	3,966	—	3,966

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Vehicle Equipment Maintenance Allocated Charges Adjustment	—	(19,007)	—	(19,007)
Vehicle Replacement Allocated Charges Adjustment	—	50,000	—	50,000
Adjustments to Costs of Ongoing Activities	—	4,843,124	221,490	4,621,634
Total FY 2018 Base Budget	158.38	42,420,047	4,409,309	38,010,738
Budget Adjustments				
1 Project Safety Net - Track Watch Program Transition	—	(460,000)	—	(460,000)
2 Project Safety Net - Video Management System Maintenance	—	300,000	—	300,000
3 Parking Enforcement Community Services Officer (CSO)	(1.00)	(109,819)	—	(109,819)
4 Communications Manager - Public Information	1.00	191,952	—	191,952
5 Non-Salary Reduction	—	(34,200)	—	(34,200)
6 Less Lethal Ammunition	—	15,000	—	15,000
7 Tactical Medical Supplies	—	10,000	—	10,000
Total Budget Adjustments	—	(87,067)	—	(87,067)
Total FY 2018 Proposed Budget	158.38	42,332,980	4,409,309	37,923,671



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Project Safety Net - Track Watch Program Transition	0.00	(460,000)	0	(460,000)

This action reduces funding for contract track guards related to the Project Safety Net Community Collaborative (PSN), commonly referred to as the Track Watch Program, initiated to respond to teen fatalities that have occurred along the CalTrain corridor in Palo Alto. In Fiscal Year 2017, the contract for guard services was amended to increase the annual expenditure to \$1.7 million and extend the term through June 30, 2017 (CMR #7333). Additional funding resulted in increased guard service levels to provide 24 hour security coverage, seven days a week, at five CalTrain crossing locations: California, Palo Alto, Churchill, Meadow, and Charleston. As part of this ongoing initiative, the City has been working on several means restrictions that will limit access to tracks, enhance and heighten fencing, and improve visibility along the rail line. Based on analysis of the Fiscal Year 2017 guard services program, staff has identified potential staffing modifications to the 24-hour, seven day a week guard service coverage, resulting in a savings of \$450,000. These modifications align with anticipated implementation of a video management system in FY 2018. The implementation of the video management system is intended to replace current guard services while allowing for continuous monitoring of persons and objects down the corridor, along the right of way and at intersections. The City will actively evaluate the efficacy of the video management system on an on-going basis to evaluate and adjust guard staffing needs as necessary. (Ongoing Savings: \$1,700,000)

Performance Results



Continuing the Track Watch Program and implementing the video management system will adjust the current level of track guard monitoring services along the Palo Alto Caltrain corridor through the end of FY 2018.

2 Project Safety Net - Video Management System Maintenance	0.00	300,000	0	300,000

This action increases funding necessary to support ongoing operating and maintenance costs of the Caltrain Video Management System and aligns with the Project Safety Net proposal to transition guard services to camera-based technologies. The implementation of the video management system will be completed through RFP #166714 and is anticipated to go live in FY 2018. (Ongoing Costs: \$600,000)

Performance Results



This action ensures regular system maintenance, including fiber and electricity, and supports administrative and monitoring services.

3 Parking Enforcement Community Services Officer (CSO)	-1.00	(109,819)	0	(109,819)

This action removes 1.0 FTE Community Services Officer (CSO) which has been vacant since February 2015 and has been held vacant due to the construction of the Stanford Hospital which severely decreased the need for parking enforcement in and around Stanford Hospitals. Stanford Hospitals intend to install License Plate Reader systems in all its garages in order to automate enforcement, eliminating the need for this position. Therefore, the department anticipates that current coverage with existing staffing resources will be sufficient to maintain parking enforcement needs once all Stanford hospital development is complete. (Ongoing Savings: \$109,819)

Performance Results



This action aligns staffing levels to compliment parking enforcement activity levels.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
4 Communications Manager - Public Information	1.00	191,952	0	191,952

This action adds 1.0 FTE Communications Manager Officer to serve as the department Public Information Officer. This program was managed by a Police Lieutenant who has been promoted to Captain, and can no longer fill the responsibilities of the role. Therefore, this position is necessary to maintain the Police Department's comprehensive social media presence with almost 40,000 followers on social media across six platforms, and management of all aspects of community engagement and media relations. In the spirit of open government and building trust with the community, the Palo Alto Police Department social media and community outreach program has been recognized nationally as a model for law enforcement agencies. Given the sensitivities around law enforcement and community and media engagement, police communications require the individual to have intimate knowledge of law enforcement operations and be available 24/7/365. (Ongoing Costs: \$191,952)

Performance Results



This action aligns with current national best practices and trends for law enforcement community outreach and engagement as well as local, state, and federal open government and transparency.

5 Non-Salary Reduction	0.00	(34,200)	0	(34,200)

This action reduces the department non-salary expenses. This reduction is a result of a more cost effective and efficient operation of fingerprint reviews and checks, as well as fewer crimes requiring lab submissions. (Ongoing Savings: \$34,200)

Performance Results

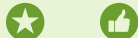


This action aligns resources with current activity levels.

6 Less Lethal Ammunition	0.00	15,000	0	15,000

This action increases funding for ammunition necessary to train and qualify officers for use of less lethal SAGE launchers. As part of an increased emphasis on de-escalation techniques and enable additional alternatives to traditional firearms, the department has increased the availability of SAGE launchers from one per shift to one per car so that this tool can be rapidly deployed in dangerous situations. (Ongoing Costs: \$15,000)

Performance Results



This action aligns with current, nationwide de-escalation trends, less lethal launchers provide alternative methods to lethal force during critical incidents.

7 Tactical Medical Supplies	0.00	10,000	0	10,000

This action increases funding to purchase tactical medical supplies necessary to comply with County protocols and effectively respond in mass casualty instances. (Ongoing Costs: \$10,000)

Performance Results

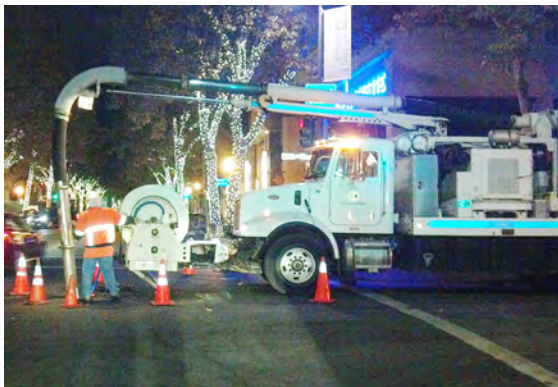


This action aligns with current, nationwide emergency preparedness and response trends, tactical medical supplies provide critical, life-saving measures in a more timely manner during critical incidents.

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.

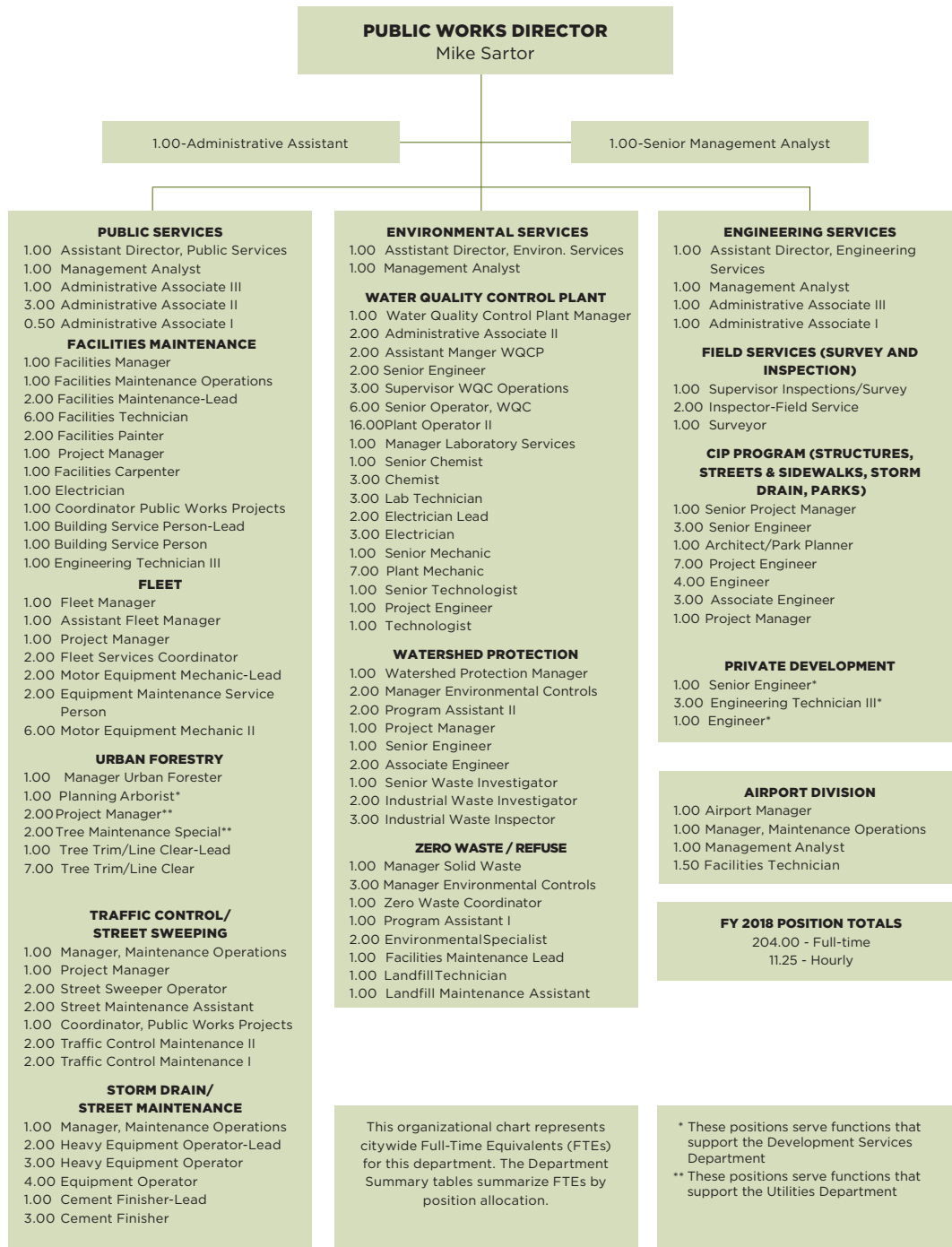


Purpose

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 to Palo Alto 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 yard trimmings

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, as well as refuse, wastewater treatment, storm drainage, airport and fleet operations.

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; 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; street sweeping program; and maintains the City's fleet.

ENVIRONMENTAL SERVICES

Operates and maintains the Regional Water Quality Control Plant; maintains a Pretreatment Program for control of industrial and commercial dischargers; provides pollution and waste prevention information and programs to residents and businesses; manages the City's solid waste programs, household hazardous waste programs, and the post-closure maintenance and monitoring of the City's closed landfill.

AIRPORT OPERATIONS

Operates the Palo Alto Airport which includes maintenance of Airport facilities and grounds; management of contracts with the Fixed Base Operators (tenants/lessees); liaison with the FAA and the Palo Alto flying community; and ensures compliance with FAA regulations.

Accomplishments

- Advanced progress toward goal of citywide average Pavement Condition Index score of 85, representing very good to excellent street conditions, by calendar year 2019. The 2016 calendar year-end score was 83.
- Continued implementation of the Council Infrastructure Plan, with initiation of design for the Downtown Parking Garage, new Public Safety Building and California Avenue Area Parking Garage projects, completion of design for the Fire Station No. 3 Replacement and Charleston/Arastradero Corridor projects, completion of 35% design for the Adobe Creek/Highway 101 Bicycle and Pedestrian Bridge project.
- Completed upgrades to Byxbee Hills Park, including the construction and planting of vegetative islands, adding new signage and benches and constructing a distinctive gathering area with a compass design. The project improvements have elevated Byxbee Hills Park to a place for people to enjoy, gather and experience spectacular south bay views.

PUBLIC WORKS

- Developed and began implementing an ordinance establishing new requirements for dewatering from basement and underground parking construction sites, with a goal of significantly reducing the amount of groundwater that is pumped.
- Mailed the Storm Water Management Fee ballots to property owners after establishing and collaborating with the Storm Water Blue Ribbon Committee to develop continued storm drain system operations, a set of storm drain infrastructure improvements and green infrastructure innovations.

Initiatives

- Continue implementation of the Council Infrastructure Plan, managing the projects as a program with project management emphasis on maintaining scope, schedule, and budget.
- Complete the Matadero Creek Stormwater Pump Station project, the last of the seven high-priority storm drain projects outlined in the 2005 storm drainage fee measure.
- Continue working toward the goals and objectives identified in the Urban Forest Master Plan.
- Build on the initial implementation of the Infrastructure Management System (IMS) to capture street and sidewalk maintenance conducted by the Public Services Division and begin using the IMS to report to Council on the status of Palo Alto's infrastructure.
- Continue implementing organizational efficiencies as outlined in the Facility Master Plan Study, specifically analyzing the organizational structure and asset management process recommendations for implementation.
- Complete the core tasks of the Advanced Water Purification Feasibility Study to improve recycled water quality and award a contract for a recycled water strategic plan and groundwater study of indirect potable reuse.

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Fund						
Airport Enterprise Fund	1,388,174	1,681,251	3,614,921	7,137,951	3,523,030	97.5%
General Fund-Operating	13,290,684	14,342,106	16,241,018	17,029,985	788,967	4.9%
Refuse Fund - Operating	30,326,089	32,569,044	30,622,382	30,674,803	52,420	0.2%
Storm Drainage - Operating	4,956,193	4,150,168	12,581,125	5,034,670	(7,546,456)	(60.0)%
Vehicle Replacement & Maintenance Fund	8,540,028	8,579,657	11,827,273	12,943,051	1,115,778	9.4%
Wastewater Treatment - Operating	22,727,616	23,011,975	48,623,161	56,386,875	7,763,714	16.0%
Total	81,228,784	84,334,202	123,509,881	129,207,334	5,697,453	4.6%
Revenues						
Charges for Services	215,096	143,060	181,328	205,168	23,840	13.1%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Charges to Other Funds	9,461,509	9,560,988	10,844,390	10,966,891	122,502	1.1%
From Other Agencies	299,664	230,080	23,518,849	31,958,300	8,439,451	35.9%
Net Sales	58,173,949	58,904,362	62,093,754	63,656,507	1,562,753	2.5%
Operating Transfers-In	1,225,417	2,091,790	1,391,814	396,107	(995,707)	(71.5)%
Other Revenue	4,344,241	3,734,842	2,722,150	3,189,000	466,850	17.2%
Other Taxes and Fines	4,422	16,900	6,500	6,500	—	—%
Permits and Licenses	1,059,930	571,442	1,001,516	622,300	(379,216)	(37.9)%
Rental Income	257,248	475,470	310,000	1,280,000	970,000	312.9%
Return on Investments	863,147	864,186	687,800	687,800	—	—%
Total Revenues	75,904,624	76,593,120	102,758,101	112,968,573	10,210,472	9.9%
Positions by Fund*						
Airport Fund	2.00	5.88	5.88	5.46	(0.42)	(7.14)%
General Fund	55.65	56.49	57.85	58.16	0.31	0.54%
Refuse Fund	16.25	15.20	15.65	15.65	—	—%
Storm Drainage Fund	10.19	10.32	10.34	10.34	—	—%
Vehicle Replacement and Maintenance Fund	18.22	17.26	17.26	17.26	—	—%
Wastewater Treatment Fund	70.66	70.37	73.47	73.47	—	—%
Total	172.97	175.52	180.45	180.34	(0.11)	(0.06)%

* This table does not reflect positions in the Capital Improvement Fund

GENERAL FUND

Goals and Objectives

GOAL 1

Ensure the City's assets and infrastructure inventory are updated and well-maintained.

Objectives:

- Implement 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.
- Complete Sidewalk Program Evaluation Study to determine potential changes to the current sidewalk repairs program upon completion of the 30-year sidewalk district cycle.

GOAL 2

Provide high quality, cost-effective oversight of the City's capital improvement and facilities maintenance programs.

Objectives:

- Continue implementation of the Council Infrastructure Plan for the Public Safety Building and other key infrastructure needs, managing the projects as a program with project management emphasis on maintaining scope, schedule, and budget.
- Provide cost-effective custodial and facilities maintenance services that meet the expectations of the public and provide clean and safe buildings.
- Complete construction of the Golf Course Reconfiguration on time and within budget, allowing the new Baylands Golf Links to open in fall 2017.
- Implement the recommendations identified in the Facilities Organization Study, including evaluating asset inventory, data collection, performance standards and developing benchmarking and customer satisfaction surveys.
- Begin improvements to the Municipal Service Center, including mechanical and electrical upgrades and roof replacements.

GOAL 3

Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations.

Objectives:

- Complete the Environmental Impact Report for and select an alternative to proceed with a Newell Road Bridge flood protection project.

- Ensure compliance with all applicable regulations related to the public's health and safety.
- Increase the number of City trees planted per year by 200 while maintaining the health of the City's urban forest and ensuring proper tree clearance of all utility lines.
- Modernize City building systems to reduce energy consumption by including LED lighting conversions, roofing replacement upgrades, water efficient fixtures, more efficient mechanical equipment, computer controls of lighting and HVAC systems.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of citizens rating the quality of sidewalk maintenance as "good" or "excellent"	62.00%	61.00%	65.00%	62.00%	63.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of sidewalk maintenance. 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.				
Purpose	To obtain feedback from residents on whether sidewalks are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department had estimated that a 63 rating would be reached. The measured rating of 61 for FY 2016 was less than the estimate. In consideration of the continued higher budgets for sidewalk maintenance that allowed for increased sidewalk improvements since FY 2013, the FY 2017 estimated and FY 2018 proposed reflect continued modest increases in this rating.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of citizens rating the quality of street repair as "good" or "excellent"	51.00%	57.00%	55.00%	57.00%	58.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of street maintenance. 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.				
Purpose	To obtain feedback from residents on whether streets are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department estimated a 53 percent rating for FY 2016 and the actual measured rating for FY 2016 was higher at 57. In consideration of the continued higher budgets for street maintenance that allow for increased paving since FY 2012, the FY 2017 estimated and FY 2018 proposed reflect continued modest increases in this rating.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of citizens rating street tree maintenance "good" or "excellent"	73.00%	71.00%	75.00%	73.00%	70.00%
Description	This measure assesses the residents' level of satisfaction with the City's street tree maintenance program.				
Purpose	To 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 Department has been achieving between 70 and 75 percent satisfaction. Drought conditions increased the number of tree removals leaving less time for the trimming of trees. Satisfaction numbers were estimated to increase to 75 percent in FY 2016 due to extra watering of trees offered during 2nd year of drought the actual measured rating was lower at 71 percent in FY 2016. With the drought abating, ratings are estimated to increase slightly in FY 2017 and then decrease slightly in FY 2018 due to the tree trimming cycle changing in FY 2017 from 7 to 10 years.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Pavement Condition Score	79.00	82.00	83.00	83.00	84.00
Description	This measure tracks the condition of the City's streets based on an index published by the Metropolitan Transportation Commission (MTC) as well as changes in that score.				
Purpose	Improving the condition of our streets reduces overall maintenance costs and increases ride satisfaction.				
Status	PCI scores are rated as follows: 80+= very good or excellent, 70-79 = good, 60-69 = fair, 50-59 = at-risk, 25-49 = poor, and 0-24 = failed. The City Council has a goal of raising the citywide average PCI score to 85 by FY 2019. The FY 2017 estimated PCI is the same as the FY 2017 adopted goal. The Department remains on schedule to meet the citywide average goal. Annual reports by MTC indicate that Palo Alto now has one of the highest citywide average PCI scores in Santa Clara and San Mateo Counties.				

RESPONSE TO POTHOLE NOTIFICATION

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Increase rating.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of potholes repaired within 15 days of notification	90.00%	93.50%	93.50%	93.50%	90.00%
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 set a goal of repairing potholes within 15 days in order to ensure streets are maintained and repaired in a timely manner.				
Status	The Department has been making the repairs within 15 days 93.5 percent of the time. Increased inspection of adjacent areas to increase cost effectiveness and increase PCI scores has resulted in additional work. Since implementation of Palo Alto 311, notifications of potholes has increased substantially. Timely repair is conditional upon many factors, such as size of crew, weather, improved pavement conditions within City.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of street lane miles resurfaced annually	31	39	50	41	44
Percent of lane miles resurfaced annually	7.00%	8.00%	10.00%	8.70%	9.30%
Total square footage of facilities maintained	1,656,280	1,657,480	1,657,480	1,660,832	1,660,832
Cost per square foot for custodial services	\$1.06	\$1.06	\$1.06	\$1.06	\$1.67
Cost per square footage for maintenance services	\$1.85	\$2.11	\$1.86	\$2.11	\$2.11
Number of facilities work order requests completed	6,987	7,403	7,200	7,400	7,400
Number of trees trimmed annually	6,976	5,678	5,500	6,150	5,500
Total of trees maintained by the City	35,281	36,381	35,390	37,254	37,254
Number of tree related electrical service disruptions	3	4	5	8	8

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
General Fund Administration	1,277,626	1,448,725	1,125,088	1,388,775	263,687	23.4%
General Fund Engineering Services	1,372,467	849,414	1,260,014	1,424,058	164,044	13.0%
General Fund Public Services: Streets	2,789,069	3,335,710	3,703,544	3,947,273	243,729	6.6%
General Fund Public Services: Structures and Grounds	5,110,365	5,901,104	6,361,428	6,514,224	152,795	2.4%
General Fund Public Services: Trees	2,741,156	2,807,153	3,790,944	3,755,656	(35,289)	(0.9)%
Total	13,290,684	14,342,106	16,241,018	17,029,985	788,967	4.9%

Dollars by Category

Salary & Benefits

Healthcare	974,952	978,822	1,166,476	1,217,890	51,414	4.4%
Other Benefits	160,606	164,500	120,371	151,500	31,129	25.9%
Overtime	208,125	222,549	172,085	172,085	—	—%
Pension	1,163,507	1,190,406	1,383,966	1,536,725	152,760	11.0%
Retiree Medical	905,286	824,902	902,348	949,314	46,967	5.2%
Salary	4,407,539	4,551,665	4,972,445	5,362,831	390,386	7.9%
Workers' Compensation	160,675	43,500	69,461	190,214	120,753	173.8%
Total Salary & Benefits	7,980,691	7,976,344	8,787,150	9,580,559	793,409	9.0%
Allocated Charges	2,509,483	2,786,969	2,845,051	3,196,392	351,341	12.3%
Contract Services	1,764,632	2,325,692	3,221,892	2,983,831	(238,061)	(7.4)%
Facilities & Equipment	5,664	255	2,146	2,146	—	—%
General Expense	72,241	63,044	81,029	80,599	(430)	(0.5)%
Operating Transfers-Out	16,574	16,574	16,574	16,574	—	—%
Rents & Leases	91,504	250,707	174,302	220,543	46,241	26.5%
Supplies & Material	849,895	922,522	1,112,874	949,341	(163,533)	(14.7)%
Total Dollars by Expense Category	13,290,684	14,342,106	16,241,018	17,029,985	788,967	4.9%

Revenues

Charges for Services	115,235	6,687	53,828	53,280	(548)	(1.0)%
Charges to Other Funds	1,834,299	1,980,081	1,631,873	1,819,285	187,412	11.5%
Operating Transfers-In	164,490	196,107	196,107	196,107	—	—%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Revenue	34,531	15,602	6,000	46,000	40,000	666.7%
Other Taxes and Fines	(975)	—	—	—	—	—%
Permits and Licenses	1,059,930	571,442	1,001,516	622,300	(379,216)	(37.9)%
Total Revenues	3,207,511	2,769,920	2,889,324	2,736,972	(152,352)	(5.3)%

Positions by Division

General Fund Administration	2.95	2.95	3.05	3.05	—	—%
General Fund Engineering Services	6.55	3.47	4.56	5.29	0.73	16.01%
General Fund Public Services: Streets	14.88	18.98	18.02	18.22	0.20	1.11%
General Fund Public Services: Structures and Grounds	18.34	18.16	18.81	18.81	—	—%
General Fund Public Services: Trees	12.93	12.93	13.41	12.79	(0.62)	(4.62)%
Total	55.65	56.49	57.85	58.16	0.31	0.54%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	82,722
Administrative Associate I	0.60	0.60	0.60	0.60	—	42,076
Administrative Associate II	2.63	2.63	2.65	2.65	—	201,956
Administrative Associate III	—	—	0.01	0.01	—	817
Assistant Director Public Works	1.28	0.85	0.87	0.87	—	146,201
Associate Engineer	0.30	0.30	0.30	0.30	—	34,126
Building Serviceperson	1.00	1.00	1.00	1.00	—	62,748
Building Serviceperson-Lead	1.80	1.80	1.80	1.00	(0.80)	67,173
Cement Finisher	—	3.00	3.00	3.00	—	277,219
Cement Finisher-Lead	—	0.26	0.26	0.26	—	25,706
Coordinator Public Works Projects	—	1.00	0.50	1.50	1.00	154,407
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	—	214,614
Electrician	0.80	0.80	0.80	0.80	—	86,132
Engineer	0.30	0.40	0.66	0.66	—	84,554
Engineering Technician III	1.20	1.20	1.47	1.47	—	140,819

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Equipment Operator	3.46	3.46	3.46	3.46	—	294,319
Facilities Carpenter	1.00	1.00	1.00	1.00	—	92,406
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	—	220,911
Facilities Mechanic	5.55	5.55	—	—	—	—
Facilities Painter	1.75	1.75	1.75	1.75	—	161,711
Facilities Technician	—	—	5.55	5.55	—	565,659
Heavy Equipment Operator	2.13	2.33	2.33	2.33	—	224,430
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	—	87,585
Inspector, Field Services	0.83	0.10	0.11	0.11	—	11,371
Landscape Architect Park Planner	—	0.10	0.10	0.10	—	12,468
Management Analyst	0.60	0.70	0.70	0.70	—	75,175
Manager Facilities	—	0.90	0.90	0.90	—	130,572
Manager Maintenance Operations	1.95	1.20	1.20	1.20	—	162,240
Manager Urban Forestry	0.96	0.96	0.96	0.96	—	136,282
Manager Watershed Protection	—	—	0.05	0.05	—	7,119
Planning Arborist	0.75	0.75	0.75	0.71	(0.04)	88,895
Project Engineer	0.30	0.40	0.50	0.50	—	68,944
Project Manager	1.63	1.93	2.58	2.65	0.07	274,934
Senior Engineer	1.47	0.57	0.79	0.79	—	121,505
Senior Management Analyst	1.11	1.11	1.11	1.11	—	121,293
Senior Project Manager	0.10	0.10	0.10	0.10	—	15,097
Supervisor Inspection and Surveying	0.53	0.10	0.10	0.10	—	12,060
Surveyor, Public Works	0.31	0.10	0.33	0.33	—	34,521
Traffic Controller Maintainer-Lead	1.00	—	—	—	—	—
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	—	162,015
Traffic Controller Maintainer II	2.00	2.00	2.00	2.00	—	154,629
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	85,689
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	—	590,478
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	—	90,236
Sub-total: Full-Time Equivalent Positions	52.98	54.59	55.93	56.16	0.23	5,623,815
Temporary/Hourly	2.67	1.90	1.92	2.00	0.08	117,154
Total Positions	55.65	56.49	57.85	58.16	0.31	5,740,969

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	57.85	16,241,018	2,889,324	13,351,694
Base Adjustments				
Urban Forest Master Plan	(0.48)	(200,000)	—	(200,000)
Bed Bugs Inspection	—	(30,000)	—	(30,000)
One-Time Prior Year Expenditures and Revenues	(0.48)	(230,000)	—	(230,000)
Salary and Benefits Adjustments	0.20	780,252	—	780,252
Street Cut and Encroachment Permit and License Fees Adjustments	—	—	(379,216)	379,216
Tree Trimming Services (Year 2 annualization under 7-year cycle)	—	338,220	—	338,220
Rents & Leases Expenditure Alignment for Cubberley	—	(759)	—	(759)
Plan Checking Fees Adjustment	—	—	(548)	548
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(3,893)	—	(3,893)
General Fund Cost Allocation Plan Adjustment	—	—	55,311	(55,311)
General Liability Insurance Allocated Charges Adjustment	—	166,934	—	166,934
Information Technology Allocated Charges Adjustment	—	190,438	—	190,438
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(59,439)	—	(59,439)
Land Fill Allocated Charges Adjustment	—	(15,140)	—	(15,140)
Print & Mail Allocated Charges Adjustments	—	7,353	—	7,353
Public Works Administration Allocated Charges Adjustment	—	—	132,101	(132,101)
Refuse Sales Allocated Charges Adjustment	—	3,557	—	3,557
Storm Drain Allocated Charges Adjustment	—	1,123	—	1,123
Utilities Allocated Charges Adjustment	—	107,913	—	107,913
Vehicle Replacement Allocated Charges Adjustment	—	(51,397)	—	(51,397)
Adjustments to Costs of Ongoing Activities	0.20	1,465,160	(192,352)	1,657,512
Total FY 2018 Base Budget	57.57	17,476,178	2,696,972	14,779,207
Budget Adjustments				
1 Urban Forestry Mitigation fee for Tree Planting	—	40,000	40,000	0
2 Staffing Resources Funding Realignment	0.59	36,063	—	36,063

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
3 Facilities Staffing Reorganization	—	16,164	—	16,164
4 Tree Trimming Services (10-year cycle)	—	(338,220)	—	(338,220)
5 Facilities and Street Operations reduction and realignment	—	(124,000)	—	(124,000)
6 Downtown Maintenance Street Tree Lighting Funding Shift	—	(76,201)	—	(76,201)
Total Budget Adjustments	0.59	(446,194)	40,000	(486,194)
Total FY 2018 Proposed Budget	58.16	17,029,985	2,736,972	14,293,013

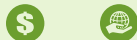


Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Urban Forestry Mitigation fee for Tree Planting	0.00	40,000	40,000	0

This action appropriates \$120,000 of Urban Forestry mitigation fee revenue (\$40,000 annually for three years) collected by the City in order to plant approximately 200 trees per year to replace trees removed through private development. Each time a private development submits plans that include removal of trees without a plan to replant them as part of the project, a \$650 per tree fee is collected so that a tree can be planted somewhere else in the City, so as not to reduce the overall canopy within the City. (Ongoing net costs: \$0)

Performance Results



This action appropriates developer fee funds to plant trees and maintain the overall urban forest canopy within the City.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
2 Staffing Resources Funding Realignment	0.59	36,063	0	36,063

This action realigns staff and operations allocations to accurately reflect actual workload activities by shifting 0.07 FTE Project Manager, 0.20 FTE Management Specialist, and 0.36 FTE Project Construction Engineer from the Capital Improvement Fund to the General Fund. Additionally, 0.04 FTE Planning Arborist will be shifted from the General Fund to the Capital Improvement Fund. This will ensure service and operations continue at the same levels under more accurate staffing allocations. (Ongoing net costs: \$36,063)

Performance Results

No impact to current service levels are anticipated as a result of this funding realignment.

3 Facilities Staffing Reorganization	0.00	16,164	0	16,164

This action eliminates a 1.0 FTE Building Serviceperson Lead and adds a 1.0 FTE Coordinator Public Works Projects at a cost of approximately \$20,000 to all funds (\$16,164 to the General Fund). This action was recommended in the Facilities Study conducted in September 2015 to expand and adjust the duties necessary in the facilities division beyond only custodial services oversight. The new Coordinator Public Works Projects position will focus on administering, scheduling, coordinating, and inspecting assigned contractor related project activities for any projects in the Facilities Maintenance, Custodial Maintenance, Building Rehabilitation, and Capital Improvement projects. (Ongoing net costs: \$21,241)

Performance Results



This will ensure the appropriate staffing levels are in place to more effectively provide management and oversight of the facilities activities.

4 Tree Trimming Services (10-year cycle)	0.00	(338,220)	0	(338,220)

This action reduces expenditures for tree trimming services from \$1,553,845 to \$1,215,625 by extending the tree-trimming cycle from 7 to 10 years. This pruning cycle will apply to 3,415 trees and includes services for park and open space trees. The current contract ends FY 2018. Canopy health will continue to be monitored and if cycle time has significantly impacted the health, staff will bring back to council an adjustment as necessary. (Ongoing net savings: \$336,370)

Performance Results



This action will extend the tree-trimming cycle by 3 years resulting in lower annual maintenance costs to the city. Adequate resources remain to ensure maintenance of the City's tree canopy.

5 Facilities and Street Operations reduction and realignment	0.00	(124,000)	0	(124,000)

This action reduces Facilities rehabilitation funding from \$165,256 to \$81,256, Facilities Mitchell Park and Community maintenance funding from \$224,363 to \$204,363, and Streets materials funding from \$358,285 to \$338,285 for an overall reduction of \$124,000. Facilities will limit rehabilitation projects to repairs for a \$104,000 reduction and Streets Operations will shift work from potholes and crack repair to roadside clearing during the last part of the fiscal year for a \$20,000 reduction. This action will reduce service levels for facility rehabilitation projects from beautification or replacement to repairs. Service levels for Mitchell Park and Community Center will not be impacted since the building is newer. Street Operations will focus work from potholes and crack repair to roadside clearing for the last part of the fiscal year to better align workload capacity with the issues that are happening more during certain times of the year. Beautification or replacement of functional items could be funded by requesting departments or if approved, added to the appropriate recurring CIP project. (Ongoing net savings: \$124,000)

Performance Results



As a result of this reduced service level, some cycle times may increase as capacity will reduce and satisfaction may decrease as rehabilitation for beautification or replacements will no longer be readily funded.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
6 Downtown Maintenance Street Tree Lighting Funding Shift	0.00	(76,201)	0	(76,201)

This action shifts the contract for the maintenance of the street tree lights as well as the contract with the Downtown Streets Team, to the University Avenue Parking District Fund. These contracts provide services used to help maintain a clean and inviting downtown. This shift will more closely align costs with the funding source where the work is being performed. (Ongoing net savings: \$76,201)

Performance Results

No impact to current service levels are anticipated as a result of this funding realignment.

AIRPORT FUND

Description

The Palo Alto Airport serves as a general aviation reliever airport to the Bay Area's major air carrier airport. It is the third busiest airport in the Bay Area, averaging 180,000 annual operations; open 24 hours each day, 365 days annually; and has a Federal Aviation Administration staffed air traffic control tower.

Accomplishments

- Developed and began implementation of a transition plan for operating the Palo Alto Airport after the Fixed Based Operator (FBO) leases expired in 2017.
- Completed the design and construction of the Airport Perimeter Fence project utilizing an FAA Grant reimbursement awarded for 90% of the design and construction.
- Completed the design of Phase I of the Airport Apron Reconstruction project and the Invitation for Bid.

Initiatives

- Continue work on the Airport Apron Reconstruction project.
- Update and adopt Rules and Regulations, Minimum Business Standards, and Guiding Documents.
- Begin development of Airport Business Plan.
- Continue seeking grant funding opportunities from the Federal Aviation Administration and other agencies for capital improvements.

Goals and Objectives

GOAL 1

Operate a safe and viable airport as an enterprise fund while controlling expenses and generating sufficient revenues to become self-sufficient.

Objectives:

- Implement Rules and Regulations and Minimum Standards for the Palo Alto Airport (PAO) operations and leases.
- Maintain Compliance with federal and state requirements for airfield conditions.

- Continue to follow industry standards and trends in staff training and education.
- Adopt and implement an Airport Business Plan to guide future development and fund stability.

GOAL 2

Provide high quality, cost-effective oversight of the airport's capital improvement plan.

Objectives:

- Continue management of FAA sponsored capital improvement projects at the airport.
- Submit grant applications to Federal Aviation Administration for multi-phase projects that ensure efficiency and airfield safety.
- Maintain grant funding eligibility by submitting Five-Year Airport Capital Improvement Project work plan to Federal Aviation Administration annually.

Key Performance Measures

AIRCRAFT OPERATIONS

Goal	To track the number of aircraft operations.				
Objective	To provide a safe, aesthetically pleasing and profitable airport.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number aircraft operations	181,000.00	160,200.00	180,000.00	150,000.00	160,000.00
Description	The Palo Alto Airport (PAO) is owned and operated by the City of Palo Alto and is a general aviation field. However, the Federal Aviation Administration (FAA) defines workload measures for airports with an air traffic control tower (ATCT) as the number of aircraft operations (sum of landings and takeoffs). In addition to being the tenth busiest single runway airport in California, PAO is a reliever to three Bay Area airports. PAO has one paved runway 13/31, 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 160,200 in FY 2016 and are estimated to be down to 150,000 in FY 2017. Operations are affected by construction, weather and training schools in the area.				

PERCENTAGE OF TIE-DOWNS LEASED

Goal	To maximize vacant tie down spaces.				
Objective	To increase tenant occupancy by providing a safe, aesthetically pleasing and profitable airport.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of Tie-downs Leased	63.00%	68.00%	70.00%	70.00%	70.00%
Description	The City of Palo Alto operates and maintains the Palo Alto Airport and provides airport users with safe transportation options with a high level of airport services. The airport has at total of 510 tie-down spaces. Of these, the City administers 350 tie-down spaces for aircraft storage that can be leased directly from the City.				
Purpose	Utilizing the available spaces will increase revenue and will provide funding to revitalize the Palo Alto Airport without changing or increasing the current airport footprint. Tie-down and apron areas that are in disrepair are not available for leasing and unsightly. 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	Airport staff are responsible for maintaining 102.4 acres of airport facilities, infrastructure and equipment; and managing over 250 current tenant leases. In FY 2016 the percentage of leased tie-downs was 68% and this is anticipated to increase to 70% in FY 2017.				

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Airport Administration	756,719	741,627	713,668	953,802	240,134	33.6%
Airport Operations	249,815	269,397	331,597	556,909	225,311	67.9%
CIP Airport Fund	381,639	670,226	2,569,655	5,627,241	3,057,585	119.0%
Total	1,388,174	1,681,251	3,614,921	7,137,951	3,523,030	97.5%

Dollars by Category

Salary & Benefits

Healthcare	61,150	84,769	97,807	142,902	45,095	46.1%
Other Benefits	12,663	18,205	16,841	20,231	3,390	20.1%
Overtime	36,324	12,735	—	—	—	—%
Pension	26,387	90,631	101,056	146,008	44,952	44.5%
Retiree Medical	9,636	10,254	11,221	11,804	584	5.2%
Salary	377,294	494,250	539,525	576,577	37,052	6.9%
Workers' Compensation	—	74	8,420	20,768	12,348	146.6%
Total Salary & Benefits	523,454	710,916	774,870	918,291	143,421	18.5%
Allocated Charges	92,487	295,146	299,112	538,108	238,996	79.9%
Contract Services	385,850	104,386	7,500	146,700	139,200	1,856.0%
Facilities & Equipment	—	—	15,000	—	(15,000)	(100.0)%
General Expense	35,935	45,345	30,180	30,480	300	1.0%
Operating Transfers-Out	—	—	—	9,519	9,519	—%
Rents & Leases	6,698	4,400	11,630	11,630	—	—%
Supplies & Material	10,790	32,154	56,656	56,472	(184)	(0.3)%
Capital Improvement Program	332,959	488,905	2,419,973	5,426,751	3,006,778	124.2%
Total Dollars by Expense Category	1,388,174	1,681,251	3,614,921	7,137,951	3,523,030	97.5%

Revenues

Charges for Services	2,506	—	—	—	—	—%
From Other Agencies	299,664	131,868	2,177,975	4,860,000	2,682,025	123.1%
Net Sales	517,835	493,046	533,370	544,879	11,509	2.2%
Operating Transfers-In	—	—	704,150	200,000	(504,150)	(71.6)%
Other Revenue	—	108,837	15,000	15,000	—	—%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Rental Income	178,620	353,076	280,000	1,280,000	1,000,000	357.1%
Return on Investments	848	5,839	1,700	1,700	—	—%
Total Revenues	999,473	1,092,666	3,712,195	6,901,579	3,189,384	85.9%

Positions by Division

Airport Administration	2.00	2.96	2.00	2.00	—	—%
Airport Operations	—	0.50	2.42	2.21	(0.21)	(8.68)%
CIP Airport Fund	—	2.42	1.46	1.25	(0.21)	(14.38)%
Total	2.00	5.88	5.88	5.46	(0.42)	(7.14)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Facilities Technician	—	—	—	1.50	1.50	152,881
Management Analyst	1.00	1.00	1.00	1.00	—	102,731
Manager Airport	1.00	1.00	1.00	1.00	—	155,293
Manager Maintenance Operations	—	1.00	1.00	1.00	—	113,152
Sub-total: Full-Time Equivalent Positions	2.00	3.00	3.00	4.50	1.50	524,057
Temporary/Hourly	—	2.88	2.88	0.96	(1.92)	59,904
Total Positions	2.00	5.88	5.88	5.46	(0.42)	583,961

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Airport Fund
Prior Year Budget	5.88	3,614,921	3,712,195	(97,274)
Base Adjustments				
Transfers from the General Fund	—	—	(704,150)	704,150
One Time Prior Year Expenditures Deleted	—	—	(704,150)	704,150
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	68,667	—	68,667
Capital Improvement Projects	—	3,004,566	4,860,000	(1,855,434)
Federal Aviation Administration (FAA) Grant Funding for Capital Projects	—	—	(2,177,975)	2,177,975
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(184)	—	(184)
General Fund Cost Plan Allocated Charges	—	116,806	—	116,806
Information Technology Allocated Charges Adjustment	—	67,124	—	67,124
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(8,232)	—	(8,232)
Liability Insurance Allocated Charges Adjustment	—	15,189	—	15,189
Print & Mail Allocated Charges Adjustments	—	470	—	470
Public Works Administration Allocated Charges Adjustment	—	13,210	—	13,210
Refuse Sales Allocated Charges Adjustment	—	(623)	—	(623)
Utilities Allocated Charges Adjustment	—	21,528	—	21,528
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	12,833	—	12,833
Wastewater Sales Allocated Charges Adjustment	—	690	—	690
Adjustments to Costs of Ongoing Activities	—	3,312,045	2,682,025	630,020
Total FY 2018 Base Budget	5.88	6,926,966	5,690,070	1,236,896
Budget Adjustments				
1 Airport Tie Down and Rental Income	—	—	1,011,509	(1,011,509)
2 General Fund Loan to the Airport Fund	—	—	200,000	(200,000)
3 Airport Facilities Maintenance	—	75,000	—	75,000

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Airport Fund
4 Airport Operations Staffing	(0.42)	74,754	—	74,754
5 Airport Legal Fees	—	50,000	—	50,000
6 Supplemental Pension Trust Fund Contribution	—	11,231	—	11,231
Total Budget Adjustments	(0.42)	210,985	1,211,509	(1,000,524)
Total FY 2018 Proposed Budget	5.46	7,137,951	6,901,579	236,372



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Airport Fund
1 Airport Tie Down and Rental Income	0.00	0	1,011,509	(1,011,509)

This action recognizes revenues from property rental and tie-down fees collected by the City's Airport Operations once the current legacy leases expire. Current legacy leases are collected directly by the Fixed Base Operator (FBO) lessees and will expire in April 2017. Once the current legacy leases expire, the City will begin receiving actual rental revenue versus a percentage of the monthly lease amount. Included in the rental agreement with aircraft owners are tie-down fees, which are updated annually based on the local Consumer Price Index (CPI) and effective July 1 of the next fiscal year. Should the CPI decrease, the tie-down fee rates will remain the same. (Ongoing net savings: \$1,036,797)

Performance Results



Increased revenue ensures the Airport has adequate resources to support operations in upcoming fiscal years.

2 General Fund Loan to the Airport Fund	0.00	0	200,000	(200,000)

In FY 2017, the General Fund loaned the Airport Fund \$704,150 to ensure that the Public Works Department had sufficient staffing and resources to operate and maintain the airport. With large capital projects underway funded by an FAA grant that requires a 10% contribution from the City, a transfer of \$200,000 from the General Fund to the Airport fund is needed in FY 2018 to support ongoing operations and funding augmentations recommended in this budget, ensuring the long-term financial health of the Airport Fund. (Ongoing net savings: \$200,000)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Airport Fund

This action will ensure that the Airport has adequate resources to support operations in Fiscal Year 2018.

3 Airport Facilities Maintenance	0.00	75,000	0	75,000

This action provides ongoing maintenance and operations funding of \$75,000 to repair and maintain hangars and other facilities previously maintained by the FBO lease-holders. (Ongoing net costs: \$75,000)

Performance Results



This ensures facility maintenance that was previously performed by the FBO lease holders will continue after the FBO leases expire.

4 Airport Operations Staffing	-0.42	74,754	0	74,754

This action eliminates two 0.96 FTE General Laborer-H positions and adds one 1.5 full-time Facilities Technician positions. With the airport continuing to rebuild, implementing major capital projects, working with regulatory bodies and contracting directly with fixed based operators, more permanent staff are necessary to facilitate day-to-day airport operations. (Ongoing net costs: \$89,640)

Performance Results



This addition will help solidify the resources necessary to maintain services and ensure attraction and retention of staff at the airport.

5 Airport Legal Fees	0.00	50,000	0	50,000

This action provides funding for legal fees associated with outside counsel that specializes in aviation law. The City's Attorney's Office does not have a specialist in aviation law so outside counsel is needed to review items related to modifying the Airport Business Plan, updating minimum standards, rules & regulations, leases and other guiding documents. (Ongoing net costs: \$50,000)

Performance Results



This action enables the Airport to update its Airport Business plan and remain in compliance with aviation laws.

6 Supplemental Pension Trust Fund Contribution	0.00	11,231	0	11,231

This action establishes a transfer from the Airport Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$11,231 which represents approximately 10% of the Airport Fund's annual pension contribution. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

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, to protect the environment by safely collecting and disposing of household hazardous waste, and to maintain and monitor the City's closed landfill.

Accomplishments

- Implemented the second phase of a three-phase commercial recycling and composting ordinance requiring all commercial customers to subscribe to all three waste collection services (garbage, recycling and compost) and sort properly. Phase 1 implemented in April 2016, diverted over 1,000 tons of food scraps and food soiled paper from food service establishments, large waste generators and multi-family residences in Fiscal Year 2016. Phase 2 implemented in January 2017, targets mid-sized waste generators. Phases 1 and 2 together are projected to recover over 2,700 tons per year of recyclable and compostable materials from commercial garbage.
- Diverted approximately 1,700 tons of food scraps from residential garbage in the first year of the City's residential food scraps collection program. The diverted material is anaerobically digested and generates electricity and compost. This is the result of continued outreach to residents focused on placing food scraps and food soiled paper directly into green carts.
- Completed upgrades to Byxbee Hills Park, including the construction and planting of vegetative islands, adding new signage and benches and constructing a distinctive gathering area with a compass design. The project improvements have elevated Byxbee Hills Park to a place for people to enjoy, gather and experience spectacular south bay views.
- Developed a conceptual sustainability/climate action plan that includes new waste diversion goals and energy/carbon reduction goals and objectives.
- Raised the Refuse Fund's rate stabilization reserves to be within fund guidelines at approximately \$6 million. A result of six years of cost saving measures and revenue increases after the reserves plummeted to a negative \$5 million in Fiscal Year 2011.

Initiatives

- Implement the third phase of the recycling and composting ordinance for smaller-sized commercial customers. Continue outreach and training to achieve near 100% compliance with the ordinance and eventually divert over 4,000 tons of food scraps per year from commercial garbage.
- Develop and implement outreach and educational strategies for residential customers for the diversion of residential food scraps into green carts with a stretch goal of diverting over half of the estimated 5,000 tons of residential food scraps from the garbage to beneficial use.
- Continue working with GoBox to develop and foster a reusable takeout container service pilot in the downtown area, expanding the pilot to include reusable hot beverage containers.
- Continue both expanded home composting and food waste reduction campaigns to increase awareness and the benefits of local sustainable material management.
- Develop a pilot to accept residents from the Palo Alto Regional Water Quality Control Plant service area at the City's Household Hazardous Waste Station with a goal of reducing the disposal of hazardous products down drains.
- Award a consulting contract to characterize the City's waste streams, update the City's zero waste operational plans and prepare an RFP for waste management services to provide waste hauling, processing services, disposal and outreach.
- Research the feasibility of creating a policy that would require deconstruction and salvage as part of a development permit for residential houses in Palo Alto.

Goals and Objectives

GOAL 1

Minimize waste generation and maximize recycling and reuse programs to achieve zero waste to landfills by 2021.

Objectives:

- Promote recycling, composting, and reuse through educational programs and outreach to increase public participation.
- Reduce landfilled waste by implementing new programs including the recycling and composting ordinance approved by Council in January 2016.
- Develop and recommend policies to minimize and divert 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 with the City's household hazardous waste collection services through educational programs and outreach.

PUBLIC WORKS

- Promote the reuse of good household products to residents at the City's Household Hazardous Waste Station reuse storage cabinets.

GOAL 3

Effectively manage the City's closed landfill to meet all regulatory requirements and minimize the impacts of post-closure maintenance on Byxbee Park users.

Objectives:

- Perform annual settlement repairs of the landfill areas to minimize the impacts of periodic larger repairs to park users.
- Develop and maintain a comprehensive preventative maintenance program for the landfill environmental control systems.

Key Performance Measures

AVERAGE AMOUNT OF GARBAGE (IN POUNDS) GENERATED PER RESIDENT AND DISPOSED IN LANDFILLS EACH DAY

Goal	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2021.				
Objective	Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Average amount of garbage (in pounds) generated per resident and disposed in landfills each day	3.60	3.90	3.50	N/A	N/A
Description	This measure will be replaced as of FY 2017 by a more understandable measure which will track the percentage of waste diverted from landfills and will be calculated directly from the pounds of waste sent to the landfill. This measure calculated the daily average amount of garbage disposed per resident to measure how much waste is being disposed in landfills.				
Purpose	This measure helps track waste generation and can help verify if the City is meeting its City's zero waste goals.				
Status	This measure is being replaced by a similar measure, "Percentage of waste diverted from landfills".				

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 City residents at the City's Household Hazardous Waste Station reuse storage cabinets.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Annual number of Households Serviced through the Household Hazardous Waste Program	4,757.00	4,920.00	4,900.00	4,970.00	5,000.00
Description	The number of households serviced at the City Household Hazardous Waste station is a direct measurement of the usage of the program and it indirectly relates to the convenience and public awareness of the program.				
Purpose	The more that residents use the household hazardous waste collection program, the less likely that some of these unused hazardous products may be disposed in the garbage or down the drain.				
Status	The City's household hazardous waste program has one of the highest public participation rates in the state at approximately 17.4%. By comparison, the County of Santa Clara Household Hazardous Waste Program had a participation rate of 4.1% in FY 2016.				

PERCENTAGE OF HOUSEHOLDS WITH MINI-CAN GARBAGE SERVICE

Goal	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2021.				
Objective	Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of households with Mini-Can garbage service	35.00%	38.00%	39.00%	40.00%	42.00%
Description	The percentage of households with mini-can garbage service is a good measure of residential garbage generation. As more residents participate in the City's zero waste programs, their garbage volume will be reduced further increasing the City's diversion from landfill disposal and helping the community meet its zero waste and sustainability goals.				
Purpose	The purpose of tracking this measure is to help verify if residents are reducing their garbage generation in order to achieve zero waste to landfills by 2021.				
Status	Palo Alto residents have continued the trend of decreasing the size of their garbage carts by diverting their recyclable and compostable waste to the blue and green carts thereby decreasing the amount of garbage landfilled. Residents with larger garbage containers are also trending toward smaller garbage carts.				

PERCENTAGE OF WASTE DIVERTED FROM LANDFILLS

Goal	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2021.				
Objective	Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of waste diverted from landfills	80.00%	79.00%	N/A	81.00%	82.00%
Description	As of FY 2017 this measure replaces the old measure of using the average number of pounds disposed per day per resident with an easier to understand percentage to indicate the City's effectiveness of zero waste programs. The percent of waste diverted from landfills is derived from both the amount of waste landfilled in the previous calendar year based on data from CalRecycle and the per capita disposal rate in landfills.				
Purpose	This measure helps track waste generation and can help verify if the City is meeting its zero waste goals.				
Status	The City's waste diversion percentage is currently between 79 and 82 percent. New organics programs are expected to raise the diversion measure to 82% or higher for 2018. The statewide average diversion rate is 64%.				

PERCENTAGE OF COMMERCIAL ACCOUNTS WITH COMPOST SERVICE

Goal	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2021.				
Objective	Reduce landfilled waste by implementing new programs such as the recycling and composting ordinance approved by Council in January 2016.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of commercial accounts with compost service	28.00%	36.00%	40.00%	60.00%	75.00%
Description	The percentage of commercial customers with compost service is a good measure of commercial customer participation with the City's zero waste programs, especially 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	The purpose of tracking commercial customer compost service usage is to both verify that commercial customers are reducing their garbage generation as well as to confirm that customers are complying with the City's Recycling and Composting Ordinance.				
Status	The new Recycling and Composting Ordinance was implemented in April 2016 and has increased this measure from a little over 30% to over 50%. Implementing Phase 2 in January 2017 and Phase 3 in January 2018 should push this measure much higher as customers begin to sort, diverting the waste from landfill disposal.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Tons of materials collected by the City for recycling or composting	50,546	56,438	53,000	57,000	58,000

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Refuse Fund	2,251,098	2,138,706	148,346	—	(148,346)	(100.0)%
Refuse Administration	4,174,034	4,444,281	4,110,841	3,688,125	(422,716)	(10.3)%
Refuse Collection, Hauling and Disposal: Operations	5,313,757	5,377,366	5,422,561	4,776,133	(646,428)	(11.9)%
Refuse Collection, Hauling and Disposal: Payment to GreenWaste	14,381,492	16,250,898	16,252,909	16,252,909	—	— %
Refuse Solid Waste: Operations	2,637,257	3,324,242	3,291,430	4,477,970	1,186,540	36.0%
Refuse Street Sweeping	1,568,451	1,033,550	1,396,295	1,479,665	83,370	6.0%
Total	30,326,089	32,569,044	30,622,382	30,674,803	52,420	0.2%
Dollars by Category						
Salary & Benefits						
Healthcare	220,442	202,393	259,042	262,548	3,507	1.4%
Other Benefits	53,705	52,932	42,119	51,305	9,186	21.8%
Overtime	42,197	47,866	41,789	41,789	—	— %
Pension	330,667	358,690	405,662	450,516	44,855	11.1%
Retiree Medical	369,911	330,686	361,874	380,709	18,835	5.2%
Salary	1,687,945	1,619,280	1,560,468	1,652,189	91,721	5.9%
Workers' Compensation	64,275	45,139	20,894	57,126	36,232	173.4%
Total Salary & Benefits	2,769,142	2,656,986	2,691,847	2,896,182	204,335	7.6%
Allocated Charges	2,026,898	2,054,784	1,773,866	1,866,281	92,416	5.2%
Contract Services	5,650,771	6,298,872	6,431,700	6,880,744	449,044	7.0%
Debt Service	577,583	565,372	564,841	155,637	(409,204)	(72.4)%
Facilities & Equipment	—	—	3,000	3,000	—	— %
General Expense	68,606	45,244	113,147	112,275	(872)	(0.8)%
Operating Transfers-Out	42,289	27,915	57,437	62,282	4,845	8.4%
Rents & Leases	2,538,983	2,466,105	2,546,790	2,302,687	(244,103)	(9.6)%
Supplies & Material	128,125	112,220	143,706	142,805	(901)	(0.6)%
Transfer to Infrastructure	—	68,880	—	—	—	— %
Utility Purchase	14,381,492	16,250,898	16,252,909	16,252,909	—	— %

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Capital Improvement Program	2,142,201	2,021,767	43,140	0	(43,139)	(100.0)%
Total Dollars by Expense Category	30,326,089	32,569,044	30,622,382	30,674,803	52,420	0.2%

Revenues						
Charges for Services	26,411	38,973	37,500	34,000	(3,500)	(9.3)%
Charges to Other Funds	300,932	241,632	275,932	210,552	(65,380)	(23.7)%
Net Sales	27,490,337	28,332,871	28,107,116	29,359,500	1,252,384	4.5%
Operating Transfers-In	1,060,927	356,255	13,325	—	(13,325)	(100.0)%
Other Revenue	3,677,792	3,311,151	2,546,150	2,546,000	(150)	(0.0)%
Other Taxes and Fines	5,800	(2,100)	—	—	—	—%
Rental Income	78,628	122,395	30,000	—	(30,000)	(100.0)%
Return on Investments	234,454	260,539	178,900	178,900	—	—%
Total Revenues	32,875,281	32,661,715	31,188,923	32,328,952	1,140,029	3.7%

Positions by Division						
CIP Refuse Fund	0.65	0.65	0.65	—	(0.65)	(100.00)%
Refuse Administration	0.59	0.48	0.43	0.43	—	—%
Refuse Collection, Hauling and Disposal: Operations	1.00	1.00	1.00	1.00	—	—%
Refuse Solid Waste: Operations	10.37	10.39	10.89	11.54	0.65	5.97%
Refuse Street Sweeping	3.64	2.68	2.68	2.68	—	—%
Total	16.25	15.20	15.65	15.65	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.15	0.15	0.10	0.10	—	7,108
Accountant	0.10	0.10	0.10	0.10	—	9,499
Assistant Director Public Works	0.35	0.35	0.35	0.35	—	65,329
Business Analyst	0.11	—	—	—	—	—
Chief Sustainability Officer	0.05	—	—	—	—	—
Coordinator Public Works Projects	1.00	1.00	—	—	—	—

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Deputy Chief/Fire Marshal	0.04	0.03	0.03	0.03	—	5,449
Environmental Specialist	1.00	1.00	2.00	2.00	—	225,362
Facilities Maintenance Lead	—	—	1.00	1.00	—	119,411
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	3,140
Landfill Technician	1.00	1.00	1.00	1.00	—	104,481
Management Analyst	1.10	0.10	0.43	0.43	—	44,667
Manager Environmental Control Program	2.00	3.00	3.00	3.00	—	380,141
Manager Maintenance Operations	0.46	0.46	0.46	0.46	—	62,192
Manager Solid Waste	1.00	1.00	1.00	1.00	—	146,869
Program Assistant I	1.00	1.00	1.00	1.00	—	77,321
Project Manager	0.20	0.20	0.20	0.20	—	20,467
Senior Accountant	0.10	0.10	0.10	0.10	—	11,596
Senior Management Analyst	0.08	0.08	0.08	0.08	—	10,081
Senior Technologist	0.11	—	—	—	—	—
Street Maintenance Assistant	—	—	1.00	1.00	—	71,344
Street Sweeper Operator	1.63	1.63	1.63	1.63	—	138,399
Surveyor, Public Works	0.11	0.35	—	—	—	—
Zero Waste Coordinator	2.00	2.00	1.00	1.00	—	98,840
Sub-total: Full-Time Equivalent Positions	13.61	13.57	14.50	14.50	—	1,601,696
Temporary/Hourly	2.64	1.63	1.15	1.15	—	61,170
Total Positions	16.25	15.20	15.65	15.65	—	1,662,866

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Refuse Fund
Prior Year Budget	15.65	30,622,383	31,188,923	(566,540)
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Environmental Services Division Administration Staffing Technology Fee	—	(872)	—	(872)
One-Time Prior Year Expenditures and Revenues	—	(872)	—	(872)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	309,541	—	309,541
Residential and Commercial Refuse Hauling and Processing Services (rate increase 5%)	—	(400,000)	1,252,384	(1,652,384)
Debt Service: City of Sunnyvale Solid Waste Revenue Refunding Bonds	—	(409,204)	—	(409,204)
Capital Improvement Funding Adjustment	—	(188,552)	(13,325)	(175,227)
Los Altos Treatment Plant Rent Vacancy	—	—	(30,000)	30,000
Street Sweeping Services	—	19,044	(3,650)	22,694
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(901)	—	(901)
General Fund Cost Allocation Plan Adjustment	—	(147,920)	—	(147,920)
General Liability Insurance Allocated Charges Adjustment	—	50,133	—	50,133
Information Technology Allocated Charges Adjustment	—	(5,932)	—	(5,932)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(32,721)	—	(32,721)
Print & Mail Allocated Charges Adjustments	—	5,560	—	5,560
Public Works Administration Allocated Charges Adjustment	—	26,420	—	26,420
Refuse Sales Allocated Charges Adjustment	—	(30,107)	(65,380)	35,273
Rents & Leases Expenditure Alignment	—	(244,103)	—	(244,103)
Storm Drain Allocated Charges Adjustment	—	90	—	90
Utilities Allocated Charges Adjustment	—	12,731	—	12,731
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	214,162	—	214,162
Adjustments to Costs of Ongoing Activities	—	(821,759)	1,140,029	(1,961,788)
Total FY 2018 Base Budget	15.65	29,799,752	32,328,952	(2,529,200)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Refuse Fund
Budget Adjustments				
1 Zero Waste Plan Update and Community Outreach	—	525,000	—	525,000
2 Landfill Pipe Replacement and Groundwater Studies	—	305,000	—	305,000
3 Supplemental Pension Trust Fund Contribution	—	45,052	—	45,052
Total Budget Adjustments	—	875,052	—	875,052
Total FY 2018 Proposed Budget	15.65	30,674,803	32,328,952	(1,654,149)



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Refuse Fund
1 Zero Waste Plan Update and Community Outreach	0.00	525,000	0	525,000

This action provides funding for professional services related to the City's waste hauling, processing, disposal, and outreach for the City's Zero Waste program. Consultant services are necessary to characterize the City's waste streams, update the City's Zero Waste program and prepare an RFP for waste management services (or a contract extension with the City's current contractor whose agreement ends in 2021). Performing these professional services and contract assistance work is a multi-year process and these services will be solicited by potential consultants. Study results completed in FY 2018 can guide the City with waste management strategies to move toward the City's sustainability and carbon reduction goals and will strengthen the City's position during contract negotiations. Also included in this budget is an additional \$25,000 for Zero Waste outreach to the community. Zero Waste outreach educates and informs the community of ways to move closer to being a zero waste City. (Ongoing net costs: \$25,000)

Performance Results



With the studies and additional outreach, the City will be better positioned for contract negotiations and successful implementation of a new waste management services contract that aligns with the City's zero waste goals.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Refuse Fund
2 Landfill Pipe Replacement and Groundwater Studies	0.00	305,000	0	305,000

This action replaces older pipes in the leachate system and funds studies of the groundwater system at the landfill. Aging sections of the landfill pipes must be replaced before they fail to properly dispense of methane and leachate. In addition to replacing aging pipes, studies of the groundwater and leachate system will be conducted to ensure compliance with the City's new landfill permit requirements. (Ongoing net costs: \$0)

Performance Results



This action will help ensure the leachate system continues to function safely and fulfills requirements of the City's landfill permit.

3 Supplemental Pension Trust Fund Contribution	0.00	45,052	0	45,052

This action establishes a transfer from the Refuse Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$45,052 which represents approximately 10% of the Refuse Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

STORM DRAINAGE FUND

Description

The City's storm water management services are funded through user fees charged to property owners of developed parcels in Palo Alto. Storm water management activities include operation, maintenance, replacement and augmentation of the storm drainage system to ensure adequate local drainage. The Fund provides litter reduction, urban pollution prevention programs, commercial and residential rebates, and flooding emergency-response services with the goals of reducing storm water runoff and maintaining storm water quality protection for discharge to creeks and San Francisco Bay.

Accomplishments

- Completed the construction of the final phase of the high-priority Channing/Lincoln Avenue Storm Drain Improvement project; installation of new 42-inch storm drain pipes along Lincoln Avenue between Middlefield Road and Alma Street and 30-inch pipe along Alma Street between Lincoln Avenue and Addison Avenue to reduce local street flooding.
- Awarded the contract for the Matadero Creek Storm Water Pump Station project and started construction of the project to improve storm drain system performance for a 1,200-acre low-lying area in Midtown and Palo Verde neighborhoods. The project is expected to be completed in fall 2017.
- Mailed the Storm Water Management Fee ballots to property owners after securing City Council approval of the Storm Drain Blue Ribbon Committee's recommendations for programs, maintenance, capital improvements, and associated funding.
- Developed the Green Infrastructure framework to ensure compliance of the Municipal Regional Permit for storm water.

Initiatives

- At the time of the printing of this document, the Storm Water Management Fee ballot measure passed, providing funding for the Storm Drain Blue Ribbon Committee's

recommendations for programs. Staff will work to begin to implement these recommendations and improvements to the Storm Water system. Any changes to this proposed budget that are needed to accomplish these recommendations will be brought forward separately.

- Continue to work cooperatively with San Francisquito Creek Joint Powers Authority on implementing the Bay-to-Highway 101 flood control project, providing flood protection to residents and businesses along lower San Francisquito Creek.
- Assist San Francisquito Creek Joint Powers Authority with presentation of the San Francisquito Creek: Upstream to Highway 101 Project Alternatives project, ultimate project will provide flooding protection to the residents and business West of Highway 101.
- Continue the development of a Green Infrastructure Plan for the City to comply with new State of California storm water regulations.
- Comply with new Municipal Regional Permit for storm water regulations.

Goals and Objectives

GOAL 1

Effectively manage the storm drain system to ensure adequate local drainage.

Objectives:

- Continue to assist San Francisquito Creek Joint Powers Authority (SFCJPA) with the implementation of the Bay-to-Highway 101 flood control project to protect people and property from flooding along lower San Francisquito Creek
- Assist SFCJPA with the community outreach presentation associated with the Upstream to Highway 101 Project Alternatives.
- Systematically clean storm drain lines to prevent backups and ponding on city streets.

GOAL 2

Reduce storm water runoff and protect the quality of waters discharged to creeks and San Francisco Bay.

Objectives:

- Continue implementation of measures, including green infrastructure planning, to comply with the new Municipal Regional Stormwater Discharge Permit (MRP 2.0) adopted in late 2015.
- Conduct regular inspections of commercial facilities, industrial facilities and construction sites to ensure compliance with storm water discharge regulations.
- Implement the City's Long-Term Trash Reduction Plan in order to achieve a 70% reduction in the volume of trash entering local creeks and San Francisco Bay through local storm drains, as required in the MRP 2.0.

Key Performance Measures

CITIZEN SURVEY - STORM DRAIN

Goal	Effectively manage the storm drainage system to ensure adequate local drainage.				
Objective	Increase rating given by residents for quality of storm drainage.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent rating the quality of storm drainage good or excellent	71.00%	75.00%	80.00%	80.00%	80.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of storm drain management. 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.				
Purpose	To 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 Department has been achieving between 71 and 80 percent satisfaction and is estimating to maintain a 80 percent rating, which is above the benchmark of other cities.				

NUMBER OF CAPITAL PROJECTS ON THE 2005 STORM DRAINAGE FEE BALLOT MEASURE COMPLETED

Goal	Effectively manage the storm drainage system to ensure adequate local drainage.				
Objective	To manage a capital improvement program that utilizes annual revenues and staff resources in an efficient manner in order to complete the seven capital improvement projects that were identified in the 2005 storm drainage fee ballot measure before the fee sunsets in June 2017.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of projects completed (Storm Drain)	5.00	5.00	7.00	6.00	7.00
Description	Public Works Engineering Services staff manages a capital improvement program to increase the capacity and maintain the condition of the storm drainage system infrastructure in accordance with the 2005 storm drainage fee ballot measure approved by a majority of property owners.				
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	Staff has completed six of the seven capital improvement projects identified in the 2005 Storm Drainage Fee Measure, and has the final project scheduled for completion in FY 2018.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of inspections in compliance with storm water regulations	83.00%	83.00%	80.00%	80.00%	80.00%
Description	Watershed Protection staff conducts a comprehensive program of public outreach and education, site inspections, and enforcement actions in order to prevent pollutants from contaminating stormwater runoff. Inspections are conducted at industrial facilities, commercial facilities, construction sites and other outdoor activities. Industrial facilities include varied activities such as research, laboratories, manufacturing, and other processing. Commercial facilities typically serve the public and include categories such as photo shops, food service establishments, dry cleaners, dentists, and other sales or services.				
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 an inspection program for industrial and commercial facilities and assesses them for compliance with stormwater regulations. In FY 2016, inspected sites included 73 industries, 101 automotive facilities, 110 construction sites, and approximately one third of the 363 restaurants on the inspection list. The FY 2017 estimated compliance rate is 80% based on the previous year as well as data to date, indicating that many new businesses are being inspected that may not yet be aware of the requirements. Watershed Protection staff educates these businesses on what it takes to be in compliance with stormwater regulations.				

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Storm Drainage Fund	1,997,511	1,084,083	8,236,570	404,875	(7,831,695)	(95.1)%
Storm Drainage Administration	642,955	777,068	1,079,934	1,161,501	81,567	7.6%
Storm Drainage Environmental Compliance	419,956	378,978	961,412	952,985	(8,427)	(0.9)%
Storm Drainage Operations and Maintenance	1,763,750	1,771,220	2,162,693	2,371,099	208,406	9.6%
Storm Drainage Systems Improvement Flood Control	132,021	138,820	140,516	144,209	3,693	2.6%
Total	4,956,193	4,150,168	12,581,125	5,034,670	(7,546,456)	(60.0)%
Dollars by Category						
Salary & Benefits						
Healthcare	201,833	192,406	200,270	197,144	(3,126)	(1.6)%
Other Benefits	26,763	28,052	27,692	33,460	5,768	20.8%
Overtime	51,113	43,463	49,429	49,429	—	—%
Pension	198,264	259,855	290,947	310,368	19,421	6.7%
Retiree Medical	59,931	57,698	63,585	66,895	3,310	5.2%
Salary	881,821	945,028	1,076,742	1,098,853	22,111	2.1%
Workers' Compensation	6,519	6,707	15,129	39,437	24,308	160.7%
Total Salary & Benefits	1,426,245	1,533,210	1,723,794	1,795,586	71,792	4.2%
Allocated Charges	760,913	761,660	1,176,104	1,428,009	251,905	21.4%
Contract Services	447,347	431,506	531,379	490,379	(41,000)	(7.7)%
Debt Service	404,493	373,008	949,300	949,300	—	—%
Facilities & Equipment	—	5,286	7,621	7,621	—	—%
General Expense	16,453	22,153	179,260	178,860	(400)	(0.2)%
Operating Transfers-Out	15,463	5,970	12,112	27,463	15,351	126.7%
Rents & Leases	34,895	39,079	46,201	47,482	1,281	2.8%
Supplies & Material	67,054	98,514	95,000	94,726	(274)	(0.3)%
Capital Improvement Program	1,783,331	879,784	7,860,355	15,243	(7,845,112)	(99.8)%
Total Dollars by Expense Category	4,956,193	4,150,168	12,581,125	5,034,670	(7,546,456)	(60.0)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Revenues						
Charges for Services	70,944	97,399	90,000	117,888	27,888	31.0%
From Other Agencies	—	98,212	—	—	—	—%
Net Sales	6,206,943	6,326,562	6,604,644	6,612,534	7,890	0.1%
Operating Transfers-In	—	233,662	—	—	—	—%
Other Revenue	63	(55)	—	—	—	—%
Other Taxes and Fines	(1,403)	—	2,500	2,500	—	—%
Return on Investments	158,873	178,207	129,700	129,700	—	—%
Total Revenues	6,435,419	6,933,986	6,826,844	6,862,622	35,778	0.5%
Positions by Division						
CIP Storm Drainage Fund	2.20	2.15	2.17	2.37	0.20	9.22%
Storm Drainage Administration	0.69	0.65	0.60	0.60	—	—%
Storm Drainage Operations and Maintenance	6.78	6.98	6.98	6.78	(0.20)	(2.87)%
Storm Drainage Systems Improvement Flood Control	0.52	0.54	0.59	0.59	—	—%
Total	10.19	10.32	10.34	10.34	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.15	0.15	0.10	0.10	—	7,108
Accountant	0.05	0.05	0.05	0.05	—	4,750
Administrative Associate I	0.10	0.10	0.10	0.10	—	7,013
Administrative Associate II	0.15	0.15	0.15	0.15	—	11,431
Administrative Associate III	0.10	0.10	0.10	0.10	—	8,169
Assistant Director Public Works	0.20	0.20	0.20	0.20	—	33,854
Associate Engineer	—	—	0.19	0.19	—	21,613
Business Analyst	0.02	—	—	—	—	—
Electrician	0.10	0.10	0.10	0.10	—	10,767
Electrician-Lead	1.00	1.00	1.00	1.00	—	115,265
Engineer	1.00	1.00	0.90	0.90	—	115,301

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Engineering Technician III	0.20	0.20	0.25	0.25	—	23,949
Equipment Operator	0.54	0.54	0.54	0.54	—	45,934
Heavy Equipment Operator	0.90	0.90	0.90	0.90	—	86,690
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	—	118,497
Industrial Waste Inspector	0.19	0.19	0.19	0.19	—	17,988
Industrial Waste Investigator	0.99	0.99	0.80	0.80	—	85,109
Management Analyst	0.20	0.20	0.20	0.20	—	19,598
Manager Environmental Control Program	0.40	0.40	0.40	0.40	—	43,905
Manager Maintenance Operations	0.50	0.50	0.50	0.50	—	55,536
Project Engineer	0.81	0.83	0.83	0.83	—	114,448
Project Manager	0.15	0.15	0.15	0.15	—	15,350
Senior Accountant	0.10	0.10	0.10	0.10	—	11,596
Senior Engineer	0.76	0.76	0.76	0.76	—	100,302
Senior Technologist	0.02	—	—	—	—	—
Surveyor, Public Works	—	—	0.12	0.12	—	12,553
Technologist	0.30	0.30	0.30	0.30	—	44,922
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	—	5,011
Sub-total: Full-Time Equivalent Positions	10.14	10.12	10.14	10.14	—	1,136,658
Temporary/Hourly	0.05	0.20	0.20	0.20	—	9,152
Total Positions	10.19	10.32	10.34	10.34	—	1,145,810

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Storm Drainage Fund
Prior Year Budget	10.34	12,581,125	6,826,844	5,754,281
Base Adjustments				
One Time Prior Year Expenditures Deleted				
Green Infrastructure Plan	—	(50,000)	—	(50,000)
One Time Prior Year Expenditures Deleted	—	(50,000)	—	(50,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	71,792	—	71,792
Capital Improvement Funding Adjustment	—	(7,868,783)	—	(7,868,783)
Stormwater Muni Fee Revenues Adjustments	—	—	27,888	(27,888)
Urban Runoff Pollution Prevention Program Contribution Increase	—	9,000	—	9,000
Rents & Leases Expenditure Alignment	—	1,281	—	1,281
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(274)	—	(274)
General Fund Cost Allocation Plan Adjustment	—	93,046	—	93,046
General Liability Insurance Allocated Charges Adjustment	—	34,611	—	34,611
Information Technology Allocated Charges Adjustment	—	(8,585)	—	(8,585)
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(28,649)	—	(28,649)
Print & Mail Allocated Charges Adjustments	—	1,880	—	1,880
Public Works Administration Allocated Charges Adjustment	—	19,815	—	19,815
Storm Drain Allocated Charges Adjustment	—	(118)	7,890	(8,008)
Utilities Allocated Charges Adjustment	—	25,957	—	25,957
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	48,706	—	48,706
Adjustments to Costs of Ongoing Activities	—	(7,600,320)	35,778	(7,636,098)
Total FY 2018 Base Budget	10.34	4,930,805	6,862,622	(1,931,817)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Storm Drainage Fund
Budget Adjustments				
1 Fiber connection for creek monitors	—	72,828	—	72,828
2 Supplemental Pension Trust Fund Contribution	—	31,037	—	31,037
Total Budget Adjustments	—	103,865	—	103,865
Total FY 2018 Proposed Budget	10.34	5,034,670	6,862,622	(1,827,952)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Storm Drainage Fund
1 Fiber connection for creek monitors	0.00	72,828	0	72,828

This action will provide funding for the ongoing cost of the fiber optic connection between storm drain pump stations and creek monitors. The monitors will be installed during the 2017 summer season and funded as part of the Storm Drain System Replacement and Rehabilitation CIP. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$72,828)

Performance Results



This action will connect storm drain pump stations and creek monitors to the City's fiber optic network to increase the accuracy of sensor readings. In the future, real-time camera views during potential flash flood events will be enabled.

2 Supplemental Pension Trust Fund Contribution	0.00	31,037	0	31,037

This action establishes a transfer from the Stormwater Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$31,037 which represents approximately 10% of the Stormwater Fund's annual pension contribution. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

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.

Accomplishments

- Delivered 52 vehicles and 11 pieces of equipment in FY 2017 to maintain safe, reliable and efficient use of resources.

Initiatives

- A cost recovery study utilizing an independent consulting firm to evaluate the City's current vehicle replacement and Operations & Maintenance allocation methodologies and provide recommendations for best practices, incorporating inflation factors and alternatives for managing the program is anticipated to be complete in July 2017.
- Continue to reduce the backlog of older vehicles needing to be replaced, thereby providing more efficient vehicles/equipment and reducing the City's carbon footprint.
- Continue implementing Fleet Operational Study recommendations by improving fleet technology and staff training and increasing the number of electric and alternative fuel vehicles/equipment in the fleet where possible.
- Continue to assess the on-site parts and inventory program pilot with Napa IBS.

- Evaluate cost recovery for public compressed natural gas (CNG) sales.
- Begin implementation of the cost recovery study recommendations.

Goals and Objectives

GOAL 1

Ensure the City's vehicles, equipment, and fuel storage/dispensing facilities are safe, reliable and energy efficient to reduce Green House Gas (GHG) emissions.

Objectives:

- Continue seeking opportunities to increase the number of electric and alternative fuel vehicles/equipment.
- 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:

- Continue to implement Operational Study recommendations, including replacing the oldest, least efficient vehicles first; replacing with electric or alternative fuel vehicles when possible; providing continued education and training for staff; and performing fleet utilization analyses to ensure the City has a right-sized fleet.
- Continue analyzing the three-year, on-site parts and inventory program pilot with Napa IBS.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of alternative fuel consumption	26.00%	26.60%	26.00%	29.20%	29.20%
Description	The City fleet is comprised of vehicles and equipment that are primarily gasoline, diesel and compressed natural gas (cng).				
Purpose	In order to move toward a lower emissions goal the City fleet needs to increase their use of alternative fuels.				
Status	The City's fleet used a total of 295,852 gallons of fuel in 2016 among unleaded, diesel and natural gas. It used 78,725 gallons of compressed natural gas which equates to 26.6% of alternative fuel use.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of vehicles that are alternatively fueled or electric	51	50	58	55	55
Number of vehicle repair and preventative maintenance work orders	4,492	4,619	4,700	4,170	4,100
Total number of vehicles and equipment in the City's fleet	552	559	555	552	549

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
Vehicle Operations and Maintenance	5,632,076	5,586,194	5,725,646	5,455,409	(270,236)	(4.7)%
Vehicle Replacement and Additions	2,907,952	2,993,463	6,101,627	7,487,642	1,386,014	22.7%
Total	8,540,028	8,579,657	11,827,273	12,943,051	1,115,778	9.4%
Dollars by Category						
Salary & Benefits						
Healthcare	280,995	295,595	337,811	369,965	32,154	9.5%
Other Benefits	45,404	53,639	41,968	50,507	8,539	20.3%
Overtime	11,919	6,970	56,610	56,610	—	—%
Pension	195,023	321,560	384,271	422,535	38,264	10.0%
Retiree Medical	85,238	79,467	86,962	91,489	4,527	5.2%
Salary	1,196,704	1,386,350	1,391,927	1,468,804	76,877	5.5%
Workers' Compensation	8,597	7,726	20,965	53,936	32,972	157.3%
Total Salary & Benefits	1,823,880	2,151,307	2,320,513	2,513,846	193,332	8.3%
Allocated Charges	1,151,005	1,612,792	1,385,344	1,185,639	(199,705)	(14.4)%
Contract Services	261,007	282,187	354,470	511,900	157,430	44.4%
General Expense	63,760	57,943	66,530	66,080	(450)	(0.7)%
Operating Transfers-Out	1,070,249	335,294	—	38,394	38,394	—%
Rents & Leases	112,929	177,193	183,316	189,067	5,751	3.1%
Supplies & Material	1,309,357	1,121,338	1,354,300	1,169,216	(185,084)	(13.7)%
Transfer to Infrastructure	—	31,711	263,198	—	(263,198)	(100.0)%
Capital Improvement Program	2,747,841	2,809,892	5,899,602	7,268,910	1,369,308	23.2%
Total Dollars by Expense Category	8,540,028	8,579,657	11,827,273	12,943,051	1,115,778	9.4%
Revenues						
Charges to Other Funds	7,266,712	7,291,552	8,885,085	8,885,554	469	—%
Operating Transfers-In	—	1,305,766	478,232	—	(478,232)	(100.0)%
Other Revenue	529,235	296,297	155,000	155,000	—	—%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Return on Investments	217,032	192,219	178,300	178,300	—	—%
Total Revenues	8,012,979	9,085,834	9,696,617	9,218,854	(477,763)	(4.9)%

Positions by Division

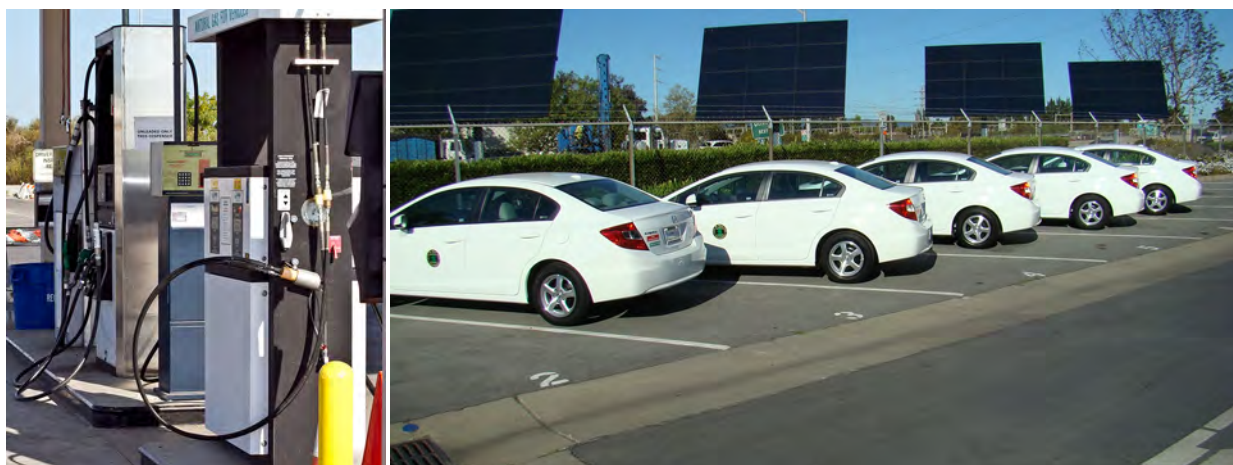
Vehicle Operations and Maintenance	16.82	15.86	15.86	15.86	—	—%
Vehicle Replacement and Additions	1.40	1.40	1.40	1.40	—	—%
Total	18.22	17.26	17.26	17.26	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Associate III	1.00	1.00	1.00	1.00	—	81,689
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	41,460
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	99,715
Equipment Maintenance Service Person	2.00	2.00	2.00	2.00	—	134,496
Fleet Services Coordinator	2.00	2.00	2.00	2.00	—	168,478
Management Analyst	0.20	0.20	0.20	0.20	—	22,231
Manager Fleet	1.00	1.00	1.00	1.00	—	124,072
Motor Equipment Mechanic II	6.00	6.00	6.00	6.00	—	571,926
Motor Equipment Mechanic-Lead	2.00	2.00	2.00	2.00	—	203,924
Project Manager	1.00	1.00	1.00	1.00	—	91,790
Senior Management Analyst	0.08	0.08	0.08	0.08	—	10,081
Sub-total: Full-Time Equivalent Positions	16.53	16.53	16.53	16.53	—	1,549,862
Temporary/Hourly	1.69	0.73	0.73	0.73	—	61,773
Total Positions	18.22	17.26	17.26	17.26	—	1,611,634

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
Prior Year Budget	17.26	11,827,273	9,696,617	2,130,656
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Replacement of Co-Owned Fire Truck and Flatbed Crane	—	—	(478,232)	478,232
Installation of GPS Monitoring	—	(27,570)	—	(27,570)
One-Time Prior Year Expenditures and Revenues	—	(27,570)	(478,232)	450,662
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	193,333	—	193,333
Capital Improvements Projects	—	1,101,800	325,192	776,608
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(84)	—	(84)
Rents & Leases	—	5,751	—	5,751
General Fund Cost Allocation Plan Adjustment	—	(102,061)	—	(102,061)
Information Technology Allocated Charges Adjustment	—	16,676	—	16,676
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(26,932)	—	(26,932)
Liability Insurance Allocated Charges Adjustment	—	43,326	—	43,326
Print & Mail Allocated Charges Adjustments	—	(328)	—	(328)
Public Works Administration Allocated Charges Adjustment	—	46,235	—	46,235
Utilities Allocated Charges Adjustment	—	(8,076)	—	(8,076)
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	(168,545)	(324,723)	156,178
Adjustments to Costs of Ongoing Activities	—	1,101,095	469	1,100,626
Total FY 2018 Base Budget	17.26	12,900,798	9,218,854	3,681,944
Budget Adjustments				
1 Supplemental Pension Trust Fund Contribution	—	42,254	—	42,254
Total FY 2018 Proposed Budget	17.26	12,943,051	9,218,854	3,724,197



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
1 Supplemental Pension Trust Fund Contribution	0.00	42,254	0	42,254

This action establishes a transfer from the Vehicle Replacement & Maintenance Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$42,254 which represents approximately 10% of the Vehicle Replacement & Maintenance Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

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 five partner cities' regional service area (Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto Sanitary District) and to ensure the compliance with regulations protecting the San Francisco Bay and the environment.

Accomplishments

- Completed an Advanced Water Purification Feasibility Study to determine feasibility of installing a reverse osmosis facility to improve recycled water quality.
- Initiated recycled water strategic plan to study groundwater in northwest county, future recycled water use including indirect potable reuse of treated wastewater, and to determine feasibility and cost for phase III expansion of recycled water up to Stanford Research Park.
- Maintained compliance with new and comprehensive Clean Air Act and Bay Area Air Quality Management District rules and regulations for the Plant's sewage sludge incinerators.
- Completed design of the sludge dewatering and truck loadout facility and awarded the construction contract, and obtained a low interest state loan to finance the project. When complete, the two sludge-burning incinerators will be retired.

Initiatives

- Constructing the sludge dewatering and truck loadout facility which is anticipated to be completed in Fall 2019.
- Complete planning and design for fixed film reactor and primary sedimentation tank rehabilitation, and the lab/environmental services building as part of fulfilling the Long Range Facilities Plan.
- Complete construction of the old pumping plant rehabilitation.
- Design of the Advanced Water Purification Facility (i.e. reverse osmosis) to improve recycled water quality.

- Determine the feasibility for indirect potable reuse in northwest county by understanding the groundwater basin. Determine phase III feasibility for recycled water expansion to Stanford Research Park and South Palo Alto.

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 plant'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.

GOAL 3

Expand recycled water use.

Objectives:

- Improved recycled water quality through source control of salt water intrusion into sanitary sewers and potential future advance treatment for recycled water.

Key Performance Measures

DISCHARGE TESTS IN COMPLIANCE

Goal	Protect the environment and the public's health.				
Objective	Maintain 99% discharge test compliance.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of wastewater treatment discharge tests in compliance	99.40%	99.67%	99.00%	99.00%	99.00%
Description	The plant has numerous effluent limits and requirements to meet as part of its NPDES discharge permit for water discharged to the south San Francisco Bay. 100 percent compliance with these limits is the goal of the city; the RWQCP normally achieves these levels of compliance.				
Purpose	The percent discharge tests in compliance is an indicator of the compliance of the RWQCP treatment system's final water with the limits established in the NPDES discharge permit.				
Status	Over 99% of discharge tests are expected to be in compliance with discharge limits.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of passed fish acute toxicity bioassay tests	100.00%	100.00%	100.00%	100.00%	100.00%
Description	Percent of acute fish toxicity bioassay tests passed with 100% survival.				
Purpose	Fish survival in the bioassay is an indicator that plant discharges to the Bay are safe for receiving water marine life.				
Status	In Fiscal Year 2016, all acute toxicity bioassay tests passed with 100% survival rate.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Millions of gallons of recycled water delivered	200	230	250	227	260
Number of inspections performed annually (Wastewater Treatment)	450	397	450	400	400
Millions of gallons processed by the Palo Alto's Regional Water Quality Control Plant	6,512	6,387	6,692	6,398	6,398

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Wastewater Treatment Fund	3,942,615	2,792,222	25,402,299	30,988,136	5,585,837	22.0%
Wastewater Treatment Systems Improvement Operations	15,402,559	15,951,637	15,242,863	16,530,802	1,287,939	8.4%
Wastewater Treatment Administration	150,934	508,324	4,392,669	5,138,056	745,387	17.0%
Wastewater Treatment Environmental Compliance	3,231,508	3,759,792	3,585,331	3,729,882	144,551	4.0%
Total	22,727,616	23,011,975	48,623,161	56,386,875	7,763,714	16.0%
Dollars by Category						
Salary & Benefits						
Healthcare	1,241,619	1,196,798	1,420,684	1,420,458	(226)	(0.0)%
Other Benefits	156,364	169,747	160,221	200,789	40,567	25.3%
Overtime	319,520	353,542	310,126	310,126	—	—%
Pension	1,161,782	1,626,688	1,959,805	2,104,784	144,979	7.4%
Retiree Medical	823,896	745,965	816,321	858,810	42,490	5.2%
Salary	6,046,365	6,340,815	7,366,138	7,597,597	231,459	3.1%
Workers' Compensation	126,044	29,874	98,482	270,879	172,396	175.1%
Total Salary & Benefits	9,875,591	10,463,429	12,131,776	12,763,441	631,665	5.2%
Allocated Charges	4,997,874	5,348,078	5,220,764	6,318,045	1,097,280	21.0%
Contract Services	1,401,097	1,602,264	1,878,354	2,305,354	427,000	22.7%
Debt Service	514,387	480,060	1,468,851	1,468,851	—	—%
Facilities & Equipment	1,427	1,888	7,500	7,500	—	—%
General Expense	351,575	387,514	479,483	506,129	26,646	5.6%
Operating Transfers-Out	13,572	11,597	320,000	206,049	(113,952)	(35.6)%
Supplies & Material	1,663,018	1,962,664	1,992,773	2,050,754	57,981	2.9%
Capital Improvement Program	3,909,074	2,754,480	25,123,659	30,760,752	5,637,094	22.4%
Total Dollars by Expense Category	22,727,616	23,011,975	48,623,161	56,386,875	7,763,714	16.0%
Revenues						
Charges to Other Funds	59,566	47,723	51,500	51,500	—	—%
From Other Agencies	—	—	21,340,874	27,098,300	5,757,426	27.0%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Net Sales	23,958,834	23,751,883	26,848,624	27,139,594	290,970	1.1%
Other Revenue	102,619	3,010	—	427,000	427,000	—%
Other Taxes and Fines	1,000	19,000	4,000	4,000	—	—%
Return on Investments	251,940	227,383	199,200	199,200	—	—%
Total Revenues	24,373,959	24,049,000	48,444,198	54,919,594	6,475,396	13.4%

Positions by Division

CIP Wastewater Treatment Fund	0.30	0.30	1.30	1.30	—	—%
Wastewater Treatment Systems Improvement Operations	56.13	55.69	56.36	56.36	—	—%
Wastewater Treatment Administration	0.74	0.64	0.59	0.59	—	—%
Wastewater Treatment Environmental Compliance	13.49	13.74	15.22	15.22	—	—%
Total	70.66	70.37	73.47	73.47	—	—%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.15	0.15	0.10	0.10	—	7,108
Accountant	0.25	0.25	0.25	0.25	—	23,748
Administrative Associate II	2.00	2.00	2.00	2.00	—	152,419
Assistant Director Public Works	0.75	0.75	0.75	0.75	—	146,234
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	270,400
Associate Engineer	1.35	1.35	1.80	1.80	—	204,756
Buyer	1.00	1.00	—	—	—	—
Chemist	3.00	3.00	3.00	3.00	—	306,678
Chief Sustainability Officer	0.05	—	—	—	—	—
Deputy Chief/Fire Marshal	0.04	0.04	0.04	0.04	—	7,266
Electrician	2.90	2.90	2.90	2.90	—	312,230
Electrician-Lead	1.00	1.00	1.00	1.00	—	115,265
Environmental Specialist	1.00	1.00	—	—	—	—
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	3,140

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Industrial Waste Inspector	2.80	2.80	2.80	2.80	—	265,088
Industrial Waste Investigator	0.80	0.80	0.35	0.35	—	37,235
Laboratory Technician WQC	3.00	3.00	3.00	3.00	—	274,298
Maintenance Mechanic	7.00	7.00	—	—	—	—
Management Analyst	—	—	0.67	0.67	—	68,119
Manager Environmental Control Program	1.50	1.50	1.50	1.50	—	171,361
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	138,008
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	—	178,069
Manager Watershed Protection	0.95	0.95	0.95	0.95	—	135,257
Plant Mechanic	—	—	7.00	7.00	—	702,932
Program Assistant II	2.00	2.00	2.00	2.00	—	166,227
Project Engineer	1.00	1.00	1.00	1.00	—	137,889
Project Manager	—	—	1.00	1.00	—	108,493
Senior Accountant	0.10	0.10	0.10	0.10	—	11,596
Senior Buyer	—	—	1.00	1.00	—	101,361
Senior Chemist	1.00	1.00	1.00	1.00	—	113,600
Senior Engineer	1.00	1.00	3.00	3.00	—	357,261
Senior Industrial Waste Investigator	0.99	0.99	0.99	0.99	—	112,671
Senior Management Analyst	0.13	0.13	0.13	0.13	—	15,403
Senior Mechanic	1.00	1.00	1.00	1.00	—	107,969
Senior Operator WQC	6.00	6.00	6.00	6.00	—	687,429
Senior Technologist	1.00	1.00	1.00	1.00	—	134,597
Storekeeper	1.00	1.00	1.00	1.00	—	73,992
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	—	343,013
Technologist	0.70	0.70	0.70	0.70	—	104,818
WQC Plant Operator II	16.00	16.00	16.00	16.00	—	1,616,365
Sub-total: Full-Time Equivalent Positions	68.48	68.43	71.05	71.05	—	7,712,296
Temporary/Hourly	2.18	1.94	2.42	2.42	—	205,299
Total Positions	70.66	70.37	73.47	73.47	—	7,917,595

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
Prior Year Budget	73.47	48,623,160	48,444,198	178,962
Base Adjustments				
Replace Flatbed Crane Truck	—	(320,000)	—	(320,000)
One Time Prior Year Expenditures Deleted	—	(320,000)	—	(320,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	622,665	—	622,665
Capital Improvement Projects	—	5,631,364	5,757,426	(126,062)
Liquid Waste Hauler and Tributary Agency Partner Contribution Adjustments	—	—	290,970	(290,970)
Wastewater Treatment Plant Chemicals, Materials and Supplies	—	59,799	—	59,799
Bay Area Clean Water Agencies Nutrient Study	—	35,000	—	35,000
Technology equipment for new employees	—	(7,054)	—	(7,054)
Strategic Plan (Revenue from Santa Clara Valley Water District) Recycled Water	—	427,000	427,000	—
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(1,818)	—	(1,818)
General Fund Cost Allocation Plan Adjustment	—	246,079	—	246,079
Information Technology Allocated Charges Adjustment	—	386,667	—	386,667
Information Technology Department Allocation (FY 2016 Salary Savings; one-time)	—	(110,723)	—	(110,723)
Liability Insurance Allocated Charges Adjustment	—	233,376	—	233,376
Print & Mail Allocated Charges Adjustments	—	826	—	826
Public Works Administration Allocated Charges Adjustment	—	26,420	—	26,420
Public Works Services - Ground Allocated Charges Adjustment	—	310	—	310
Refuse Sales Allocated Charges Adjustment	—	(20,147)	—	(20,147)
Storm Drain Allocated Charges Adjustment	—	984	—	984
Utilities Allocated Charges Adjustment	—	391,782	—	391,782
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	(55,448)	—	(55,448)
Wastewater Sales Allocated Charges Adjustment	—	(2,845)	—	(2,845)
Adjustments to Costs of Ongoing Activities	—	7,864,237	6,475,396	1,388,841

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
Total FY 2018 Base Budget	73.47	56,167,397	54,919,594	1,247,803
Budget Adjustments				
1 Supplemental Pension Trust Fund Contribution	—	210,478	—	210,478
2 Senior Industrial Waste Investigator Pay Scale Adjustment	—	9,000	—	9,000
Total Budget Adjustments	—	219,478	—	219,478
Total FY 2018 Proposed Budget	73.47	56,386,875	54,919,594	1,467,281

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
1 Supplemental Pension Trust Fund Contribution	0.00	210,478	0	210,478

This action establishes a transfer from the Wastewater Treatment Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$210,478 which represents approximately 10% of the Wastewater Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

2 Senior Industrial Waste Investigator Pay Scale Adjustment	0.00	9,000	0	9,000

This action provides funding to adjust the payscale for the Senior Industrial Waste Investigator job classification. This reclassification aligns the position pay range according to the SEIU definitions for roles with supervising responsibilities. (Ongoing net costs: \$9,000)

Performance Results



No impact to current services levels are anticipated as a result of this adjustment.

UTILITIES

Mission Statement



in sound financial condition.

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

UTILITIES



Description

Palo Alto is the only city in California that 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. Marketing of energy and water efficiency, increasing renewable energy supplies and promoting technological development for utility efficiency services continue to be focal points, especially in light of the City Council's environmental sustainability priority and state mandated efficiency goals.

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

This group annually bills \$250 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; implements Credit and Collection policies and financial assistance programs.

ENGINEERING

Engineering is responsible for managing all phases of CPAU's capital improvement projects including providing new or upgrading existing service to customers, and replacing and rehabilitating the City's electric, fiber, water, gas, and wastewater distribution systems.

OPERATIONS

Utilities Operations is responsible for the operations, maintenance, and emergency response for the electric, fiber, water, gas and wastewater distribution systems.

RESOURCE MANAGEMENT

Resource Management is responsible for: the long-term resource acquisition plan, including 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.

Accomplishments

- Increased the City's Renewable Portfolio Standard (RPS) from 32% to 53% of retail energy sales with the addition of 80 MW of solar to the City's portfolio. Remaining power was carbon neutral, primarily using hydropower but with some purchases of Renewable Energy Credits (RECs).
- Achieved drought water savings of 24% compared to the first drought year in 2013, far surpassing the 10% voluntary water reduction goal established by the State Water Resources Control Board.
- Added new electric service to new buildings and other major improvements in the Stanford Hospital/Lucille Packard Hospital area.
- Implemented a new interactive response system (IVR) phone system to enable automated 24x7 communication for Utility customers offering bill balance, payment acceptance and customer service feedback.
- Completed substation security measures at one of the nine electric substations, with two remaining to be done.
- Completed the design of water main replacement project WMR 26 to replace approximately 11,000 linear feet of water main pipelines, 200 service pipelines, and 40 fire hydrants.
- Repaired and/or replaced over 202 laterals with structural damage.
- Surveyed, inspected, and cleaned 3,397 out of 18,141 City-owned sewer laterals. On average, the City surveys and inspects between 3,200 - 4,200 per year.
- Received and responded to a total of 944 requests for service, including power outages, street light outages, and low hanging wires for example. Of those 944 requests, 124 of them were service disconnect & reconnect requests.
- Replaced and reconfigured a large portion of the underground facilities in the downtown area. The estimated completion date of this project is the fall of 2017.
- Moody's upgraded the City's Water Enterprise bond rating from Aa2 to Aa1, a rare event for water operations.

Initiatives

- Capital Improvement Programs: Continue replacement of aging infrastructure on Electric, Gas, Fiber, Wastewater Collection, and Water systems; develop a long range master infrastructure plan for Gas and Water utilities.
- Downtown improvement projects: Water Main Replacement 26 - begin construction; Gas Main Replacement 22 - begin construction; and University Ave Improvement - complete design, coordinate with other departments and provide community outreach to general public and businesses.
- Update Utilities Strategic Plan to engage stakeholders and align resources and activities with City's priorities of civic engagement, innovation and sustainability.
- Bring remaining solar projects online to bring RPS-eligible renewable energy share of portfolio to 60% of retail sales from 2017 forward, with remaining energy supplied by carbon-free hydroelectric power.
- Implement the Carbon Neutral Gas plan to achieve a carbon neutral gas supply portfolio.
- Launch Net Energy Metering (NEM) successor program to continue promoting installation of solar photovoltaic systems while providing fair compensation for local solar generation.
- Develop a "Dig Once" policy or ordinance to support the expansion of broadband in Palo Alto and to preserve City streets and other critical infrastructure.
- Upgrade Utilities customer self-service website to allow for mobile optimized viewing, new self-service functionalities, recurring payment and enhanced security.
- Expand efforts to compete for the \$5 million Georgetown University Energy Prize by reducing energy consumption through innovation, education and community participation.
- Enhance customer feedback mechanisms through variety of survey formats, feedback forms, and different communication channels.
- Complete smart grid assessment for advanced metering infrastructure (AMI); develop a long term technology roadmap with an implementation plan.
- Complete business requirements and issue request for proposal for new Utilities Customer Information and Billing system.
- Develop education programs/materials to raise customer awareness on Public Power, Natural Gas, water and energy efficiency.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Palo Alto's average residential monthly utility bill above/below the median of neighboring cities	(7.00)%	(6.80)%	(6.80)%	(6.80)%	(6.80)%
Description	This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Santa Clara \$214.80, Hayward \$255.52, Los Altos \$264.04, Mountain View \$273.31, Redwood City \$325.81, and Menlo Park \$333.97).				
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	Palo Alto's electric rates are significantly lower than PGE and slightly higher than Santa Clara. Natural gas rates are lower than surrounding communities due to PGE increasing its distribution rates for capital improvement and maintenance. Water rates are higher than many neighboring communities primarily because of differing system characteristics and levels of infrastructure investment, but also because some communities have different sources of supply. Palo Alto's water supply comes from the SFPUC who is in the middle of a \$4.6 billion improvement project, and Palo Alto is investing more than other areas in improving local distribution pipelines and enhancing emergency water supply system. For 2018, the monthly average for nearby communities is \$277.91 and for Palo Alto the average is \$233.78.				

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent	84.00%	83.25%	85.00%	85.00%	85.00%
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. The survey results may be used by staff, elected officials and other stakeholders for community planning and resource allocation, program improvement and policy-making. There are ten California communities participating in the survey.				
Purpose	The best way to get feedback on whether our customers are satisfied with the nature, extent and delivery of services we provide them is to ask outright, using random-selection survey processes that include a good cross-section of our customer base.				
Status	Results are statistically weighted to reflect the proper demographic composition of the entire community. A total of 744 completed surveys were obtained, providing an overall response rate of 26 percent. Typically, response rates obtained on citizen surveys range from 25 percent to 40 percent. From Fiscal Year 2012 to Fiscal Year 2016, Utilities has met its target of 83 percent.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Total cost of Capital Improvement Program annually (Millions)	\$27.00	\$22.20	\$42.90	\$24.40	\$26.20

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Fund						
Electric Fund - Operating	47,565,953	53,504,506	78,610,552	73,533,713	(5,076,839)	(6.5)%
Electric Supply	91,302,629	85,918,737	101,478,975	107,008,026	5,529,051	5.4%
Fiber Optics	1,999,420	2,574,599	4,286,565	4,310,344	23,779	0.6%
Gas Fund - Operating	22,825,964	19,079,098	33,302,713	25,936,204	(7,366,509)	(22.1)%
Gas Supply	11,543,034	9,061,954	14,363,841	17,157,234	2,793,394	19.4%
Wastewater Collection - Operating	16,387,816	19,271,590	25,485,987	20,878,800	(4,607,187)	(18.1)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Water Fund - Operating	34,451,902	42,098,850	59,322,622	47,738,297	(11,584,325)	(19.5)%
Total	226,076,718	231,509,334	316,851,255	296,562,618	(20,288,637)	(6.4)%
Revenues						
Charges for Services	529,927	438,985	270,000	270,000	—	—%
Charges to Other Funds	592,102	985,530	682,265	518,662	(163,603)	(24.0)%
From Other Agencies	534,328	636,666	576,632	576,632	—	—%
Net Sales	196,794,497	197,161,475	228,776,506	234,641,567	5,865,061	2.6%
Operating Transfers-In	751,521	481,233	2,922,786	3,977,536	1,054,750	36.1%
Other Revenue	11,909,526	11,260,334	18,468,731	14,251,610	(4,217,121)	(22.8)%
Other Taxes and Fines	112,392	420,867	—	—	—	—%
Property Taxes	—	76	—	—	—	—%
Return on Investments	4,442,020	3,969,933	4,442,200	4,442,200	—	—%
Total Revenues	215,666,312	215,355,098	256,139,120	258,678,207	2,539,087	1.0%
Positions by Fund						
Electric Fund	114.26	116.38	112.58	111.23	(1.35)	(1.20)%
Fiber Optics Fund	7.24	6.76	6.82	7.60	0.78	11.50%
Gas Fund	52.80	52.16	52.70	53.11	0.41	0.78%
Utilities Administration Fund	19.52	18.12	18.22	19.21	0.99	5.43%
Wastewater Collection Fund	29.57	29.74	29.17	29.00	(0.16)	(0.56)%
Water Fund	48.38	46.15	48.58	47.90	(0.68)	(1.40)%
Total	271.77	269.31	268.06	268.05	(0.01)	(0.00)%

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 our customers is of paramount importance to CPAU. The Electric Fund plans 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.

Accomplishments

- Increased renewable supply sources secured through competitive solicitation. The City's qualifying supply for the State's Renewable Portfolio Standard (RPS) will rise from 32% percent of retail sales in 2016 to an estimated 53% by the end of fiscal year 2017. The City's RPS is projected to increase to 60% by the end of fiscal year 2018.
- Continued to focus on local generation. Received five PaloAltoCLEAN program applications, achieved full subscription of the PV Partners commercial and residential solar rebate programs, and established a plan for local generation compensation after Palo Alto reaches its net metering cap.
- Continued evaluation of electrification programs, including promotion and implementation of Heat Pump Water Heating and Space Heating pilots.
- Palo Altans saved 4 million kWh as a result of utility energy efficiency programs. Increased uptake for existing programs, particularly the Home Efficiency Genie for residents and the Multi-Family Plus program, a direct-install program for multi-family structures.

UTILITIES

- Completed the electric cost of service study which resulted in significant updates to electric rate structures, effective July 1, 2016.
- Completed substation security measures at one out of the nine electric substations, with two remaining to be done in fiscal year 2019.
- Updated the ten-year electric efficiency goals for 2018 to 2027 with a cumulative ten-year electric efficiency savings of 5.7% or 54,900 MWh of the City's projected load.
- Participated, with other electric utilities (SVP & PG&E), in negotiations with the Peninsula Corridor Joint Powers Board (PCJPB) on development of guidelines for utility facilities that cross the Caltrain right of way from San Francisco to San Jose that need to be moved to facilitate electrification of railway trains. Successfully convinced PCJPB and the California Public Utilities Commission that overhead facilities are allowed and undergrounding of facilities is not required.
- Updated Rule and Regulation 27, Generating Facility Interconnection to keep pace with changing inverter technology.
- Completed the planning of facilities at Hopkins and Colorado Substations that will improve service reliability and meet future capacity needs brought on by growth in the Stanford Hospital area.

Initiatives

- Bring remaining solar projects online to bring RPS-eligible renewable energy share of portfolio to 60% of retail sales from 2017 forward, with remaining energy supplied by carbon-free hydroelectric power.
- Establish new ten year energy efficiency goals. Establish new efficiency programs, including new behavioral savings and facility management training programs. Increase uptake for commercial efficiency programs.
- Continue to reduce barriers to building electrification and electric vehicle adoption, build on existing electrification programs, and evaluate new programs.
- Expand effort to lower greenhouse gas emissions through electrification of the transportation sector such as encouraging adoption of electric vehicles.
- Develop new solar programs under the Local Solar Plan. Bring PaloAltoCLEAN projects online, evaluate sites for the community solar program, and complete a smooth transition from net metering to the replacement local generation compensation program once the net metering cap is reached in 2017 or 2018.
- Continue to offer electric safety education presentations to school and community groups.
- Continue discussions on building a second transmission line to provide electric service to Palo Alto.
- Replace aging substation facilities and increase electric system capacity in the Colorado/Hopkins/Quarry load areas to meet projected load growth.
- Improve efficiency of Utility Electric System with installation of Power Factor correction capacitor banks.

- Add new facilities to meet the electric loads proposed by the VA Hospital for their site upgrades.
- Relocate/reconstruct City's electric and communication facilities as necessary to facilitate the electrification of the Caltrain system.
- Complete General Order 95, 128 and 174 Inspection and Maintenance related to electrical overhead, underground and substation facilities.
- Rebuild underground facilities in District 20 (near Channing, Center, Hamilton, Lincoln) and underground District 46 (near Charleston and El Camino Real).
- Complete the pole inspection and replacement program for each fiscal year.
- Continue to plan and replace electric facilities before they reach the end of their useful life to maintain high system reliability.

Goals and Objectives

GOAL 1

Provide safe and reliable delivery of electric services to our customers.

Objectives:

- Develop a plan to complete a second electric transmission line source to improve service reliability.
- Provide exceptional system reliability.
- Reduce the backlog of infrastructure assets whose ages are beyond their useful lives.

GOAL 2

Increase environmental sustainability and promote efficient use of resources.

Objectives:

- Achieve the ten-year goal for electric energy efficiency of 5.7 percent of the electric load by 2027.
- Measure actual electric energy efficiency achievement.
- Increase the penetration of local solar installations so that 4% of the City's energy use is generated by local solar systems by 2023.

Key Performance Measures

ENVIRONMENTAL SUSTAINABILITY

Goal	Support environmental sustainability and promote efficient use of resources				
Objective	Achieve Renewable Portfolio Standard (RPS) of at least 52% percent by 2017.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs	25.70%	31.80%	52.30%	57.50%	57.20%
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 agreement.				
Purpose	The California Renewable Energy Resources Act (SBX1-2) requires that utilities supply 33 percent of their total retail electric sales volume with eligible renewable energy resources by 2020. The City's internal target, established by the Long-term Electric Acquisition Plan (LEAP), was to meet at least 33 percent by 2015. In March 2013, the City also adopted a 100 percent carbon neutral electric supply portfolio target.				
Status	The City established a target by 2015 to have a 33% renewable portfolio. However, the City was unable to reach this 2015 target in fiscal year 2016 but early estimates for fiscal year 2017 are that we will meet or exceed the target of 52.3%. This target will be reached through the execution of additional long-term renewable energy supply agreements, and through the procurement of short-term renewable energy certificates (RECs). The City's goal exceeds California's RPS mandate of 33% by 2020 (California Renewable Energy Resources Act SBX1-2). The City currently meets its 100% carbon neutral electric supply portfolio target established in 2013, primarily through long-term renewable energy supply agreements, supplemented by short-term REC purchases.				

SYSTEM RELIABILITY

Goal	Provide safe and efficient delivery of electric services to our customers.				
Objective	Provide exceptional system reliability.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Average duration of customer outages in minutes as reported using industry guidelines	46.85	39.48	60.00	39.48	60.00
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.				
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	Despite continuous lineperson and system operator vacancies, The Electric Utility continues to meet the goal of average customer outages being 60 minutes or less in duration for the average customer by minimizing the number of outages and customers directly affected. This can be attributed to the Department's ongoing efforts for infrastructure replacement, outage isolation improvements, system maintenance, and improved response times. The adopted fiscal year 2017 number of 29 minutes was an error and has been corrected to 60 minutes in this document.				

ENVIRONMENTAL SUSTAINABILITY - SOLAR

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Increase the penetration of local solar installations.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW)	6.00	7.70	8.50	10.00	13.50
Description	This represents the cumulatively installed capacity of PV systems in Palo Alto, measured in MW. It includes PV systems installed prior to the passage of Senate Bill 1 (SB1), which enacts 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	The California Million Solar Roofs Bill (SB1) requires an expanded funding commitment by all California electric utilities, with a Statewide goal to add 3,000 MW of new PV systems over ten years. In addition to complying with state law, PV installations will benefit the environment and expand flexibility to Palo Alto's electric generation portfolio. This measure also supports the City to achieve a 100 percent carbon neutral electric supply portfolio. This measure also supports the City's goal to meet 4% of the City's electricity needs through solar by 2023.				
Status	Rebate funds for residential solar have been fully reserved, and Staff expects the commercial funds to be reserved well before the 2017 goal set by SB1. With the costs of PV systems steadily going down, along with the added incentive of available rebates, staff anticipates more residential and commercial construction projects to include installation of these systems.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of Customer Accounts (Electric)	29,299	29,304	29,299	29,300	29,300
Number of momentary outages	1	26	0	0	0
Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent"	83	86	88	88	88
Total Number of Outages	19	26	20	19	19

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Electric Fund	11,727,427	14,087,807	31,534,580	25,559,149	(5,975,431)	(18.9)%
Electric Administration	20,476,339	22,014,672	25,376,584	26,279,205	902,620	3.6%
Electric Customer Service	1,548,851	2,110,437	2,226,652	2,300,532	73,881	3.3%
Electric Demand Side Management	3,559,586	3,724,006	6,817,126	6,992,874	175,748	2.6%
Electric Engineering (Operating)	1,405,600	1,592,025	1,841,173	1,980,111	138,938	7.5%
Electric Operations and Maintenance	10,716,881	11,523,884	13,735,487	13,522,126	(213,361)	(1.6)%
Electric Resource Management	89,457,201	84,370,412	98,557,925	103,907,742	5,349,817	5.4%
Total	138,891,885	139,423,243	180,089,527	180,541,739	452,212	0.3%
Dollars by Category						
Salary & Benefits						
Healthcare	1,858,579	1,767,659	2,211,278	2,270,685	59,408	2.7%
Other Benefits	294,915	325,666	257,033	323,575	66,542	25.9%
Overtime	803,397	978,506	492,003	492,003	—	—%
Pension	1,851,677	2,674,415	3,238,683	3,529,404	290,721	9.0%
Retiree Medical	1,541,657	1,417,176	1,537,264	1,617,277	80,014	5.2%
Salary	10,260,259	10,639,784	12,245,028	12,696,026	450,998	3.7%
Workers' Compensation	241,886	254,447	157,312	405,828	248,516	158.0%
Total Salary & Benefits	16,852,370	18,057,652	20,138,601	21,334,799	1,196,198	5.9%
Allocated Charges	3,997,504	4,708,298	8,829,184	9,112,457	283,273	3.2%
Contract Services	3,083,615	3,670,436	7,017,914	6,849,914	(168,000)	(2.4)%
Debt Service	8,940,084	8,889,294	8,957,186	8,782,300	(174,886)	(2.0)%
Equity Transfer	11,412,000	11,659,000	12,035,000	12,754,000	719,000	6.0%
Facilities & Equipment	—	2,190	44,475	44,475	—	—%
General Expense	2,153,071	1,826,521	3,930,817	3,380,080	(550,737)	(14.0)%
Operating Transfers-Out	661,061	177,323	255,269	400,940	145,671	57.1%
Rents & Leases	4,136,105	5,301,644	5,439,572	5,603,447	163,875	3.0%
Supplies & Material	677,677	665,283	873,097	871,207	(1,890)	(0.2)%
Transfer to Infrastructure	—	273,476	—	—	—	—%
Utility Purchase	78,380,327	73,439,746	86,440,735	91,705,000	5,264,265	6.1%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Capital Improvement Program	8,598,071	10,752,379	26,127,677	19,703,119	(6,424,557)	(24.6)%
Total Dollars by Expense Category	138,891,885	139,423,243	180,089,527	180,541,739	452,212	0.3%

Revenues						
Charges for Services	421,977	320,308	230,000	230,000	—	—%
Charges to Other Funds	305,151	290,667	289,096	308,565	19,469	6.7%
Net Sales	112,001,079	110,604,293	131,990,403	136,139,180	4,148,777	3.1%
Operating Transfers-In	547,139	259,400	2,678,768	3,465,100	786,332	29.4%
Other Revenue	7,865,325	8,808,047	15,514,731	11,029,000	(4,485,731)	(28.9)%
Other Taxes and Fines	112,392	420,867	—	—	—	—%
Property Taxes	—	76	—	—	—	—%
Return on Investments	2,414,464	2,039,748	2,507,700	2,507,700	—	—%
Total Revenues	123,667,527	122,743,405	153,210,698	153,679,545	468,847	0.3%

Positions by Division						
CIP Electric Fund	32.57	32.14	32.14	31.90	(0.24)	(0.75)%
Electric Customer Service	13.63	13.54	12.07	11.70	(0.37)	(3.07)%
Electric Demand Side Management	6.57	6.61	6.85	6.17	(0.68)	(9.87)%
Electric Engineering (Operating)	4.50	5.73	4.98	4.98	—	—%
Electric Operations and Maintenance	48.84	48.36	48.36	48.10	(0.26)	(0.54)%
Electric Resource Management	8.15	10.00	8.18	8.38	0.20	2.44%
Total	114.26	116.38	112.58	111.23	(1.35)	(1.20)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.24	0.26	0.33	0.31	(0.02)	22,035
Administrative Associate II	4.10	4.10	4.00	3.90	(0.10)	297,218
Assistant Director Administrative Services	0.15	0.15	0.20	0.20	—	40,227
Assistant Director Utilities Customer Support Services	0.40	0.40	0.40	0.40	—	67,949

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Assistant Director Utilities Engineering	0.40	0.40	0.40	0.40	—	77,958
Assistant Director Utilities Operations	0.60	0.60	0.60	0.60	—	114,080
Assistant Director Utilities/Resource Management	0.50	0.50	0.50	0.50	—	86,986
Business Analyst	2.13	2.89	2.04	1.94	(0.10)	290,495
Contracts Administrator	0.10	0.10	0.10	0.10	—	11,367
Coordinator Utilities Projects	1.80	1.80	1.55	1.55	—	172,299
Customer Service Representative	1.62	1.86	1.62	1.87	0.25	141,244
Customer Service Specialist	0.66	0.62	0.66	0.66	—	54,820
Customer Service Specialist-Lead	0.58	0.62	0.58	0.58	—	51,521
Electric Project Engineer	1.95	1.95	1.95	1.95	—	282,859
Electric Underground Inspector	2.00	2.00	2.00	2.00	—	202,925
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	—	108,512
Electrical Equipment Technician	—	—	1.00	1.00	—	92,630
Electrician Assistant I	4.00	4.00	3.00	3.00	—	241,484
Engineering Manager - Electric	0.55	0.55	0.55	0.55	—	98,464
Engineering Technician III	2.40	2.40	2.40	1.40	(1.00)	134,114
Heavy Equipment Operator	2.00	2.00	2.00	2.00	—	192,644
Inspector, Field Services	—	—	0.25	0.25	—	25,844
Lineperson/Cable Specialist	11.00	11.00	11.00	11.00	—	1,411,327
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	—	549,228
Manager Customer Service	—	0.33	0.33	0.33	—	43,367
Manager Customer Service and Meter Reading	0.33	—	—	—	—	—
Manager Electric Operations	1.00	1.00	1.00	1.00	—	154,232
Manager Treasury, Debt & Investments	—	—	0.30	0.30	—	41,496
Manager Utilities Compliance	0.15	0.15	0.15	0.15	—	24,841
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,906
Manager Utilities Marketing Services	0.40	0.40	—	—	—	—
Manager Utilities Program Services	—	—	0.40	0.40	—	52,424

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Marketing Engineer	1.00	1.00	—	—	—	—
Meter Reader	1.99	2.41	1.99	1.99	—	141,181
Meter Reader-Lead	0.33	0.40	0.33	0.33	—	25,046
Metering Technician	3.00	3.00	3.00	3.00	—	362,874
Metering Technician-Lead	1.00	1.00	1.00	1.00	—	129,434
Offset Equipment Operator	0.48	0.48	0.48	0.48	—	32,490
Overhead Underground Troubleman	2.00	2.00	2.00	2.00	—	269,584
Planner	0.15	—	—	—	—	—
Power Engineer	2.30	2.30	2.30	2.30	—	314,565
Principal Business Analyst	—	0.34	0.34	0.34	—	48,394
Principal Management Analyst	0.34	—	—	—	—	—
Project Manager	0.75	0.75	0.75	0.75	—	83,803
Resource Planner	2.65	3.95	3.65	3.85	0.20	528,374
SCADA Technologist	1.00	1.00	1.00	1.00	—	147,031
Senior Business Analyst	0.68	0.68	0.68	0.68	—	86,703
Senior Electrical Engineer	3.95	3.95	3.95	3.95	—	641,974
Senior Management Analyst	0.45	0.45	0.10	0.10	—	12,819
Senior Resource Planner	3.69	4.08	3.06	3.06	—	513,381
Senior Technologist	0.29	—	—	—	—	—
Senior Utilities Field Service Representative	0.10	0.10	0.10	0.10	—	11,193
Street Light, Traffic Signal & Fiber Technician	2.00	3.00	3.00	3.00	—	347,103
Street Light, Traffic Signal & Fiber Technician Apprentice	1.00	—	—	—	—	—
Street Light, Traffic Signal & Fiber- Lead	1.00	1.00	1.00	1.00	—	123,800
Substation Electrician	5.50	5.50	5.50	5.50	—	694,182
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	270,137
Supervising Electric Project Engineer	1.00	1.00	1.00	1.00	—	137,072
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	85,689
Utilities Compliance Technician	2.00	2.00	2.00	2.00	—	269,429
Utilities Compliance Technician- Lead	1.00	1.00	1.00	1.00	—	144,163

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	—	183,003
Utilities Engineer Estimator	3.25	3.25	3.25	3.25	—	391,329
Utilities Field Services Representative	0.50	0.50	0.50	0.50	—	52,318
Utilities Key Account Representative	1.90	1.90	1.60	1.35	(0.25)	157,647
Utilities Locator	1.95	1.95	1.95	1.95	—	187,281
Utilities Marketing Program Administrator	2.55	2.25	1.90	1.60	(0.30)	177,486
Utilities Safety Officer	0.55	0.55	0.55	0.55	—	61,604
Utilities Supervisor	5.00	5.00	5.00	5.00	—	679,827
Utilities System Operator	5.00	5.00	5.00	5.00	—	687,715
Utility Engineering Estimator - Lead	—	—	—	1.00	1.00	128,892
Sub-total: Full-Time Equivalent Positions	109.56	112.02	107.44	107.12	(0.32)	13,232,020
Temporary/Hourly	4.70	4.37	5.15	4.11	(1.03)	328,067
Total Positions	114.26	116.38	112.58	111.23	(1.35)	13,560,086

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Electric Fund
Prior Year Budget	112.58	174,683,641	153,210,698	21,472,943
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	1,069,452	—	1,069,452
Electric Commodity Purchases Expenditure Adjustment	—	5,264,265	2,727,727	2,536,538
Electric Sales Revenue Adjustment (14% rate increase & changes in consumption levels)	—	—	1,421,050	(1,421,050)
Equity Transfer to General Fund Adjustment	—	719,000	—	719,000
Central Valley Project (CVP) O&M Loan Repayment Revenue Adjustment	—	—	104,269	(104,269)
Palo Alto Green Gas Program Sales Revenue Adjustment	—	—	19,469	(19,469)
Staff Reallocations within Utility Program Services and Resource Management Division	(0.59)	114,406	—	114,406
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(1,890)	—	(1,890)
Debt Service Expenditure Adjustment	—	(174,886)	—	(174,886)
Capital Improvement Funding Adjustments	—	(2,411,563)	(3,990,000)	1,578,437
Transfer to Technology Fund (TE-10001 Utilities Customer Billing Software Replacement and TE-05000 Radio Infrastructure Replacement)	—	154,626	—	154,626
Transfer from the General Fund (for Traffic Signal and Streetlight Electric Costs)	—	—	186,332	(186,332)
General Fund Cost Allocation Plan Adjustment	—	117,990	—	117,990
Dispatch Service Allocated Charges Adjustment	—	1,615	—	1,615
General Liability Insurance Allocated Charges Adjustment	—	105,624	—	105,624
Ground Maintenance Allocated Charges Adjustment	—	410	—	410
Print & Mail Allocated Charges Adjustment	—	12,281	—	12,281
Rents & Leases Expenditure Alignment	—	163,875	—	163,875
Refuse Allocated Charges Adjustment	—	460	—	460
Storm Drain Allocated Charges Adjustment	—	413	—	413
Street Cut Allocated Charges Adjustment	—	(12,680)	—	(12,680)
Utilities Administration Allocated Charges Adjustment	—	15,078	—	15,078
Utilities Allocated Charges Adjustment	—	73,146	—	73,146

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Electric Fund
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	(746)	—	(746)
Adjustments to Costs of Ongoing Activities	(0.59)	5,210,876	468,847	4,587,403
Total FY 2018 Base Budget	111.99	179,894,517	153,679,545	26,214,972
Budget Proposals				
1 Supplemental Pension Trust Fund Contribution	—	353,620	—	353,620
2 Electrification Research and Development Projects	—	150,000	—	150,000
3 Electric Consultant Services Contract	—	132,000	—	132,000
4 Utilities Compliance Group Workload Realignment	—	54,320	—	54,320
5 Electric Engineering Staffing	—	25,949	—	25,949
6 Utilities Customer Service and Part-Time Staffing Reorganization	(0.76)	(68,667)	—	(68,667)
Budget Changes	(0.76)	647,222	—	647,222
Total FY 2018 Proposed Budget	111.23	180,541,739	153,679,545	26,862,194



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund
1 Supplemental Pension Trust Fund Contribution	0.00	353,620	0	353,620

This action establishes a transfer from the Electric Funds to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$353,620 which represents approximately 10% of the Electric Funds' annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

2 Electrification Research and Development Projects	0.00	150,000	0	150,000

This action provides funding for electrification related research and development projects. The hot water space heating program is currently funded at \$50,000 per year. The department has been tasked to consider fuel-switching programs or incentives for residential customers. Staff seeks to increase the rebate funding by \$150,000 for water heating and space heating appliances to pilot new programs and technologies, promote customer adoption, and lower the barriers of electrification. (Ongoing net costs: \$150,000)

Performance Results



Increased participation of this program will promote electrification efforts, contributing to the reduction of carbon emissions.

3 Electric Consultant Services Contract	0.00	132,000	0	132,000

This action provides funding for the second year of a three-year contract for consultant services in the Electric fund. The contract is used to augment staff resources and provide specialized knowledge and analysis in the areas of supply analysis and planning. (Ongoing net costs: \$132,000)

Performance Results



Continuing funding of the on-call consulting contracts ensures the use of expert and experienced consultants in a cost effective manner to respond to electric legislative and regulatory changes, assist with transmission grid planning, and achieve community's energy efficiency initiatives such as renewable energy supply and greenhouse gas reductions.

4 Utilities Compliance Group Workload Realignment	0.00	54,320	0	54,320

This action updates the job descriptions and salary ranges for the Utilities Compliance Technician and Utilities Compliance Technician-Lead classifications. Additional duties including inspection on contract work performed that complies with General Orders 128 for underground inspection and General Orders 95 for overhead construction ensure the business needs of the Electric Operations Division and job requirements to perform the work are met. These changes are subject to the meet and confer process. (Ongoing net costs: \$54,320)

Performance Results



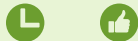
The City's electric distribution system includes 5,930 overhead poles and 2,698 underground locations. Updating the job description will allow Electric Operations to manage the compliance of General Orders 128 and General Orders 95 through scheduled annual inspections for the entire distribution system, without having to contract out for services.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund
5 Electric Engineering Staffing	0.00	25,949	0	25,949

This action eliminates 1.0 Engineering Technician III and adds 1.0 Utility Engineering Estimator-Lead in the Electric Engineering Division. In addition to providing CAD drawings and cost estimates for customer connection and capital improvement projects, currently completed by Utility Engineering Estimators, the new lead position will be responsible for providing training, updating the City's Engineering standards, distributing project assignments, reviewing drawings and cost estimates, and verifying construction as-built plans. This increased responsibility will create additional capacity at the Senior Electric Engineer level, allowing them to refocus on addressing the backlog of capital improvement projects. This action is subject to the meet and confer process. (Ongoing net costs: \$25,949)

Performance Results

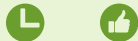


This reclassification will allow the Electric Engineering Division to reduce the backlog of customer connection and electric capital improvement projects (CIP) and create capacity at the Senior Engineer's level to oversee essential CIP projects, such as upgrading the distribution system, SCADA and communication network, and Smart Grid initiatives.

6 Utilities Customer Service and Part-Time Staffing Reorganization	-0.76	(68,667)	0	(68,667)

This action reorganizes and reallocates various part-time employees' funding department-wide to better align resources based on workload. This reorganization will reduce the department's overall part-time staffing by a total of 1.76 FTE and add one 1.0 full-time Customer Service Representative for a net reduction of 0.76 in total full-time equivalent staff impacting 19 positions. Within this reorganization, impacts to the Electric Fund include: a net increase of 0.32 for two Journey Level Laborers; an increase of 0.25 for one Customer Service Representative; a net decrease of 0.64 for four Administrative Specialists I; a decrease of 0.48 for one Staff Specialist; a decrease of 0.24 for one Management Specialist; and a decrease of 0.02 for one Administrative Specialist II. (Ongoing net savings: \$68,667)

Performance Results



The additional Customer Service Representative will enable Utilities to fully staff the new Utilities Customer Service counter in the Civic Center lobby to assist walk-in customers with Utilities-related services including billing, account services, and programs. With this additional position, the Utilities Call Center will improve performance and customer response time.



CITY OF
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FIBER OPTICS FUND

Description

In 1996, the City built a dark fiber ring around Palo Alto that would be 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. It does not include the transmitters, receivers, or data itself, which are owned and operated by each customer.

Accomplishments

- Staff completed initiatives related to the Fiber-to-the-Premises (FTTP) Master Plan and the Wireless Network Plan with the issuance of request for information for a partnership to deploy a citywide FTTP network and issuance of request for proposal to add a dedicated wireless communication network for Public Safety and Utilities.
- Initiated the fiber network upgrade project to install new aerial duct and substructure (conduit and boxes), in addition to fiber backbone cable to increase capacity for sections of the dark fiber ring that are at or near capacity. This project basically "overlays" new fiber over existing fiber routes in the network.
- Continuing upgrades to inter-departmental dark fiber databases (Engineering, Operations and Business Development) to fully leverage the physical audit data.
- Utilities staff worked closely with other City departments such as the City Attorney, Development Center, Planning & Community Environment and Public Works on proposed network upgrades by the wired and wireless telecommunication providers.

Initiatives

- Ongoing upgrade of City's dark fiber ring to improve network performance and enable future expansion opportunities for licensing dark fiber to commercial firms and anchor institutions.
- Evaluate new opportunities to expand the existing commercial dark fiber customer base in other business sectors (e.g. licensing dark fiber to the cellular industry for network backhaul links for small cell deployments).
- Develop a plan to ensure commercial dark fiber customer retention due to anticipated changes in the market for business broadband services.
- Develop a work plan with the Citizen Advisory Committee, Utilities Advisory Commission and City Council to support next-generation, gigabit-speed broadband.
- Develop a "Dig Once" policy or ordinance to support the expansion of broadband in Palo Alto and to preserve City streets and other critical infrastructure.
- Support network upgrades by Internet service providers to deliver next-generation broadband.

Goals and Objectives

GOAL 1

Increase the value of fiber utility services to customers.

Objectives:

- Provide high-quality and 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 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of commercial fiber connections completed	228.00	219.00	240.00	221.00	223.00
Description	This measure shows the growth of the Fiber Enterprise based on customers and connections. Some customers 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 its network to provide more service options to our ever-expanding customer base. For example, a network was completed for the Palo Alto Unified School District (PAUSD) that will not only serve the schools, but provide fiber access to previously unserved areas.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of Wholesale re-sellers	11	10	14	12	13

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Fiber Optics Fund	412,667	634,258	2,012,133	1,819,208	(192,925)	(9.6)%
Fiber Optics Administration	62,472	177,369	737,271	788,092	50,821	6.9%
Fiber Optics Customer Service	420,523	402,806	1,017,098	1,128,287	111,189	10.9%
Fiber Optics Operations and Maintenance	1,103,758	1,360,167	520,063	574,757	54,694	10.5%
Total	1,999,420	2,574,599	4,286,565	4,310,344	23,779	0.6%
Dollars by Category						
Salary & Benefits						
Healthcare	140,208	129,998	151,141	159,128	7,987	5.3%
Other Benefits	20,634	20,292	18,928	24,978	6,050	32.0%
Overtime	28,965	7,863	24,244	24,244	—	—%
Pension	111,875	168,158	206,120	231,718	25,598	12.4%
Salary	579,884	805,524	798,838	893,674	94,836	11.9%
Workers' Compensation	—	—	10,082	26,440	16,358	162.2%
Total Salary & Benefits	881,565	1,131,834	1,209,353	1,360,182	150,829	12.5%
Allocated Charges	590,379	475,985	559,303	616,273	56,970	10.2%
Contract Services	99,791	193,240	458,300	458,300	—	—%
General Expense	2,999	3,982	14,000	14,000	—	—%
Operating Transfers-Out	9,441	103,818	104,032	122,837	18,805	18.1%
Rents & Leases	53,692	71,650	74,577	76,914	2,337	3.1%
Supplies & Material	5,033	6,323	9,000	9,000	—	—%
Transfer to Infrastructure	—	17,141	—	—	—	—%
Capital Improvement Program	356,520	570,626	1,858,000	1,652,838	(205,162)	(11.0)%
Total Dollars by Expense Category	1,999,420	2,574,599	4,286,565	4,310,344	23,779	0.6%
Revenues						
Charges for Services	20,026	25,702	—	—	—	—%
Charges to Other Funds	—	5,300	—	—	—	—%
Net Sales	4,606,321	4,474,071	4,886,920	4,890,810	3,890	0.1%
Operating Transfers-In	169	—	—	—	—	—%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Other Revenue	2,752	1,417	—	200,000	200,000	—%
Return on Investments	411,870	443,557	366,400	366,400	—	—%
Total Revenues	5,041,137	4,950,048	5,253,320	5,457,210	203,890	3.9%

Positions by Division

CIP Fiber Optics Fund	0.79	0.79	0.79	0.79	—	—%
Fiber Optics Customer Service	3.32	2.84	2.90	3.68	0.78	27.07%
Fiber Optics Operations and Maintenance	3.13	3.13	3.13	3.13	—	—%
Total	7.24	6.76	6.82	7.60	0.78	11.50%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Administrative Associate II	—	—	0.10	0.20	0.10	15,242
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	33,975
Assistant Director Utilities Engineering	0.05	0.05	0.05	0.05	—	9,745
Business Analyst	—	0.10	0.20	0.30	0.10	44,922
Chief Sustainability Officer	0.10	—	—	—	—	—
Electric Project Engineer	0.05	0.05	0.05	0.05	—	7,253
Manager Utilities Compliance	0.10	0.10	0.10	0.10	—	16,561
Manager Utilities Credit & Collection	0.40	0.40	0.40	0.40	—	53,082
Manager Utilities Marketing Services	0.20	0.20	—	—	—	—
Manager Utilities Program Services	—	—	0.20	0.20	—	26,212
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	130,062
Power Engineer	0.40	0.40	0.40	0.40	—	54,707
Senior Electrical Engineer	0.05	0.05	0.05	0.05	—	8,026
Street Light, Traffic Signal & Fiber Technician	2.00	2.00	2.00	2.00	—	231,402

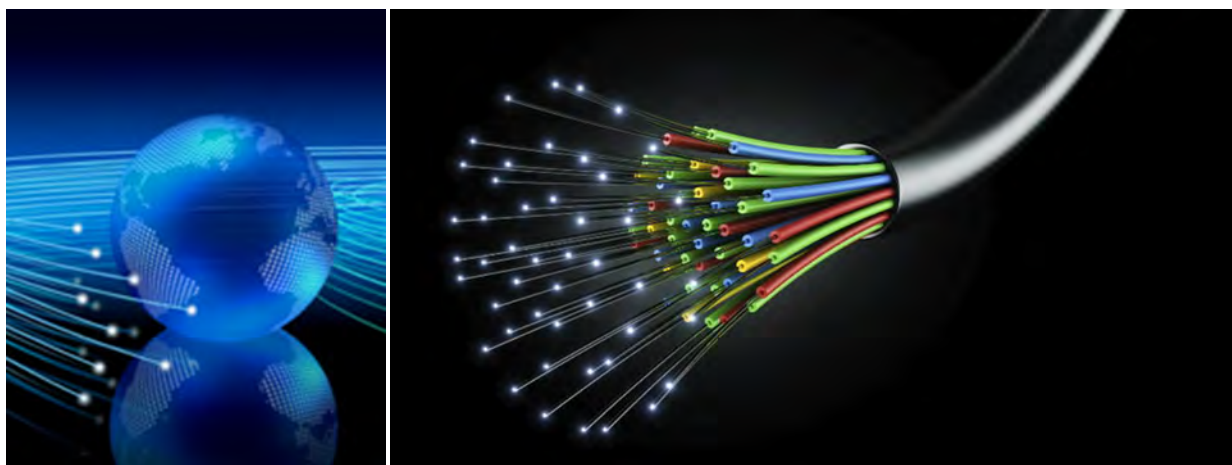
UTILITIES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	1.00	—	123,800
Utilities Key Account Representative	0.60	0.60	0.70	0.80	0.10	93,420
Utilities Locator	0.03	0.03	0.03	0.03	—	2,881
Utilities Marketing Program Administrator	0.10	—	—	—	—	—
Sub-total: Full-Time Equivalent Positions	6.28	6.18	6.48	6.78	0.30	851,290
Temporary/Hourly	0.96	0.58	0.34	0.82	0.48	77,946
Total Positions	7.24	6.76	6.82	7.60	0.78	929,236

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Fiber Optics Fund
Prior Year Budget	6.82	4,132,432	5,253,320	(1,120,888)
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustment	—	66,877	—	66,877
Fiber Revenue Adjustment (Rate Increase 3.5% CPI)	—	—	131,062	(131,062)
Staff Reallocation within Utility Program Services and Resource Management Divisions	0.30	45,726	—	45,726
Capital Improvement Funding Adjustments	—	(55,623)	—	(55,623)
Transfer to Technology Fund (TE-10001 Utilities Customer Billing Software Replacement)	—	565	—	565
IT Project Services Staffing (Management Specialist)	0.48	38,226	—	38,226
General Fund Cost Allocation Plan Adjustment	—	19,549	—	19,549
General Liability Insurance Allocated Charges Adjustment	—	6,881	—	6,881
Rents and Leases Expenditure Alignment	—	2,337	—	2,337
Utilities Administration Allocated Charges Adjustment	—	31,124	—	31,124
Adjustments to Costs of Ongoing Activities	0.78	155,662	131,062	24,600
Total FY 2018 Base Budget	7.60	4,288,094	5,384,382	(1,096,288)
Budget Proposals				
1 Supplemental Pension Trust Fund Contribution	—	22,250	—	22,250
2 Fiber Connection for Creek Monitors	—	—	72,828	(72,828)
Budget Changes	—	22,250	72,828	(50,578)
Total FY 2018 Proposed Budget	7.60	4,310,344	5,457,210	(1,146,866)



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Fiber Optics Fund
1 Supplemental Pension Trust Fund Contribution	0.00	22,250	0	22,250

This action establishes a transfer from the Fiber Optics Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$22,250 which represents approximately 10% of the Fiber Optics Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

2 Fiber Connection for Creek Monitors	0.00	0	72,828	(72,828)

This action recognizes the payment from Storm Drainage Fund for the ongoing costs associated with the fiber optic connection between storm drain pump stations and creek monitors. The monitors will be installed during the 2017 summer season and funded as part of the Storm Drain System Replacement and Rehabilitation Capital Improvement Program project. (Ongoing net savings: \$72,828)

Performance Results



This action will connect storm drain pump stations and creek monitors to the City's fiber optic network to increase the accuracy of sensor readings. In the future, real-time camera views during potential flash flood events will be enabled.

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 maintains 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.

Accomplishments

- Adopted a Carbon Neutral Natural Gas Plan to achieve a carbon neutral gas supply portfolio with a rate impact not to exceed ten cents per therm.
- Completed the design of gas main replacement project GMR 22 to replace approximately 19,440 linear feet of gas main pipelines and 367 service pipelines near the downtown area.
- Updated the ten-year gas efficiency goals for 2018 to 2027 with a cumulative ten-year gas efficiency savings of 5.1% or 1,491,000 therms of the City's projected load.
- Completed the development of a computer model to perform complex natural gas distribution system analyses.
- Reduced 286,000 therms of gas or one percent of the City's load in 2016 as a result of gas energy efficiency programs.

Initiatives

- Implement the Carbon Neutral Gas Plan to achieve a carbon neutral gas supply portfolio and prioritize maximizing carbon reduction within the ten cents per therm impact cap.
- Continue to enhance outreach for gas safety awareness to all customer groups, as well as non-customers, living around a gas pipeline and/or working with utility services in Palo Alto.
- Start construction of gas main replacement project GMR 22 to replace approximately 19,440 linear feet of gas main pipelines and 367 service pipelines near the downtown area.

UTILITIES

- Complete the gas cost of service study; the previous gas cost of service study was conducted in 2012.

Goals and Objectives

GOAL 1

Provide safe and efficient delivery of natural gas to our customers.

Objectives:

- Continue repairing 100 percent of laterals damaged by crossbore within 24 hours.
- Remove and replace the remaining acrylonitrile butadiene styrene (ABS) 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.
- Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan.

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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of Grade 1 leaks responded to within 24 hours	100.00%	100.00%	100.00%	100.00%	100.00%
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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of gas system surveyed by walking	100.00%	100.00%	100.00%	100.00%	100.00%
Percentage of gas system surveyed by mobile (vehicle)	100.00%	100.00%	100.00%	100.00%	100.00%
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. Department of Transportation (DOT) regulations require a survey of the entire City once every five years. The City of Palo Alto gas leak survey exceeds the DOT requirements. In addition to 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 (Department of Transportation) requirements.				
Status	The department is meeting the requirements and repairing all discovered gas leaks in a timely manner.				

INCREASE ENVIRONMENTAL SUSTAINABILITY AND PROMOTE EFFICIENT USE OF NATURAL GAS RESOURCES

Goal	Support environmental sustainability and promote efficient use of natural gas resources.				
Objective	Ten-year goals for natural gas are a reduction in expected gas use of 2.85 percent by 2023 (2013 base year).				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Natural gas savings achieved annually through efficiency programs	225,817.00	286,317.00	158,000.00	200,000.00	287,000.00
Description	The department measures specific savings achieved from the installation of natural gas efficiency improvements, which we track through our energy efficiency incentive programs. We can also track overall savings by customer class. Much of the non-residential savings were achieved through our third party contractors who help large customer 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	FY 2016 gas efficiency savings were more than double of the yearly goal. As the cost of gas continued to decrease, we anticipate decline in large commercial gas savings projects.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of Customer Accounts (Gas)	23,461	23,467	23,659	23,460	23,460
Number of gas leaks repaired	100	109	100	82	75

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Gas Fund	7,460,806	3,298,187	13,828,805	5,223,861	(8,604,944)	(62.2)%
Gas Administration	9,245,419	9,729,505	12,213,114	12,279,959	66,845	0.5%
Gas Customer Service	1,195,633	1,364,272	1,583,952	1,693,417	109,465	6.9%
Gas Demand Side Management	631,749	565,553	1,471,467	1,593,290	121,823	8.3%
Gas Engineering (Operating)	369,154	425,602	528,730	567,176	38,446	7.3%
Gas Operations and Maintenance	4,403,054	4,158,721	4,979,614	5,550,009	570,395	11.5%
Gas Resource Management	11,074,833	8,599,212	13,060,873	16,185,726	3,124,854	23.9%
Total	34,380,649	28,141,053	47,666,554	43,093,438	(4,573,116)	(9.6)%
Dollars by Category						
Salary & Benefits						
Healthcare	898,497	819,155	985,191	1,053,572	68,381	6.9%
Other Benefits	131,774	136,962	120,560	149,353	28,794	23.9%
Overtime	316,690	325,581	188,249	188,249	—	—%
Pension	837,860	1,116,780	1,389,351	1,511,446	122,095	8.8%
Retiree Medical	587,151	543,452	594,708	625,662	30,954	5.2%
Salary	4,268,909	3,603,977	5,238,544	5,406,444	167,900	3.2%
Workers' Compensation	45,111	64,978	62,988	173,330	110,342	175.2%
Total Salary & Benefits	7,085,992	6,610,886	8,579,590	9,108,056	528,466	6.2%
Allocated Charges	2,321,250	2,550,031	4,173,283	3,934,577	(238,707)	(5.7)%
Contract Services	841,287	573,304	1,446,000	1,446,000	—	—%
Debt Service	265,519	248,930	802,615	802,615	—	—%
Equity Transfer	5,730,000	6,194,000	6,726,000	6,733,000	7,000	0.1%
Facilities & Equipment	—	—	19,790	19,790	—	—%
General Expense	522,091	348,019	780,361	780,274	(87)	(0.0)%
Operating Transfers-Out	150,635	375,638	484,066	899,639	415,573	85.9%
Rents & Leases	512,509	688,649	709,958	728,615	18,657	2.6%
Supplies & Material	428,429	445,378	498,034	497,216	(818)	(0.2)%
Transfer to Infrastructure	—	100,119	—	—	—	—%
Utility Purchase	10,519,185	8,127,485	12,337,000	15,586,773	3,249,773	26.3%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Capital Improvement Program	6,003,751	1,878,613	11,109,857	2,556,883	(8,552,974)	(77.0)%
Total Dollars by Expense Category	34,380,649	28,141,053	47,666,554	43,093,438	(4,573,116)	(9.6)%

Revenues						
Charges for Services	19,698	20,982	20,000	20,000	—	—%
Charges to Other Funds	96,316	216,628	208,104	95,587	(112,517)	(54.1)%
Net Sales	29,830,007	29,021,397	34,605,526	34,740,465	134,939	0.4%
Operating Transfers-In	8,221	—	—	—	—	—%
Other Revenue	787,248	984,314	1,030,000	1,060,510	30,510	3.0%
Return on Investments	499,912	448,615	526,300	526,300	—	—%
Total Revenues	31,241,401	30,691,936	36,389,930	36,442,862	52,932	0.1%

Positions by Division						
CIP Gas Fund	17.10	17.10	17.10	15.80	(1.30)	(7.63)%
Gas Customer Service	9.61	8.41	8.78	9.03	0.25	2.84%
Gas Demand Side Management	0.34	0.34	1.34	1.94	0.60	44.78%
Gas Engineering (Operating)	1.40	1.15	1.40	1.40	—	—%
Gas Operations and Maintenance	22.07	22.38	22.43	23.98	1.55	6.91%
Gas Resource Management	2.28	2.77	1.65	0.96	(0.69)	(41.82)%
Total	52.80	52.16	52.70	53.11	0.41	0.78%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.26	0.26	0.23	0.23	0.01	16,349
Administrative Associate II	0.65	0.65	0.75	0.85	0.10	64,778
Assistant Director Administrative Services	0.10	0.10	0.05	0.05	—	10,057
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	33,975
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	38,979

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	28,520
Assistant Director Utilities/Resource Management	0.25	0.25	0.25	0.25	—	43,493
Business Analyst	1.37	0.83	1.28	1.48	0.20	221,614
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	—	102,943
Cathodic Technician	1.00	1.00	1.00	1.00	—	126,380
Cement Finisher	0.25	0.25	0.25	0.68	0.43	62,836
Contracts Administrator	0.10	0.10	0.10	0.10	—	11,367
Coordinator Utilities Projects	1.51	1.51	1.26	1.26	—	140,062
Customer Service Representative	1.62	1.50	1.62	1.87	0.25	141,244
Customer Service Specialist	0.68	0.50	0.68	0.68	—	56,481
Customer Service Specialist-Lead	0.58	0.50	0.58	0.58	—	51,521
Engineer	2.00	2.00	2.00	2.00	—	256,225
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	26,854
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	51,885
Engineering Technician III	0.70	0.70	0.70	0.70	—	67,057
Equipment Operator	0.43	0.43	0.43	—	(0.43)	—
Gas and Water Meter Measurement and Control Technician	—	—	—	3.20	3.20	328,817
Gas and Water Meter Measurement and Control Technician - Lead	—	—	—	0.80	0.80	87,963
Gas System Technician	2.00	2.00	—	—	—	—
Gas System Technician II	0.90	0.90	2.90	—	(2.90)	—
Heavy Equipment Operator	2.57	2.57	2.52	2.52	—	242,731
Heavy Equipment Operator - Install/Repair	—	—	0.65	0.65	—	68,953
Inspector, Field Services	1.17	1.17	1.42	1.42	—	146,794
Maintenance Mechanic-Welding	1.00	1.00	1.00	1.00	—	102,838
Manager Customer Service	—	0.33	0.33	0.33	—	43,367
Manager Customer Service and Meter Reading	0.33	—	—	—	—	—
Manager Treasury, Debt & Investments	—	—	0.10	0.10	—	13,832
Manager Utilities Compliance	0.25	0.25	0.25	0.25	—	41,402

UTILITIES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,906
Manager Utilities Marketing Services	0.20	0.20	—	—	—	—
Manager Utilities Operations WGW	0.20	0.20	0.20	0.20	—	31,683
Manager Utilities Program Services	—	—	0.20	0.20	—	26,212
Meter Reader	1.98	1.92	1.98	1.98	—	140,472
Meter Reader-Lead	0.33	0.32	0.33	0.33	—	25,046
Principal Business Analyst	—	0.33	0.33	0.33	—	46,970
Principal Management Analyst	0.33	—	—	—	—	—
Program Assistant I	0.33	0.33	0.33	0.33	—	25,516
Project Engineer	1.00	1.00	1.00	1.00	—	137,889
Resource Planner	1.15	0.95	0.65	(0.05)	(0.70)	(6,862)
Restoration Lead	0.43	0.43	0.43	0.43	—	43,199
SCADA Technologist	0.20	0.20	0.20	0.20	—	29,406
Senior Business Analyst	0.66	0.66	0.66	0.66	—	84,153
Senior Engineer	2.10	2.70	2.70	2.70	—	377,017
Senior Management Analyst	0.05	0.05	—	—	—	—
Senior Mechanic	0.33	0.33	0.33	0.33	—	35,630
Senior Project Engineer	0.60	—	—	—	—	—
Senior Resource Planner	0.46	0.77	0.45	0.46	0.01	68,255
Senior Technologist	0.29	—	—	—	—	—
Senior Utilities Field Service Representative	0.41	0.41	0.41	0.41	—	45,890
Substation Electrician	0.10	0.10	0.10	0.10	—	12,621
Supervisor Inspection Services	0.29	0.29	—	—	—	—
Utilities Engineer Estimator	0.85	0.85	0.85	0.85	—	102,347
Utilities Field Services Representative	1.75	1.75	1.75	1.75	—	183,112
Utilities Install Repair-Lead-Welding Certified	1.30	1.30	1.30	1.30	—	148,146
Utilities Install Repair-Welding Certified	1.95	1.95	1.95	1.95	—	206,832
Utilities Install/Repair	4.45	4.45	3.85	3.85	—	392,820
Utilities Install/Repair Assistant	0.65	0.65	0.65	0.65	—	56,249

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Utilities Install/Repair-Lead	1.98	1.98	1.98	1.98	—	220,481
Utilities Key Account Representative	0.35	0.35	0.45	0.50	0.05	58,388
Utilities Locator	0.29	0.29	0.29	0.29	—	27,852
Utilities Marketing Program Administrator	0.35	0.35	0.70	1.00	0.30	110,929
Utilities Safety Officer	0.20	0.20	0.20	0.20	—	22,402
Utilities Supervisor	2.08	2.08	2.37	2.37	—	291,064
Water System Operator II	0.66	0.66	0.66	0.66	—	63,547
Sub-total: Full-Time Equivalent Positions	50.20	49.03	49.83	51.14	1.31	5,656,490
Temporary/Hourly	2.60	3.13	2.88	1.97	(0.91)	115,208
Total Positions	52.80	52.16	52.70	53.11	0.41	5,771,697

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
Prior Year Budget	52.70	44,949,192	36,389,930	8,559,262
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	429,099	—	429,099
Gas Commodity Purchases Expenditure Adjustment	—	3,249,773	—	3,249,773
Gas Sales Revenue Adjustment (Rate Increase, Consumption Decrease, Commodity Cost Decrease)	—	—	374,939	(374,939)
Palo Alto Green Gas Program Sales to City Revenue Adjustment	—	—	(352,517)	352,517
Staff Reallocations within Utility Program Services and Resource Management Division	(0.04)	12,418	—	12,418
Equity Transfer to General Fund Expenditure Adjustment	—	7,000	—	7,000
IT Project Services Staffing (Management Specialist)	(0.48)	(38,226)	—	(38,226)
Capital Improvement Funding Adjustments	—	(5,693,177)	30,510	(5,723,687)
Transfer to Technology Fund (TE-10001 Utilities Customer Billing Software Replacement and TE-05000 Radio Infrastructure Replacement)	—	109,303	—	109,303
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(818)	—	(818)
General Fund Cost Allocation Plan Adjustment	—	(351,321)	—	(351,321)
Dispatch Service Allocated Charges Adjustment	—	29,171	—	29,171
General Liability Insurance Allocated Charges Adjustment	—	45,112	—	45,112
Ground Maintenance Allocated Charges Adjustment	—	77	—	77
Landfill Allocated Charges Adjustment	—	(23,400)	—	(23,400)
Print & Mail Allocated Charges Adjustment	—	2,222	—	2,222
Rents & Leases Expenditure Alignment	—	18,657	—	18,657
Storm Drain Allocated Charges Adjustment	—	8	—	8
Street Cut Allocated Charges Adjustment	—	28,928	—	28,928
Utilities Administration Allocated Charges Adjustment	—	80,301	—	80,301
Utilities Allocated Charges Adjustment	—	(1,422)	—	(1,422)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	(33,485)	—	(33,485)
Adjustments to Costs of Ongoing Activities	(0.52)	(2,129,780)	52,932	(2,182,712)
Total FY 2018 Base Budget	52.18	42,819,412	36,442,862	6,376,550
Budget Proposals				
1 Supplemental Pension Trust Fund Contribution	—	148,937	—	148,937
2 Gas and Water Meter Shop Reorganization	1.10	109,117	—	109,117
3 Utilities Customer Service and Part-Time Staffing Reorganization	(0.17)	14,875	—	14,875
4 Pavement Restoration Staffing	—	1,097	—	1,097
Budget Changes	0.93	274,026	—	274,026
Total FY 2018 Proposed Budget	53.11	43,093,438	36,442,862	6,650,576



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund
1 Supplemental Pension Trust Fund Contribution	0.00	148,937	0	148,937

This action establishes a transfer from the Gas Funds to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$148,937 which represents approximately 10% of the Gas Funds' annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

2 Gas and Water Meter Shop Reorganization	1.10	109,117	0	109,117

This action realigns the structure of the existing Gas and Water Meter shops by consolidating into one shop. This action eliminates the isolated job classifications and adds new job classifications to reflect the merged team. By combining these two meter shops, the City will be better positioned to respond to customer needs and unforeseeable workload changes. This will make the City's meter shop more agile and flexible in its continued service. The proposed consolidation is outlined below:

- Eliminate 3.0 Gas Meter Technicians II and add 3.0 Gas and Water Measurement and Control Technicians;
- Eliminate 1.0 Water System Operator I and add 1.0 Gas and Water Measurement and Control Technician; and
- Eliminate 1.0 Engineering Technician III and add 1.0 Gas and Water Measurement and Control Technician - Lead.

This action is subject to the meet and confer process. (Ongoing net costs: \$109,117)

Performance Results



With this reorganization, Utilities will be able to reduce the risk of injuries, expand career opportunities, and reduce backlog of meter replacement and maintenance work for both the Gas and Water Meter Shops.

3 Utilities Customer Service and Part-Time Staffing Reorganization	-0.17	14,875	0	14,875

This action reorganizes and reallocates various part-time employees' funding department-wide to better align resources based on workload. This reorganization will reduce the department's overall part-time staffing by a total of 1.76 FTE and add one 1.0 full-time Customer Service Representative for a net reduction of 0.76 in total full-time equivalent staff impacting 19 positions. Within this reorganization, impacts to the Gas Fund include: a net increase of 0.48 for three Journey Level Laborers; an increase of 0.25 for one Customer Service Representative; a net decrease of 0.64 for three Maintenance Assistants; a net decrease of 0.24 for four Administrative Specialists - I; and a decrease of 0.02 for one Administrative Specialist - II. (Ongoing net costs: \$14,875)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund
Performance Results   The additional Customer Service Representative will enable Utilities to fully staff the new Utilities Customer Service counter in the Civic Center lobby to assist walk-in customers with Utilities-related services including billing, account services, and programs. With this additional position, the Utilities Call Center will improve performance and customer response time.				
4 Pavement Restoration Staffing	0.00	1,097	0	1,097
This action reclassifies 1.0 Equipment Operator to 1.0 Cement Finisher in the Water-Gas-Wastewater Division. The division requires two Cement Finishers in its Restoration Crew to keep pace with new construction and capital improvement projects which will continue at current levels for the foreseeable future. With the crew's sole Cement Finisher eligible for retirement, this reclassification ensures continuity of operations and succession planning. (Ongoing net costs: \$1,097)				
Performance Results  This reclassification will allow Operations to restore pavement and concrete in a timely manner.				



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.

Accomplishments

- Surveyed, inspected, and cleaned 3,397 out of 18,141 City-owned sewer laterals. On average, the City surveys and inspects between 3,200 - 4,200 per year.
- Repaired and/or replaced over 202 laterals with structural damage.
- The construction of sanitary sewer replacement project SSR 24/25/26 will be completed by March 2017. Approximately 42,000 linear feet of sanitary sewer mains, 780 sewer laterals, and 120 manholes in University South, Professorville, and Old Palo Alto neighborhoods will be replaced
- The construction of sanitary sewer replacement project SSR 27 will be completed by April 2017. Approximately 15,753 linear feet of wastewater main pipelines, 259 lateral pipelines, and 46 manholes in Downtown North, Crescent Park, Community Center, and Duveneck/St. Francis neighborhoods will be replaced.

Initiatives

- Continue customer and plumber safety outreach about the importance of calling Utilities prior to clearing a sewer lateral to confirm no risk of crossbore.
- Reduce the total number of Sanitary Sewer Overflows (SSOs) by 5% annually per State Water Resources Control Board's requirement.
- Conduct a cost of service study for wastewater collection.
- Request proposals and procure a contractor to do Phase II of the Crossbore program to address high priority laterals.
- Replace aging sewer combination cleaning units with new units.
- Start the design of sanitary sewer replacement project SSR 28 to replace approximately 21,000 LF of wastewater main pipelines in Charleston Meadows and Leland Manor/Garland neighborhoods.

Goals and Objectives

GOAL 1

Maintain and provide reliable wastewater services to customers.

Objectives:

- Clean and maintain 100 percent of the sewer mains in commercial areas on a quarterly basis.
- Clean and video a minimum of 17 percent of the City-owned laterals annually, to comply with 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.

Key Performance Measures

MAINTAIN AND PROVIDE RELIABLE SERVICES

Goal	Maintain and provide a reliable wastewater system to customers.				
Objective	Inspect and clean 100 percent of the sewer mains in commercial areas on a quarterly basis. 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of miles of sewer lines cleaned/treated in a fiscal year	128.00	133.00	135.00	135.00	145.00
Percentage of sewer laterals inspected annually	22.00%	17.00%	19.00%	19.00%	19.00%
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 Sanitary Sewer Management Plan (SSMP), all the City's sewer mains must be cleaned within 30 months.				
Status	The City is meeting the objectives of its Sanitary Sewer Management Plan, and through the implementation of an aggressive sewer main cleaning, the number of blockages and overflows have decreased. WGW Operations is on target to complete inspection of 17% or 3,108 laterals of 18,141 in the City.				

Workload Measures

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Number of Customer Accounts (Wastewater)	22,241	22,016	22,016	22,174	22,010
Number of sewage overflows in a fiscal year	96	95	64	65	65
Percent of sewage spill and line blockage responses within two hours	97.00%	100.00%	100.00%	100.00%	100.00%
Percent of surveyed residents rating the quality of the Sewer Service as good/excellent	83.00%	88.00%	88.00%	88.00%	88.00%
Percent of miles of sewer lines replaced	3.00%	1.50%	1.94%	1.20%	1.50%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Wastewater Collection Fund	3,090,810	5,300,945	8,720,205	3,895,185	(4,825,020)	(55.3)%
Wastewater Collection Administration	1,454,325	1,962,889	2,616,917	2,845,968	229,051	8.8%
Wastewater Collection Customer Service	112,697	255,586	271,245	301,679	30,435	11.2%
Wastewater Collection Engineering (Operating)	318,560	347,062	447,371	480,976	33,605	7.5%
Wastewater Collection Operations and Maintenance	11,423,074	11,405,108	13,430,249	13,354,992	(75,258)	(0.6)%
Total	16,399,467	19,271,590	25,485,987	20,878,800	(4,607,187)	(18.1)%
Dollars by Category						
Salary & Benefits						
Healthcare	539,838	519,724	633,919	667,936	34,018	5.4%
Other Benefits	70,690	67,991	60,712	76,568	15,857	26.1%
Overtime	354,859	271,686	147,159	147,159	—	—%
Pension	469,096	606,146	777,626	838,155	60,529	7.8%
Retiree Medical	124,133	124,755	136,521	143,626	7,105	5.2%
Salary	2,457,005	2,332,607	2,887,948	2,968,946	80,997	2.8%
Workers' Compensation	18,019	22,645	35,739	95,475	59,737	167.1%
Total Salary & Benefits	4,033,641	3,945,556	4,679,624	4,937,866	258,243	5.5%
Allocated Charges	736,578	936,248	2,734,290	2,605,712	(128,578)	(4.7)%
Contract Services	86,187	171,722	247,640	247,640	—	—%
Debt Service	50,663	46,777	129,001	129,001	—	—%
Facilities & Equipment	—	—	3,000	3,000	—	—%
General Expense	75,022	47,240	122,160	122,160	—	—%
Operating Transfers-Out	119,173	338,264	285,689	393,160	107,471	37.6%
Rents & Leases	276,107	373,180	390,039	399,647	9,608	2.5%
Supplies & Material	314,451	320,224	386,120	385,618	(502)	(0.1)%
Transfer to Infrastructure	—	57,499	—	—	—	—%
Utility Purchase	8,776,795	8,769,780	9,855,026	9,915,579	60,553	0.6%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Capital Improvement Program	1,930,851	4,265,100	6,653,398	1,739,417	(4,913,981)	(73.9)%
Total Dollars by Expense Category	16,399,467	19,271,590	25,485,987	20,878,800	(4,607,187)	(18.1)%
Revenues						
Charges for Services	23,042	20,972	10,000	10,000	—	—%
Charges to Other Funds	30,107	30,107	30,107	30,107	—	—%
Net Sales	15,494,811	16,296,938	17,947,509	17,957,113	9,604	0.1%
Operating Transfers-In	4,467	—	—	—	—	—%
Other Revenue	1,251,859	511,434	1,046,000	1,057,820	11,820	1.1%
Return on Investments	323,123	299,684	266,500	266,500	—	—%
Total Revenues	17,127,410	17,159,136	19,300,116	19,321,540	21,424	0.1%
Positions by Division						
CIP Wastewater Collection Fund	13.00	12.52	12.52	12.52	—	—%
Wastewater Collection Customer Service	2.47	3.06	2.19	2.22	0.04	1.60%
Wastewater Collection Engineering (Operating)	1.40	1.15	1.40	1.40	—	—%
Wastewater Collection Operations and Maintenance	12.70	13.02	13.06	12.86	(0.20)	(1.53)%
Total	29.57	29.74	29.17	29.00	(0.16)	(0.56)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.25	0.25	0.23	0.23	0.01	16,349
Administrative Associate II	0.40	0.40	0.40	0.40	—	30,484
Assistant Director Utilities Engineering	0.15	0.15	0.15	0.15	—	29,234
Assistant Director Utilities Operations	0.10	0.10	0.10	0.10	—	19,013
Associate Engineer	0.50	0.50	—	—	—	—
Business Analyst	0.75	0.50	0.75	0.75	—	112,305

UTILITIES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Cement Finisher	0.50	0.50	0.50	0.76	0.26	70,229
Contracts Administrator	0.05	0.05	0.05	0.05	—	5,684
Coordinator Utilities Projects	1.35	1.35	1.10	1.10	—	122,277
Customer Service Representative	1.20	1.38	1.20	1.45	0.25	109,521
Customer Service Specialist	—	0.46	—	—	—	—
Customer Service Specialist-Lead	0.25	0.46	0.25	0.25	—	22,207
Engineer	1.00	1.00	1.00	1.00	—	128,113
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	26,854
Engineering Manager - WGW	0.34	0.34	0.34	0.34	—	53,457
Engineering Technician III	0.45	0.45	0.45	0.45	—	43,108
Equipment Operator	0.26	0.26	0.26	—	(0.26)	—
Heavy Equipment Operator	2.13	2.13	0.23	0.23	—	22,154
Heavy Equipment Operator - Install/Repair	—	—	3.15	3.15	—	334,158
Industrial Waste Investigator	—	—	0.50	0.50	—	53,193
Inspector, Field Services	1.43	1.43	1.68	1.68	—	173,672
Maintenance Mechanic-Welding	0.20	0.20	0.20	0.20	—	20,568
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,906
Manager Utilities Operations WGW	0.30	0.30	0.30	0.30	—	47,524
Program Assistant I	0.34	0.34	0.34	0.34	—	26,289
Project Engineer	2.00	2.00	2.00	2.00	—	275,777
Restoration Lead	0.26	0.26	0.26	0.26	—	26,120
Senior Engineer	1.15	1.30	1.30	1.30	—	186,558
Senior Mechanic	0.33	0.33	0.33	0.33	—	35,630
Senior Project Engineer	0.15	—	—	—	—	—
Supervisor Inspection Services	0.42	0.42	—	—	—	—
Utilities Engineer Estimator	0.47	0.47	0.47	0.47	—	56,592
Utilities Field Services Representative	1.25	1.25	1.25	1.25	—	130,794
Utilities Install Repair-Lead-Welding Certified	0.24	0.24	0.24	0.24	—	27,350
Utilities Install Repair-Welding Certified	0.36	0.36	0.36	0.36	—	38,184
Utilities Install/Repair	5.50	5.50	4.25	4.25	—	433,632

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Utilities Install/Repair-Lead	2.00	2.00	2.00	2.00	—	222,708
Utilities Locator	0.39	0.39	0.39	0.39	—	37,456
Utilities Safety Officer	0.10	0.10	0.10	0.10	—	11,201
Utilities Supervisor	1.30	1.30	1.72	1.72	—	180,934
Sub-total: Full-Time Equivalent Positions	28.17	28.77	28.15	28.40	0.26	3,149,235
Temporary/Hourly	1.40	0.98	1.02	0.60	(0.42)	37,812
Total Positions	29.57	29.74	29.17	29.00	(0.16)	3,187,047

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
Prior Year Budget	29.17	23,434,612	19,300,115	4,134,497
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	247,300	—	247,300
Wastewater Treatment Cost Adjustment	—	60,553	—	60,553
Rents and Leases Expenditure Adjustment	—	9,608	—	9,608
Wastewater Treatment Sales to City Revenue Adjustment	—	—	9,604	(9,604)
Capital Improvement Funding Adjustments	—	(2,939,994)	11,821	(2,951,815)
Transfer to Technology Fund (TE-10001 Utilities Customer Billing Software Replacement and TE-05000 Radio Infrastructure Replacement)	—	90,425	—	990,425
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(502)	—	(502)
General Fund Cost Allocation Plan Adjustment†	—	162,517	—	162,517
Dispatch Service Allocated Charges Adjustment	—	11,341	—	11,341
General Liability Insurance Allocated Charges Adjustment	—	24,849	—	24,849
Landfill Allocated Charges Adjustment	—	(1,840)	—	(1,840)
Print & Mail Allocated Charges Adjustment	—	1,669	—	1,669
Refuse Allocated Charges Adjustment	—	4,255	—	4,255
Street Cut Fee Allocated Charges Adjustment	—	(249,270)	—	(249,270)
Utilities Administration Allocated Charges Adjustment	—	(791)	—	(791)
Utilities Allocated Charges Adjustment	—	253	—	253
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	(70,507)	—	(70,507)
Adjustments to Costs of Ongoing Activities	—	(2,650,134)	21,425	(2,671,559)
Total FY 2018 Base Budget	29.17	20,784,478	19,321,540	1,462,938
Budget Proposals				
1 Supplemental Pension Trust Fund Contribution	—	83,380	—	83,380

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
2 Utilities Customer Service and Part-Time Staffing Reorganization	(0.17)	10,279	—	10,279
3 Pavement Restoration Staffing	—	663	—	663
Budget Changes	(0.17)	94,322	-	94,322
Total FY 2018 Proposed Budget	29.00	20,878,800	19,321,540	1,557,260



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
1 Supplemental Pension Trust Fund Contribution	0.00	83,380	0	83,380

This action establishes a transfer from the Wastewater Collection Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$83,380 which represents approximately 10% of the Wastewater Collection Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
2 Utilities Customer Service and Part-Time Staffing Reorganization	-0.17	10,279	0	10,279

This action reorganizes and reallocates various part-time employees' funding department-wide to better align resources based on workload. This reorganization will reduce the department's overall part-time staffing by a total of 1.76 FTE and add one 1.0 full-time Customer Service Representative for a net reduction of 0.76 in total full-time equivalent staff impacting 19 positions. Within this reorganization, impacts to the Wastewater Collection Fund include: an increase of 0.25 for one Customer Service Representative; an increase of 0.16 for one Journey Level Laborer - H; a net decrease of 0.48 for three Maintenance Assistants - H; a net decrease of 0.08 for three Administrative Specialists I; and a decrease of 0.02 for one Administrative Specialist II - H. (Ongoing net costs: \$10,279)

Performance Results



The additional Customer Service Representative will enable Utilities to fully staff the new Utilities Customer Service counter in the Civic Center lobby to assist walk-in customers with Utilities-related services including billing, account services, and programs. With this additional position, the Utilities Call Center will improve performance and customer response time.

3 Pavement Restoration Staffing	0.00	663	0	663

This action reclassifies 1.0 Equipment Operator to 1.0 Cement Finisher in the Water-Gas-Wastewater Division. The division requires two Cement Finishers in its Restoration Crew to keep pace with new construction and capital improvement projects which will continue at current levels for the foreseeable future. With the crew's sole Cement Finisher eligible for retirement, this reclassification ensures continuity of operations and succession planning. (Ongoing net costs: \$663)

Performance Results



This reclassification will allow Operations to restore pavement and concrete in a timely manner.

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, Engineering is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

Accomplishments

- Achieved drought water savings of 24% compared to the first drought year in 2013, far surpassing the 10% voluntary water reduction goal established by the State Water Resources Control Board.
- Led citywide drought response initiative including water conservation education and water use restriction enforcement.
- The environmental impact report for phase III of the Recycled Water Pipeline Project was approved to evaluate the potential expansion of the recycled water system through South Palo Alto and Stanford Research Park.
- Updated the 2017 Water Integrated Resources Plan guidelines.
- Completed the design of water main replacement project WMR 26 to replace approximately 11,000 LF of water main pipelines, 200 service pipelines, and 40 fire hydrants.

UTILITIES

- Completed the construction of Boronda Reservoir concrete water tank rehabilitation by removing the old steel tension cable and rewrapping with new cable and shotcrete.
- Completed the construction for seismic upgrade of Montebello water steel tank and 3 turnouts.
- Successfully managed drought impacts. Exceeded State-mandated and voluntary usage reduction goals, expanded and improved cost-effectiveness of water efficiency programs, achieved 100% compliance with enforcement of water waste complaints without issuance of fines, and protected utility financial viability with a drought surcharge.
- Launched two pilot programs, developing Business Water Reports for restaurants and hotels and installing real-time water meters for City facilities and selected commercial properties, with grants from the Santa Clara Valley Water District (SCVWD).
- Spearheaded the third Great Race for Saving Water 5K race and Earth Day Festival in partnership with various non-profits, environmental organizations and an array of community partners in support of water resources and conservation.

Initiatives

- Collaborate with Public Works and Santa Clara Valley Water District to begin the Recycled Water Strategic Plan, a comprehensive evaluation of all potential recycled water supply options including nonpotable and potable reuse options.
- Assess the structural integrity and general strategic plans of water reservoirs. Determine the feasibility and cost effectiveness of alternatives to address the structural integrity issues. A water hydraulic model will be developed to evaluate the current and future operational needs of the water system.
- Conduct the Geological study of Mayfield tank site to assess the stability of the reservoir.
- Complete the construction of water main replacement project WMR 26 to replace approximately 11,000 LF of water main pipelines, 200 service pipelines, and 40 fire hydrants.
- In compliance with the California Water Boards, the City is working with Palo Alto Schools on plans to test lead levels in any requested K-12 school site.

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 seismic upgrades to water system (reservoirs, receiving stations and wells).

GOAL 2

Increase environmental sustainability of the water supply system.

Objective:

- Increase water conservation and efficiency participation.
- Develop updated long-term water efficiency goals as part of the 2015 Urban Water Management Plan update.
- Evaluate expanding the recycled water delivery system to help drought-proof the system, reuse local water supplies, and reduce the City's dependence on the Tuolumne River.

Key Performance Measures

PROVIDE SAFE AND CLEAN DRINKING WATER FOR OUR CUSTOMERS

Goal	Provide safe and clean drinking water for our customers.				
Objective	Ensure drinking water meets all regulatory standards.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of customer-owned water backflow prevention devices in compliance	94.00%	90.00%	94.00%	94.00%	94.00%
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 Services provides regulations for the City and our 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 95-96 percent on an annual basis. There are 3,330 backflow devices. This number is growing every year as current codes require backflow installation for residences as well as Commercial properties.				

UTILITIES

WATER EFFICIENCY

Goal	Increase environmental sustainability of the water supply system.				
Objective	Increase water conservation and efficiency participation.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Annual savings achieved through water efficiency programs as a percentage of total sales	0.91%	1.96%	0.91%	0.91%	0.91%
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 this past year, with the largest amount of savings attributed to the non-residential installation of drought tolerant landscapes and water efficient irrigation hardware.				
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 ten-year goals for water, to reduce expected water use by 20 percent by 2020.				
Status	Water efficiency program savings were significantly higher in FY 2015 and FY 2016 compared to previous years due to the California drought and the Governor's Executive Order mandating water conservation. Program marketing and general drought awareness helped to achieve very levels of program participation. Staff expects program participation to decrease after the current rainy winter.				

WATER QUALITY

Goal	Ensure the provision of safe and clean drinking water for our customers.				
Objective	Safe testing of drinking water to meet all regulatory standards.				
	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percentage of samples passed from all sampling stations	100.00%	100.00%	100.00%	100.00%	100.00%
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, 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 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted	FY 2017 Estimated	FY 2018 Proposed
Percent of miles of water mains replaced	0.00%	0.70%	0.90%	0.40%	0.70%
Number of Customer Accounts (Water)	22,421	19,994	19,638	20,000	20,000
Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent"	83.00%	87.00%	88.00%	88.00%	88.00%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Division						
CIP Water Fund	4,313,935	9,082,022	21,502,132	6,382,142	(15,119,990)	(70.3)%
Water Administration	6,528,352	6,871,823	8,493,164	8,881,139	387,976	4.6%
Water Customer Service	1,821,447	2,082,194	2,095,208	2,201,670	106,461	5.1%
Water Engineering (Operating)	358,128	409,183	504,489	538,106	33,618	6.7%
Water Operations and Maintenance	5,283,426	5,433,991	6,866,562	7,531,824	665,262	9.7%
Water Resource Management	16,158,265	18,219,637	19,861,067	22,203,416	2,342,349	11.8%
Total	34,463,553	42,098,850	59,322,622	47,738,297	(11,584,325)	(19.5)%
Dollars by Category						
Salary & Benefits						
Healthcare	759,274	750,434	897,417	957,649	60,232	6.7%
Other Benefits	108,612	114,286	110,776	140,523	29,747	26.9%
Overtime	239,791	250,524	267,963	267,963	—	—%
Pension	787,607	1,025,830	1,319,198	1,397,443	78,245	5.9%
Retiree Medical	270,265	260,618	285,198	300,042	14,845	5.2%
Salary	4,443,438	4,949,770	4,979,927	5,117,401	137,474	2.8%
Workers' Compensation	76,724	89,580	57,907	164,608	106,701	184.3%
Total Salary & Benefits	6,685,711	7,441,043	7,918,386	8,345,630	427,244	5.4%
Allocated Charges	2,697,240	2,867,207	4,028,173	4,406,735	378,562	9.4%
Contract Services	728,992	806,550	827,806	827,806	—	—%
Debt Service	1,863,964	1,813,658	3,222,606	3,222,606	—	—%
Facilities & Equipment	286	—	2,000	2,000	—	—%
General Expense	366,062	443,919	568,146	666,070	97,923	17.2%
Operating Transfers-Out	63,612	251,541	324,306	649,055	324,749	100.1%
Rents & Leases	2,329,829	1,803,087	2,876,500	2,931,563	55,063	1.9%
Supplies & Material	437,889	544,371	610,010	609,982	(28)	(0.0)%
Transfer to Infrastructure	—	112,692	—	—	—	—%
Utility Purchase	15,669,935	17,626,020	18,900,000	21,090,000	2,190,000	11.6%
Capital Improvement Program	3,620,032	8,388,762	20,044,688	4,986,850	(15,057,838)	(75.1)%
Total Dollars by Expense Category	34,463,553	42,098,850	59,322,622	47,738,297	(11,584,325)	(19.5)%

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Revenues						
Charges for Services	45,184	51,021	10,000	10,000	—	—%
Charges to Other Funds	160,528	442,829	154,958	84,403	(70,555)	(45.5)%
From Other Agencies	534,328	636,666	576,632	576,632	—	—%
Net Sales	34,862,279	36,764,774	39,346,148	40,913,999	1,567,851	4.0%
Operating Transfers-In	191,525	221,833	244,018	512,436	268,418	110.0%
Other Revenue	2,002,342	955,122	878,000	904,280	26,280	3.0%
Return on Investments	792,652	738,329	775,300	775,300	—	—%
Total Revenues	38,588,838	39,810,575	41,985,056	43,777,050	1,791,994	4.3%

Positions by Division						
CIP Water Fund	9.53	9.05	9.05	8.03	(1.02)	(11.29)%
Water Customer Service	10.80	9.01	9.68	9.66	(0.02)	(0.22)%
Water Engineering (Operating)	1.37	1.12	1.37	1.35	(0.02)	(1.46)%
Water Operations and Maintenance	24.97	25.44	25.44	25.34	(0.10)	(0.41)%
Water Resource Management	1.71	1.53	3.03	3.52	1.49	16.17%
Total	48.38	46.15	48.53	47.90	(0.68)	(1.40)%

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Account Specialist	0.25	0.25	0.23	0.23	0.01	16,349
Administrative Associate II	0.85	0.85	0.75	0.65	(0.10)	49,536
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	33,975
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	38,979
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	28,520
Assistant Director Utilities/Resource Management	0.25	0.25	0.25	0.25	—	43,493
Business Analyst	1.62	1.68	1.73	1.53	(0.20)	229,101
Cement Finisher	0.25	0.25	0.25	0.56	0.31	51,747
Contracts Administrator	0.10	0.10	0.10	0.10	—	11,367

UTILITIES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Coordinator Utilities Projects	1.34	1.34	1.09	1.09	—	121,165
Customer Service Representative	1.56	1.26	1.56	1.81	0.25	136,712
Customer Service Specialist	0.66	0.42	0.66	0.66	—	54,820
Customer Service Specialist-Lead	0.59	0.42	0.59	0.59	—	52,409
Engineer	1.00	1.00	1.00	1.00	—	128,113
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	26,854
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	51,885
Engineering Technician III	0.45	0.45	1.45	0.45	(1.00)	43,108
Equipment Operator	0.31	0.31	0.31	—	(0.31)	—
Gas and Water Meter Measurement and Control Technician	—	—	—	0.80	0.80	82,204
Gas and Water Meter Measurement and Control Technician - Lead	—	—	—	0.20	0.20	21,991
Gas System Technician II	0.10	0.10	0.10	—	(0.10)	—
Heavy Equipment Operator	2.00	2.00	1.95	1.95	—	187,828
Heavy Equipment Operator - Install/Repair	—	—	0.20	0.20	—	21,216
Inspector, Field Services	1.40	1.40	1.65	1.65	—	170,571
Maintenance Mechanic-Welding	0.80	0.80	0.80	0.80	—	82,271
Manager Customer Service	—	0.34	0.34	0.34	—	44,681
Manager Customer Service and Meter Reading	0.34	—	—	—	—	—
Manager Utilities Compliance	0.50	0.50	0.50	0.50	—	82,805
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,906
Manager Utilities Marketing Services	0.20	0.20	—	—	—	—
Manager Utilities Operations WGW	0.50	0.50	0.50	0.50	—	79,206
Manager Utilities Program Services	—	—	0.20	0.20	—	26,212
Meter Reader	2.03	1.67	2.03	2.03	—	144,019
Meter Reader-Lead	0.34	0.28	0.34	0.34	—	25,805
Planner	0.15	—	—	—	—	—
Power Engineer	0.30	0.30	0.30	0.30	—	41,030
Principal Business Analyst	—	0.33	0.33	0.33	—	46,970
Principal Management Analyst	0.33	—	—	—	—	—

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Program Assistant I	0.33	0.33	0.33	0.33	—	25,516
Project Engineer	2.00	2.00	2.00	2.00	—	275,777
Resource Planner	0.20	0.10	0.70	1.20	0.50	164,688
Restoration Lead	0.31	0.31	0.31	0.31	—	31,144
SCADA Technologist	0.80	0.80	0.80	0.80	—	117,625
Senior Business Analyst	0.66	0.66	0.66	0.66	—	84,153
Senior Engineer	0.75	1.00	1.00	1.00	—	139,236
Senior Mechanic	0.34	0.34	0.34	0.34	—	36,710
Senior Project Engineer	0.25	—	—	—	—	—
Senior Resource Planner	1.05	0.55	1.69	1.68	(0.01)	250,573
Senior Technologist	0.29	—	—	—	—	—
Senior Utilities Field Service Representative	0.49	0.49	0.49	0.49	—	54,844
Senior Water Systems Operator	2.00	2.00	2.00	2.00	—	218,401
Substation Electrician	0.40	0.40	0.40	0.40	—	50,486
Supervisor Inspection Services	0.29	0.29	—	—	—	—
Utilities Engineer Estimator	0.43	0.43	0.43	0.43	—	51,776
Utilities Field Services Representative	1.50	1.50	1.50	1.50	—	156,953
Utilities Install Repair-Lead-Welding Certified	0.46	0.46	0.46	0.46	—	52,421
Utilities Install Repair-Welding Certified	0.69	0.69	0.69	0.69	—	73,187
Utilities Install/Repair	2.05	2.05	1.90	1.90	—	193,859
Utilities Install/Repair Assistant	0.35	0.35	0.35	0.35	—	30,288
Utilities Install/Repair-Lead	1.02	1.02	1.02	1.02	—	113,581
Utilities Key Account Representative	0.15	0.15	0.25	0.35	0.10	40,871
Utilities Locator	0.34	0.34	0.34	0.34	—	32,654
Utilities Marketing Program Administrator	1.00	0.40	0.40	0.40	—	44,371
Utilities Safety Officer	0.15	0.15	0.15	0.15	—	16,801
Utilities Supervisor	2.62	2.62	2.91	2.91	—	367,685
Water Meter Cross Connection Technician	2.00	2.00	—	—	—	—
Water System Operator I	—	—	1.00	—	(1.00)	—

UTILITIES

Staffing

Job Classification	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Salary
Water System Operator II	3.34	3.34	3.34	3.34	—	321,589
Sub-total: Full-Time Equivalent Positions	45.66	42.95	45.85	45.29	(0.56)	5,140,038
Temporary/Hourly	2.72	3.21	2.73	2.61	(0.12)	213,252
Total Positions	48.38	46.15	48.58	47.90	(0.68)	5,353,290

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Water Fund
Prior Year Budget	48.58	57,864,803	41,985,056	15,879,747
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	325,982	—	325,982
Capital Improvement Funding Adjustments	—	(13,521,701)	294,698	(13,816,399)
Water Commodity Purchases Expenditure Adjustments	—	2,190,000	—	2,190,000
Water Sales Revenue Adjustment	—	—	1,464,810	(1,464,810)
Water Utility Sales to the City Revenue Adjustment	—	—	115,286	(115,286)
Staff Reallocations within Utility Program Services and Resource Management Division	0.27	57,099	—	57,099
State Water Resource Control Board Fee Adjustment	—	50,000	—	50,000
Bay Area Water Supply & Conservation Agency Fee Adjustment	—	47,100	—	47,100
Transfer to Technology Fund (TE-10001 Utilities Customer Billing Software Replacement and TE-05000 Radio Infrastructure Replacement)	—	97,814	—	97,814
ARC Document Solutions (Print & Mail Allocated Charges Realignment)	—	(28)	—	(28)
General Fund Cost Allocation Plan Adjustment	—	113,408	—	113,408
Dispatch Service Allocated Charges Adjustment	—	11,873	—	11,873
General Liability Insurance Allocated Charges Adjustment	—	42,842	—	42,842
Ground Maintenance Allocated Charges Adjustment	—	95	—	95
Print & Mail Allocated Charges Adjustment	—	(5,380)	—	(5,380)
Rents and Leases Expenditure Alignment	—	55,063	—	55,063
Storm Drain Allocated Charges Adjustment	—	36	—	36
Street Cut Allocated Charges Adjustment	—	28,928	—	28,928
Utilities Administration Allocated Charges Adjustment	—	7,444	—	7,444
Utilities Allocated Charges Adjustment	—	144,349	—	144,349
Vehicle Replacement & Maintenance Allocated Charges Adjustment	—	43,199	—	43,199
Adjustments to Costs of Ongoing Activities	0.27	(10,311,877)	1,874,794	(12,186,671)
Total FY 2018 Base Budget	48.85	47,552,926	43,859,850	3,693,076

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Water Fund
Budget Proposals				
1 Supplemental Pension Trust Fund Contribution	—	140,385	—	140,385
2 Fire Hydrant Maintenance Program	—	—	(82,800)	82,800
3 Utilities Customer Service and Part-Time Staffing Reorganization	0.15	49,174	—	49,174
4 Pavement Restoration Staffing	—	791	—	791
5 Gas and Water Meter Shop Reorganization	(1.10)	(4,979)	—	(4,979)
Budget Changes	(0.95)	185,371	(82,800)	268,171
Total FY 2018 Proposed Budget	47.90	47,738,297	43,777,050	3,961,247



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund
1 Supplemental Pension Trust Fund Contribution	0.00	140,385	0	140,385

This action establishes a transfer from the Water Fund to the General Benefits Fund to contribute to the establishment of a supplemental pension trust fund. Consistent with City Council approval of CMR 7553: Pension Trust Supplemental Funds Public Agency Retirement Service (PARs), this action transfers \$140,385 which represents approximately 10% of the Water Fund's annual pension contribution. Establishing this Pension Trust Fund will bolster the City's resilience to variability associated with pension forecasting, including rate of return changes and increases associated with the unfunded accrued liability. (Ongoing net costs: \$0)

Performance Results



Proactively establishing a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund
2 Fire Hydrant Maintenance Program	0.00	0	(82,800)	82,800

Historically, Utilities maintained the City's fire hydrants, performing various tasks including clearing overgrowth, painting, flow testing hydrants, and ensuring compliance with the National Fire Protection Agency (NFPA) standards. With the growing list of backlog for this maintenance work, one-time additional funding will be provided in FY 2018 to the Fire Department to clear this backlog. Going forward, ongoing maintenance of fire hydrants will be shared between the Fire and Public Works Departments instead. Funding will be realigned in FY 2019 to reflect the realignment of responsibilities. (Ongoing net costs: \$82,800)

Performance Results

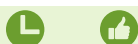


Bringing fire hydrants in compliance with standards set by the National Fire Protection Agency will increase safety of the community, and assist in improving the department Insurance Service Office (ISO) rating.

3 Utilities Customer Service and Part-Time Staffing Reorganization	0.15	49,174	0	49,174

This action reorganizes and reallocates various part-time employees' funding department-wide to better align resources based on workload. This reorganization will reduce the department's overall part-time staffing by a total of 1.76 FTE and add one 1.0 full-time Customer Service Representative for a net reduction of 0.76 in total full-time equivalent staff impacting 19 positions. Within this reorganization, impacts to the Water Fund include: a net increase of 0.96 for four Journey Level Laborers; an increase of 0.25 for one Customer Service Representative; a net decrease of 0.8 for three Maintenance Assistants and 0.24 for four Administrative Specialists I; and a decrease of 0.02 for one Administrative Specialist - II. (Ongoing net costs: \$49,174)

Performance Results



The additional Customer Service Representative will enable Utilities to fully staff the new Utilities Customer Service counter in the Civic Center lobby to assist walk-in customers with Utilities-related services including billing, account services, and programs. With this additional position, the Utilities Call Center will improve performance and customer response time.

4 Gas and Water Meter Shop Reorganization	-1.10	(4,979)	0	(4,979)

This action realigns the structure of the existing Gas and Water Meter shops by consolidating into one shop. This action eliminates the isolated job classifications and adds new job classifications to reflect the merged team. By combining these two meter shops, the City will be better positioned to respond to customer needs and unforeseeable workload changes. This will make the City's meter shop more agile and flexible in its continued service. The proposed consolidation is outlined below:

- Eliminate 3.0 Gas Meter Technicians II and add 3.0 Gas and Water Measurement and Control Technicians;
- Eliminate 1.0 Water System Operator I and add 1.0 Gas and Water Measurement and Control Technician; and
- Eliminate 1.0 Engineering Technician III and add 1.0 Gas and Water Measurement and Control Technician - Lead.

This action is subject to the meet and confer process. (Ongoing net savings: \$4,979)

Performance Results



With this reorganization, Utilities will be able to reduce the risk of injuries, expand career opportunities, and reduce backlog of meter replacement and maintenance work for both the Gas and Water Meter Shops.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund
5 Pavement Restoration Staffing	0.00	791	0	791

This action reclassifies 1.0 Equipment Operator to 1.0 Cement Finisher in the Water-Gas-Wastewater Division. The division requires two Cement Finishers in its Restoration Crew to keep pace with new construction and capital improvement projects which will continue at current levels for the foreseeable future. With the crew's sole Cement Finisher eligible for retirement, this reclassification ensures continuity of operations and succession planning. (Ongoing net costs: \$791)

Performance Results



This reclassification will allow Operations to restore pavement and concrete in a timely manner.

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 cost typically benefit the City as a whole and include such items as Cubberley lease payments to Palo Alto Unified School District. The Non-Departmental budget may also include estimated provisions or placeholders for certain revenues and expenditures that have not yet materialized or distributed at the time the budget is developed or adopted. These items can be one-time or ongoing depending on the nature and frequency of the item.

In Fiscal Year 2018, the annualization of one-time items that appeared in the Fiscal Year 2017 Budget, including the \$2.0 million dollar uncertainty reserve, the \$500,000 Planning and Transportation Contingency, and the \$250,000 Sustainability Contingency, are partially offset by an operational reserve of \$500,000 for anticipated increases to city-wide contracts, including janitorial services or various parking initiatives, and a \$400,000 salary reserve.

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Category						
Cubberley - Lease Payments to PAUSD	6,426,080	5,584,808	5,751,150	5,923,685	172,535	3.0%
Contingent Accounts						
Salary Reserve	—	—	—	400,000	400,000	—%
City Manager	—	—	250,000	250,000	—	—%
City Council	—	—	250,000	225,000	(25,000)	(10.0)%
City Attorney	—	—	100,000	100,000	—	—%
Human Resources	—	—	50,000	50,000	—	—%
Human Services Resource Allocation Process (HSRAP)	—	—	50,000	50,000	—	—%
Innovations & Special Events	—	—	50,000	50,000	—	—%
Planning & Transportation	—	—	500,000	—	(500,000)	(100.0)%
Sustainability	—	—	250,000	—	(250,000)	(100.0)%
FY 2018 Operations Reserve	—	—	—	500,000	500,000	—%
Budget Uncertainty Reserve	—	—	2,000,000	—	(2,000,000)	(100.0)%
Other						
Allocated Charges	757	—	719	—	(719)	(100.0)%
Contract Services	—	—	40,000	40,000	—	—%
Debt Service	428,194	430,791	432,149	432,271	122	—%
General Expense	271,640	46,590	236,756	86,756	(150,000)	(63.4)%
Operating Transfers-Out	2,573,060	5,061,723	5,102,329	4,851,502	(250,827)	(4.9)%
Rents & Leases	169,017	172,886	177,786	177,786	—	—%
Transfer to Infrastructure	19,678,146	29,365,580	18,486,097	24,676,569	6,190,472	33.5%
Total Dollars by Expense	29,546,893	40,662,378	33,726,985	37,813,569	4,086,583	12.1%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	—	33,726,985	—	33,726,985
Base Adjustments				
One-Time Prior Year Expenditures Deleted				
Budget Uncertainty Reserve	—	(2,000,000)	—	(2,000,000)
Planning and Transportation Contingency	—	(500,000)	—	(500,000)
Sustainability Contingency	—	(250,000)	—	(250,000)
Transfer from the General Fund: Residential Preferential Parking Fund	—	(230,000)	—	(230,000)
2016 Elections Funding	—	(150,000)	—	(150,000)
Transfer to Vehicle Maintenance Fund	—	(158,232)	—	(158,232)
One-Time Prior Year Expenditures	—	(3,288,232)	—	(3,288,232)
Adjustments to Costs of Ongoing Activities				
Infrastructure Transfer Adjustment	—	6,190,472	—	6,190,472
Airport Fund Transfer Adjustment (FY 2018, \$200,000 Loan)	—	(504,150)	—	(504,150)
Information Technology Transfer Adjustment	—	259,837	—	259,837
Transfer to Electric Fund	—	186,332	—	186,332
Cubberley Lease Payments to PAUSD Adjustment	—	172,535	—	172,535
Transfer to Public Art Fund	—	86,324	—	86,324
Transfer to University Avenue Parking Fund	—	38,637	—	38,637
Council Contingency Reduction	—	(25,000)	—	(25,000)
Transfer to Debt Service Funds	—	(9,175)	—	(9,175)
Transfer to General Liability Fund	—	5,000	—	5,000
Print & Mail Allocated Charges Adjustment	—	(719)	—	(719)
Debt Service Expenditure Adjustments	—	(277)	—	(277)
Adjustments to Costs of Ongoing Activities	—	6,399,816	—	6,399,816
Total FY 2018 Base Budget	—	36,838,569	—	36,838,569
Budget Adjustments				
1 FY 2018 Operations Reserve	—	500,000	—	500,000
2 Salary Reserve	—	400,000	—	400,000
3 Transfer to California Avenue Parking District	—	75,000	—	75,000
Total Budget Adjustments	—	975,000	—	975,000
Total FY 2018 Proposed Budget	—	37,813,569	—	37,813,569

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 FY 2018 Operations Reserve	0.00	500,000	0	500,000

This action establishes a reserve for FY 2018 operations for anticipated expenses that do not yet have fully refined costs or financial implications outlined. During the development of the FY 2018 budget, a number of initiatives were brought forward with significant funding requests for consideration and inclusion in the recommended actions in this budget document. Initiatives included but were not limited to a new contract for janitorial services citywide, potential matching funds for grants, and significant citywide change management projects including parking and transportation. However, through the research and analysis completed in evaluating these requests, it was determined that insufficient information was available to provide a recommended funding level. Therefore, this reserve is intended to proactively set aside some funding for the needs anticipated to arise in FY 2018, though it alone is insufficient to meet all the potential needs. Increasing costs for existing services and potential cash flow loans for the start-up of significant initiatives such as paid parking are all potential uses of these funds. As these projects are evaluated and funding needs are refined, recommendations for use of this reserve will be brought forward through City Manager Reports in FY 2018 including a status of the reserve level based on approved or recommended actions. (Ongoing costs: \$0)

Performance Results



No impacts to current service levels are anticipated and this reserve will ensure maintenance of the General Fund Budget Stabilization Reserve at the City Council recommended level of 18.5 percent.

2 Salary Reserve	0.00	400,000	0	400,000

This action establishes a one-time salary reserve of \$400,000 in FY 2018 to proactively fund anticipated implications of upcoming salary studies and labor negotiations. The Human Resources Department is currently facilitating and management completion study as discussed during the most recent approved agreement with the management and professionals employee group. Currently the FY 2018 budget does not assume any implications associated with this study, therefore one use of the funds set aside in the reserve will be to ensure sufficient funding for the recommendations of the study and the City Council. Staff will return to the City Council with recommendations to spend the reserve once the salary survey is complete. (Ongoing costs: \$0)

Performance Results

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

3 Transfer to California Avenue Parking District	0.00	75,000	0	75,000

This action transfers \$75,000 to the California Avenue Parking District Fund to provide a cash flow loan necessary to fund the resurfacing of parking lots 4 and 9 in the California Avenue Parking District. This resurfacing is part of a larger Citywide Asphalt Paving contract awarded to O'Grady Paving, Inc. in Fiscal Year 2017. This parking lot improvement work is recommended to be funded through CIP PF-14004, California Avenue Parking District Parking Improvements. In conjunction with this work, sections of Sedro Lane and New Mayfield Lane will be milled and paved with new asphalt, including minor concrete curb improvements as needed. (Ongoing costs: \$0)

Performance Results



This action will increase the quality of the parking lots in the California Avenue Parking district, thereby increasing customer satisfaction.



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EMPLOYEE INFORMATION



CITY OF
**PALO
ALTO**

General Benefits Fund Overview

The General Benefits Fund includes funding for employee pension benefits, 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 elsewhere in this document.

There is an overall net \$6.0 million increase in employee pension, healthcare costs, and other benefits costs from the Fiscal Year 2017 Adopted Budget amount of \$55.87 million to the Fiscal Year 2018 Proposed Budget amount of \$61.9 million. This increase is primarily driven by changes in the pension rate, health care cost increases, and a citywide increase of 5.85 positions, or 0.6 percent (1,052.35 positions in the Fiscal Year 2017 Adopted Budget to 1,058.20 positions in the Fiscal Year 2018 Proposed Budget). It should be noted that two of these positions were already approved by the City Council in Fiscal Year 2017. Only 3.85 positions are recommended to be added in this Proposed Budget document. Please refer to the Internal Service Fund Overview section of this document for further discussion.

PENSION COSTS

CalPERS annually prepares an actuarial analysis to determine the City's pension liability and annual required contribution for miscellaneous and safety employees. This budget includes the most recent pension rates from CalPERS which, compared to the Fiscal Year 2017 rates, represent a 1.3 percentage point increase in pension contribution rate for miscellaneous groups (from 28.9 percent to 30.2 percent) and a 4.29 percentage point increase in the pension contribution rate for safety groups (from 45.4 percent to 49.69 percent) for Fiscal Year 2018. With the passage of the California Public Employees' Pension Reform Act (PEPRA), the City has three retirement tiers for Miscellaneous and Safety employees. As of March 2017, 38 percent of the City's employees are either in Tier 2 or Tier 3.

For Fiscal Year 2018, CalPERS changed their methodology for calculating pension liability. In prior years, the City of Palo Alto was eligible to prepay the entire employer contribution amount, including both the normal cost and the unfunded accrued liability. This prepayment generated \$1.13 million in pension expense savings citywide in Fiscal Year 2017. For Fiscal Year 2018, only the unfunded accrued liability amount can be prepaid. The City of Palo Alto will once again use this mechanism to generate savings expected to be \$813,000 million in Fiscal Year 2018 of which \$510,000 is in the General Fund. The savings are calculated by CalPERS, and assume an average 7.5 percent investment return.

In December 2016, the CalPERS board voted to lower the rate of return to 7.0 percent from 7.5 percent. This decrease will be phased in over three years and won't begin until July 2018 (or Fiscal Year 2019). In anticipation of this lowered rate of return, and to proactively address the City's unfunded pension liability, the City Council approved investing funds in an irrevocable IRS section 115 Pension Trust Fund as part of CMR 7553 on January 23, 2017. That action authorized an initial deposit of \$2.1 million in General Fund proceeds to be transferred to the IRS Section 115 Pension Trust Fund, or approximately 10 percent of the General Fund Pension annual cost. Included in this FY 2018 Proposed Budget are additional contributions from other funds throughout the City at the same 10 percent level into the IRS Section 115 Pension Trust Fund. In

GENERAL BENEFITS FUND OVERVIEW

total, \$3.5 million will be contributed to the IRS Section 115 Pension Trust Fund. This additional investment in retirement prefunding will help mitigate the City's risk from lower than anticipated rates of return and from other factors that would affect the City's pension costs. These transfers are discussed in each department section where they are budgeted. Longer-term, the City anticipates bringing forward, an ongoing strategy to continue addressing the increased pension costs and growing unfunded liability. This FY 2018 Proposed Budget closely manages ongoing resources and recommends a forecasted surplus in FY 2019 in order to provide funding for this ongoing strategy. In addition, it is anticipated the excess funds resulting in the current year (FY 2017) from higher than anticipated revenues and estimated expenditure savings can be used for another one-time contribution through the FY 2017 year-end review.

Another pension cost savings measure pursued by the City through labor negotiations and first implemented in Fiscal Year 2016 is having employees pay an additional portion of their pension costs above the current employee contribution level. With the adoption of labor contracts all bargaining units in the safety group will pick-up 3.0 percent of the employer pension contribution by Fiscal Year 2019. SEIU employees and employees in the management group will pick-up 1.0 percent of the employer pension contribution by Fiscal Year 2019. Offsetting increases to the employer share of pension contributions by increasing the employee contribution is an important tool to help the City contain pension costs.

HEALTHCARE COSTS

The Fiscal Year 2018 budget for healthcare is based on the health plan choices employees made for calendar year 2017. For calendar year 2018, the budget assumes an 8 percent annual increase in medical costs for labor groups on the 90/10 medical cost plan and a 4 percent annual health care cost increase for the labor groups on the flat rate contribution structure. Further, this budget includes a 4 percent annual increase in dental and vision costs. Based on the approved agreements with IAFF, POA, FCA, PAPMA, and SEIU, all employees except those in the Utilities Management Professional Association of Palo Alto (UMPAPA), will be on the flat rate contribution structure. Ongoing increases in healthcare and other benefit costs will be included in the next set of negotiations for FY 2019 implications.

Consistent with the Fiscal Year 2017 Adopted Budget and Government Accounting Standards Board regulations that require government agencies to recognize the true cost of medical health care by active employees and retirees, an implied subsidy for retiree healthcare was calculated. Health care premiums are the same regardless of age or active status, with the exception of Medicare premiums, and the implied subsidy is calculated in order to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs. In Fiscal Year 2018, 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, health care costs for active employees have been reduced in the General Benefits fund by \$2.4 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 Annual Required Contribution (ARC) for Retiree Healthcare in the Retiree Health Benefits Fund. Additional discussion of Retiree Healthcare costs and the ARC are located in the Retiree Health Benefits fund section of this document.

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	16,584,488	17,697,809	18,059,976	18,845,038	785,062	4.3%
Other Benefits	768,061	613,967	1,090,733	1,090,740	7	—%
Retiree Medical	25,652,887	26,076,879	34,192,389	39,304,074	5,111,685	14.9%
Salary	502,190	513,382	22,963	23,422	459	2.0%
Total Salary & Benefits	43,507,626	44,902,036	53,366,061	59,263,275	5,897,213	11.1%
Contract Services	56,819	172,858	215,200	215,200	—	—%
General Expense	—	150	—	—	—	—%
Operating Transfers-Out	—	2,102,000	2,291,745	2,411,030	119,285	5.2%
Total Dollars by Expense Category	43,564,445	47,177,044	55,873,006	61,889,505	6,016,498	10.8%
Revenues						
Charges for Services	—	12	—	—	—	—%
Operating Transfers-In	—	—	—	1,427,044	1,427,044	—%
Other Revenue	44,464,235	46,924,554	54,544,108	59,733,098	5,188,990	9.5%
Return on Investments	202,973	63,865	4,000	15,765	11,765	294.1%
Total Revenues	44,667,208	46,988,431	54,548,108	61,175,907	6,627,799	12.2%

GENERAL BENEFITS FUND OVERVIEW

Budget Reconciliation

	Positions	Expenditures	Revenues	Net
Prior Year Budget	0.48	55,873,005	54,548,108	1,324,897
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	—	468	—	468
Citywide Pension Adjustments	—	3,684,641	—	3,684,641
Implied Subsidy Transfer to the Retiree Healthcare Fund	—	119,285	—	119,285
Citywide Dental Insurance Adjustments	—	(22,439)	—	(22,439)
Citywide Healthcare Insurance Adjustments	—	810,376	—	810,376
Citywide Vision Insurance Adjustments	—	(2,875)	—	(2,875)
PARs Contributions and Expenses	—	1,427,044	1,427,044	—
Department Charges for General Benefits	—	—	5,188,990	(5,188,990)
Return on Investment Adjustments	—	—	11,765	(11,765)
Adjustments to Costs of Ongoing Activities	—	6,016,500	6,627,799	(611,299)
Total FY 2018 Proposed Budget	0.48	61,889,505	61,175,907	713,598

Retiree Health Benefit Fund Overview

In addition to providing pension benefits, the City participates in the California Public Employees' Medical and Hospital Care Act (PEMHCA) program to provide certain health care 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. Based on the June 30, 2015 actuarial study results updated by an outside consultant for the latest CalPERS mortality rate assumptions, investment gains for the Retiree Healthcare Trust Fund as of June 30, 2015, and the lowering of the assumed investment returns from 7.61 percent to 7.25 percent, the City's Fiscal Year 2018 annual actuarial required contribution (ARC) is \$16.94 million, an increase of \$780,000 or 4.8%, from the Fiscal Year 2017 Adopted Budget amount of \$16.16 million.

The June 30, 2015 actuarial study was performed in accordance with applicable actuarial standards and Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension. The ARC includes the normal cost of the plan for the fiscal year, plus amortization towards the Unfunded Actuarial Accrued Liability (UAAL). According to the valuation as of June 30, 2013, approximately 33 percent of the UAAL is attributable to current active employees and 67 percent is attributable to retirees. The City has established an irrevocable trust fund to account for assets accumulated to offset the retiree medical for current and future retirees. The ARC is fully funded in the City's General Fund, Enterprise Funds, and Other Funds budgets. Respectively, the General Fund, Enterprise Funds, and Other Funds fund 66 percent, 29 percent, and 5 percent of the ARC cost.

As stated above, the ARC assumed for the Fiscal Year 2018 budget is \$16.94 million, however, the charges to the City's funds is budgeted at \$14.54 million. The difference of \$2.4 million represents the City's implied subsidy for retiree healthcare. There is a requirement, first imposed in Fiscal Year 2017, which dictates that government agencies must recognize the true cost of medical health care by active employees and retirees. The health care 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 completed to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs, also known as the implied subsidy. In Fiscal Year 2018, 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 \$2.4 million and a transfer from the General Benefits Fund of \$2.4 million to the Retiree Health Benefits Fund has been established to reflect the full payment of the City's Annual Required Contribution (ARC) for Retiree Healthcare in the Retiree Health Benefits Fund.

RETIREE HEALTH BENEFIT FUND OVERVIEW

Budget Summary

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change \$	FY 2018 Change %
Dollars by Category						
Salary & Benefits						
Other Benefits	71,619	71,237	60,000	60,000	—	—%
Retiree Medical	13,643,046	14,372,057	16,100,000	16,938,000	838,000	5.2%
Total Salary & Benefits	13,714,665	14,443,294	16,160,000	16,998,000	838,000	5.2%
Total Dollars by Expense Category	13,714,665	14,443,294	16,160,000	16,998,000	838,000	5.2%
Revenues						
Operating Transfers-In	—	2,102,000	2,291,745	2,411,030	119,285	5.2%
Other Revenue	13,470,903	12,343,188	13,808,255	14,526,970	718,715	5.2%
Return on Investments	70,997	69,922	57,700	57,700	—	—%
Total Revenues	13,541,900	14,515,110	16,157,700	16,995,700	838,000	5.2%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net
Prior Year Budget	—	16,160,000	16,157,700	2,300
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Citywide Retiree Health Benefits Adjustment	—	718,715	718,715	—
Implied Subsidy Transfer from the General Benefits Fund	—	119,285	119,285	—
Adjustments to Costs of Ongoing Activities	—	838,000	838,000	—
Total FY 2018 Proposed Budget	—	16,998,000	16,995,700	2,300

Table of Organization

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
General Fund						
Administrative Services						
Account Specialist	5.95	4.95	5.88	4.88	-1.00	(17.01)%
Account Specialist-Lead	4.59	4.59	4.05	3.05	-1.00	(24.69)%
Accountant	2.00	3.00	3.00	3.00	0.00	0.00%
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	0.00	0.00	0.00	1.00	1.00	0.00%
Administrative Associate III	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Administrative Services	1.65	1.75	1.65	1.65	0.00	0.00%
Buyer	2.00	2.00	1.00	1.00	0.00	0.00%
Chief Procurement Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Contracts Administrator	1.70	1.70	1.70	2.70	1.00	58.82%
Director Administrative Services/CFO	0.70	0.70	0.80	0.80	0.00	0.00%
Director Office of Management and Budget	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Accounting	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Budget	0.00	1.00	1.00	1.00	0.00	0.00%
Manager Real Property	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Revenue Collections	0.00	0.70	0.62	0.62	0.00	0.00%
Manager Treasury, Debt & Investments	0.00	1.00	0.60	0.60	0.00	0.00%
Payroll Analyst	2.00	2.00	2.00	2.00	0.00	0.00%
Principal Management Analyst	1.00	0.00	0.00	0.00	0.00	0.00%
Senior Accountant	3.00	3.00	3.00	3.00	0.00	0.00%
Senior Buyer	0.00	0.00	1.00	1.00	0.00	0.00%
Senior Management Analyst	5.90	4.20	4.90	4.90	0.00	0.00%
Storekeeper	0.00	0.00	1.00	1.00	0.00	0.00%
Storekeeper-Lead	1.00	1.00	0.20	0.20	0.00	0.00%
Warehouse Supervisor	0.50	0.50	0.20	0.20	0.00	0.00%
Total Administrative Services	37.99	38.09	38.60	38.60	0.00	0.00%
City Attorney						
Assistant City Attorney	1.00	1.00	1.00	3.00	2.00	200.00%
Chief Assistant City Attorney	0.00	0.00	0.00	1.00	1.00	0.00%
City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%
Claims Investigator	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy City Attorney	0.00	0.00	0.00	1.00	1.00	0.00%
Legal Fellow	1.00	1.00	1.00	1.00	0.00	0.00%
Legal Services Administrator	1.00	0.00	0.00	0.00	0.00	0.00%
Principal Attorney	1.00	1.00	1.00	0.00	-1.00	(100.00)%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Secretary to City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Assistant City Attorney	2.00	2.00	2.00	0.00	-2.00	(100.00)%
Senior Deputy City Attorney	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Senior Legal Secretary	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Management Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Total City Attorney	11.00	11.00	11.00	11.00	0.00	0.00%

City Auditor

Administrative Assistant	1.00	0.00	0.00	0.00	0.00	0.00%
City Auditor	1.00	1.00	1.00	1.00	0.00	0.00%
Performance Auditor	0.50	0.00	0.00	0.00	0.00	0.00%
Performance Auditor I	0.00	1.00	1.00	1.00	0.00	0.00%
Performance Auditor II	0.00	1.00	1.00	1.00	0.00	0.00%
Senior Performance Auditor	2.00	2.00	2.00	2.00	0.00	0.00%
Total City Auditor	4.50	5.00	5.00	5.00	0.00	0.00%

City Clerk

Administrative Associate III	2.00	2.00	2.00	2.00	0.00	0.00%
Assistant City Clerk	1.00	1.00	1.00	1.00	0.00	0.00%
City Clerk	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy City Clerk	1.00	1.00	1.00	1.00	0.00	0.00%
Hearing Officer	0.75	0.75	0.75	0.75	0.00	0.00%
Total City Clerk	5.75	5.75	5.75	5.75	0.00	0.00%

City Manager

Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate III	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant City Manager	2.00	2.00	2.00	0.00	-2.00	(100.00)%
Assistant City Manager/Utilities General Manager	0.00	0.00	0.00	0.25	0.25	0.00%
Assistant to the City Manager	0.00	0.00	0.00	2.00	2.00	0.00%
Chief Communications Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Sustainability Officer	0.05	0.00	0.00	0.00	0.00	0.00%
City Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy City Manager	0.00	0.00	0.00	2.00	2.00	0.00%
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Communications	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Economic Development	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Total City Manager	9.05	9.00	9.00	10.25	1.25	13.89%

Table of Organization

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Community Services						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate III	0.75	1.00	1.00	1.00	0.00	0.00%
Assistant Director Community Services	2.00	2.00	2.00	2.00	0.00	0.00%
Building Serviceperson	2.00	2.00	2.00	2.00	0.00	0.00%
Building Serviceperson-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Coordinator Recreation Programs	4.00	4.00	4.00	4.00	0.00	0.00%
Director Community Services	1.00	1.00	1.00	1.00	0.00	0.00%
Division Manager Open Space, Parks and Golf	1.00	1.00	1.00	1.00	0.00	0.00%
Heavy Equipment Operator	0.07	0.07	0.07	0.07	0.00	0.00%
Inspector, Field Services	2.00	2.00	2.00	2.00	0.00	0.00%
Junior Museum & Zoo Educator	2.75	2.75	2.75	3.60	0.85	30.91%
Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Management Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Community Services	5.00	5.00	5.00	5.00	0.00	0.00%
Manager Community Services Senior Program	5.00	4.00	4.00	4.00	0.00	0.00%
Manager Human Services	0.00	1.00	1.00	1.00	0.00	0.00%
Park Maintenance Person	6.00	6.00	6.00	6.00	0.00	0.00%
Park Maintenance-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Park Ranger	5.00	5.00	5.00	5.00	0.00	0.00%
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Producer Arts/Science Program	11.75	12.50	12.50	11.00	-1.50	(12.00)%
Program Assistant I	6.75	7.00	8.00	8.00	0.00	0.00%
Program Assistant II	4.00	4.00	4.00	4.00	0.00	0.00%
Project Manager	0.00	0.10	0.10	0.10	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Sprinkler System Representative	4.00	4.00	4.00	4.00	0.00	0.00%
Superintendent Community Services	2.00	2.00	2.00	2.00	0.00	0.00%
Superintendent Recreation	0.00	1.00	1.00	1.00	0.00	0.00%
Theater Specialist	1.00	1.00	1.00	2.00	1.00	100.00%
Volunteer Coordinator	0.75	0.00	0.00	0.00	0.00	0.00%
Total Community Services	75.82	77.42	78.42	78.77	0.35	0.45%
Development Services						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	3.02	3.02	3.00	3.00	0.00	0.00%
Administrative Associate III	1.01	1.01	1.00	1.00	0.00	0.00%
Assistant Chief Building Official	0.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Assistant Director Public Works	0.02	0.02	0.00	0.00	0.00	0.00%
Associate Engineer	0.16	0.16	0.02	0.02	0.00	0.00%
Associate Planner	0.90	0.90	0.90	0.90	0.00	0.00%
Building Inspector Specialist	3.00	4.00	4.00	4.00	0.00	0.00%
Building/Planning Technician	1.80	1.80	2.30	2.30	0.00	0.00%
Chief Building Official	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Planning Official	0.20	0.20	0.00	0.00	0.00	0.00%
Code Enforcement Officer	0.50	0.40	0.40	0.40	0.00	0.00%
Code Enforcement-Lead	0.00	0.20	0.20	0.20	0.00	0.00%
Deputy Chief/Fire Marshal	0.84	0.85	0.80	0.80	0.00	0.00%
Development Project Coordinator II	2.00	2.00	2.00	2.00	0.00	0.00%
Development Project Coordinator III	3.00	3.00	3.00	3.00	0.00	0.00%
Development Services Director	1.00	1.00	1.00	1.00	0.00	0.00%
Engineer	0.62	0.62	0.64	0.64	0.00	0.00%
Engineering Technician III	2.10	2.10	1.78	1.78	0.00	0.00%
Fire Fighter	1.00	1.00	0.00	0.00	0.00	0.00%
Fire Inspector	4.00	4.00	3.20	3.20	0.00	0.00%
Hazardous Materials Inspector	1.90	1.90	1.60	1.60	0.00	0.00%
Industrial Waste Inspector	0.01	0.01	0.01	0.01	0.00	0.00%
Industrial Waste Investigator	0.21	0.21	0.35	0.35	0.00	0.00%
Inspector, Field Services	0.70	0.70	0.68	0.68	0.00	0.00%
Management Analyst	0.01	1.01	1.01	1.01	0.00	0.00%
Manager Development Center	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Environmental Control Program	0.10	0.10	0.10	0.10	0.00	0.00%
Manager Planning	1.80	2.00	2.00	2.00	0.00	0.00%
Manager Urban Forestry	0.04	0.04	0.04	0.04	0.00	0.00%
Manager Watershed Protection	0.05	0.05	0.00	0.00	0.00	0.00%
Planner	0.80	0.25	0.17	0.17	0.00	0.00%
Planning Arborist	0.25	0.25	0.25	0.29	0.04	16.00%
Plans Check Engineer	1.00	0.00	0.00	0.00	0.00	0.00%
Project Engineer	0.15	0.13	0.03	0.03	0.00	0.00%
Project Manager	0.07	0.07	0.07	0.00	-0.07	(100.00)%
Senior Engineer	0.68	0.68	0.46	0.46	0.00	0.00%
Senior Industrial Waste Investigator	0.01	0.01	0.01	0.01	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Planner	0.40	0.36	0.24	0.24	0.00	0.00%
Senior Technologist	0.50	0.00	0.00	0.00	0.00	0.00%
Supervisor Inspection and Surveying	0.27	0.27	0.27	0.27	0.00	0.00%
Surveyor, Public Works	0.47	0.00	0.00	0.00	0.00	0.00%

Table of Organization

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Total Development Services	38.59	39.32	36.53	36.50	-0.03	(0.08)%

Fire

40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	0.00	0.00%
40-Hour Training Captain	0.00	1.00	1.00	1.00	0.00	0.00%
Administrative Assistant	1.50	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	2.00	2.00	2.00	2.00	0.00	0.00%
Battalion Chief	3.00	3.00	3.00	3.00	0.00	0.00%
Business Analyst	0.80	0.80	0.80	0.80	0.00	0.00%
Deputy Chief/Fire Marshal	0.00	0.00	0.05	0.05	0.00	0.00%
Deputy Director Technical Services Division	0.20	0.20	0.20	0.20	0.00	0.00%
Deputy Fire Chief	2.00	2.00	2.00	2.00	0.00	0.00%
Emergency Medical Service Director	1.00	1.00	1.00	1.00	0.00	0.00%
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	0.00	0.00%
Fire Apparatus Operator	30.00	30.00	30.00	30.00	0.00	0.00%
Fire Captain	22.00	21.00	21.00	21.00	0.00	0.00%
Fire Chief	1.00	1.00	1.00	1.00	0.00	0.00%
Fire Fighter	40.00	40.00	41.00	41.00	0.00	0.00%
Fire Inspector	0.00	0.00	0.80	0.80	0.00	0.00%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	0.00	0.00%
Hazardous Materials Inspector	0.00	0.00	0.30	0.30	0.00	0.00%
Police Chief	0.50	0.00	0.00	0.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	0.00	0.00	0.00	0.00	0.00	0.00%
Total Fire	107.50	106.50	108.65	108.65	0.00	0.00%

Human Resources

Administrative Assistant	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Assistant Director Human Resources	1.00	1.00	1.00	1.00	0.00	0.00%
Director Human Resources/CPO	1.00	1.00	1.00	1.00	0.00	0.00%
Human Resources Assistant	4.00	0.00	0.00	0.00	0.00	0.00%
Human Resources Representative	2.00	2.00	2.00	3.00	1.00	50.00%
Human Resources Technician	0.00	4.00	4.00	4.00	0.00	0.00%
Manager Employee Benefits	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Employee Relations	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Human Resources Administrator	4.00	4.00	4.00	3.00	-1.00	(25.00)%
Senior Management Analyst	1.00	1.00	1.00	2.00	1.00	100.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Total Human Resources	16.00	16.00	16.00	16.00	0.00	0.00%
Library						
Administrative Assistant	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Administrative Associate III	0.00	0.00	0.00	1.00	1.00	0.00%
Assistant Director Library Services	1.00	1.00	1.00	1.00	0.00	0.00%
Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Coordinator Library Programs	1.00	1.00	1.00	1.00	0.00	0.00%
Director Libraries	1.00	1.00	1.00	1.00	0.00	0.00%
Division Head Library Services	1.00	1.00	1.00	1.00	0.00	0.00%
Librarian	6.70	7.00	7.00	7.00	0.00	0.00%
Library Assistant	4.50	0.00	0.00	0.00	0.00	0.00%
Library Associate	7.00	7.00	7.00	7.00	0.00	0.00%
Library Specialist	7.00	12.50	12.50	12.50	0.00	0.00%
Management Analyst	0.00	0.00	0.00	1.00	1.00	0.00%
Management Assistant	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Manager Library Services	4.00	4.00	4.00	4.00	0.00	0.00%
Senior Librarian	8.50	8.50	9.00	9.00	0.00	0.00%
Supervising Librarian	0.00	2.00	2.00	2.00	0.00	0.00%
Total Library	44.70	48.00	48.50	48.50	0.00	0.00%
Office of Emergency Services						
Director Office of Emergency Services	1.00	1.00	1.00	1.00	0.00	0.00%
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	0.00	0.00%
Program Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Total Office of Emergency Services	3.00	3.00	3.00	3.00	0.00	0.00%
Office of Sustainability						
Chief Sustainability Officer	0.50	1.00	1.00	1.00	0.00	0.00%
Total Office of Sustainability	0.50	1.00	1.00	1.00	0.00	0.00%
Planning and Community Environment						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate I	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	1.00	1.00	0.00	0.00	0.00	0.00%
Administrative Associate III	2.00	2.00	3.00	3.00	0.00	0.00%
Assistant Director PCE	1.00	1.00	1.00	1.00	0.00	0.00%
Associate Engineer	1.00	1.00	1.00	0.73	-0.27	(27.00)%
Associate Planner	0.10	0.10	0.10	0.10	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Building/Planning Technician	0.20	0.20	0.70	0.70	0.00	0.00%
Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Planning Official	0.80	0.80	1.00	1.00	0.00	0.00%
Chief Transportation Official	0.50	0.50	0.70	0.43	-0.27	(38.57)%
Code Enforcement Officer	1.50	1.60	1.60	1.60	0.00	0.00%
Code Enforcement-Lead	0.00	0.80	0.80	0.80	0.00	0.00%
Coordinator Transportation Systems Management	0.90	0.85	0.60	0.88	0.28	46.67%
Director Planning/Community Environment	1.00	1.00	1.00	1.00	0.00	0.00%
Management Analyst	0.40	0.40	0.88	0.98	0.10	11.36%
Manager Planning	1.20	2.00	2.00	2.00	0.00	0.00%
Parking Operations-Lead	0.00	0.30	0.20	0.00	-0.20	(100.00)%
Planner	3.15	3.00	3.83	3.83	0.00	0.00%
Program Assistant II	0.00	0.00	0.35	0.60	0.25	71.43%
Project Engineer	1.65	1.65	1.15	0.50	-0.65	(56.52)%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Planner	7.60	7.64	6.70	6.51	-0.19	(2.84)%
Senior Project Engineer	0.20	0.00	0.00	0.00	0.00	0.00%
Traffic Engineering-Lead	0.00	1.00	0.10	0.38	0.28	280.00%
Transportation Planning Manager	0.00	0.20	0.85	0.20	-0.65	(76.47)%
Total Planning and Community Environment	28.20	31.04	31.56	30.24	-1.32	(4.18)%

Police

Administrative Assistant	0.50	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	3.00	3.00	3.00	3.00	0.00	0.00%
Animal Control Officer	3.00	3.00	3.00	3.00	0.00	0.00%
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Animal Services Specialist II	2.00	2.00	2.00	2.00	0.00	0.00%
Assistant Police Chief	1.00	1.00	1.00	1.00	0.00	0.00%
Business Analyst	1.20	1.20	1.20	1.20	0.00	0.00%
Code Enforcement Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Communications Manager	0.00	0.00	0.00	1.00	1.00	0.00%
Communications Technician	1.00	1.00	1.00	1.00	0.00	0.00%
Community Service Officer	8.50	8.50	8.50	7.50	-1.00	(11.76)%
Court Liaison Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Crime Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy Director Technical Services Division	0.80	0.80	0.80	0.80	0.00	0.00%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Police Agent	19.00	19.00	19.00	19.00	0.00	0.00%
Police Captain	2.00	2.00	2.00	2.00	0.00	0.00%
Police Chief	0.50	1.00	1.00	1.00	0.00	0.00%
Police Lieutenant	5.00	5.00	5.00	5.00	0.00	0.00%
Police Officer	50.00	50.00	50.00	50.00	0.00	0.00%
Police Records Specialist II	6.00	6.00	6.00	6.00	0.00	0.00%
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Police Sergeant	14.00	14.00	14.00	14.00	0.00	0.00%
Program Assistant II	1.00	1.00	1.00	1.00	0.00	0.00%
Property Evidence Technician	2.00	2.00	2.00	2.00	0.00	0.00%
Public Safety Communications Manager	0.00	1.00	1.00	1.00	0.00	0.00%
Public Safety Dispatcher	0.00	0.00	16.00	16.00	0.00	0.00%
Public Safety Dispatcher - Lead	0.00	4.00	0.00	0.00	0.00	0.00%
Public Safety Dispatcher I	2.00	2.00	0.00	0.00	0.00	0.00%
Public Safety Dispatcher II	14.00	14.00	0.00	0.00	0.00	0.00%
Public Safety Dispatcher-Lead	4.00	0.00	4.00	4.00	0.00	0.00%
Public Safety Manager I	2.00	0.00	0.00	0.00	0.00	0.00%
Public Safety Manager II	1.00	0.00	0.00	0.00	0.00	0.00%
Public Safety Program Manager	0.00	2.00	2.00	2.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	0.00	0.00	0.00	0.00	0.00	0.00%
Superintendent Animal Services	1.00	1.00	1.00	1.00	0.00	0.00%
Veterinarian	1.00	1.00	1.00	1.00	0.00	0.00%
Veterinarian Technician	2.00	2.00	2.00	2.00	0.00	0.00%
Total Police	154.00	155.00	155.00	155.00	0.00	0.00%
Public Works						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate I	0.60	0.60	0.60	0.60	0.00	0.00%
Administrative Associate II	2.63	2.63	2.65	2.65	0.00	0.00%
Administrative Associate III	0.00	0.00	0.01	0.01	0.00	0.00%
Assistant Director Public Works	1.28	0.85	0.87	0.87	0.00	0.00%
Associate Engineer	0.30	0.30	0.30	0.30	0.00	0.00%
Building Serviceperson	1.00	1.00	1.00	1.00	0.00	0.00%
Building Serviceperson-Lead	1.80	1.80	1.80	1.00	-0.80	(44.44)%
Cement Finisher	0.00	3.00	3.00	3.00	0.00	0.00%
Cement Finisher-Lead	0.00	0.26	0.26	0.26	0.00	0.00%
Coordinator Public Works Projects	0.00	1.00	0.50	1.50	1.00	200.00%
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Electrician	0.80	0.80	0.80	0.80	0.00	0.00%
Engineer	0.30	0.40	0.66	0.66	0.00	0.00%
Engineering Technician III	1.20	1.20	1.47	1.47	0.00	0.00%
Equipment Operator	3.46	3.46	3.46	3.46	0.00	0.00%
Facilities Carpenter	1.00	1.00	1.00	1.00	0.00	0.00%
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	0.00	0.00%
Facilities Mechanic	5.55	5.55	0.00	0.00	0.00	0.00%
Facilities Painter	1.75	1.75	1.75	1.75	0.00	0.00%
Facilities Technician	0.00	0.00	5.55	5.55	0.00	0.00%
Heavy Equipment Operator	2.13	2.33	2.33	2.33	0.00	0.00%
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	0.00	0.00%
Inspector, Field Services	0.83	0.10	0.11	0.11	0.00	0.00%
Landscape Architect Park Planner	0.00	0.10	0.10	0.10	0.00	0.00%
Management Analyst	0.60	0.70	0.70	0.70	0.00	0.00%
Manager Facilities	0.00	0.90	0.90	0.90	0.00	0.00%
Manager Maintenance Operations	1.95	1.20	1.20	1.20	0.00	0.00%
Manager Urban Forestry	0.96	0.96	0.96	0.96	0.00	0.00%
Manager Watershed Protection	0.00	0.00	0.05	0.05	0.00	0.00%
Planning Arborist	0.75	0.75	0.75	0.71	-0.04	(5.33)%
Project Engineer	0.30	0.40	0.50	0.50	0.00	0.00%
Project Manager	1.63	1.93	2.58	2.65	0.07	2.71%
Senior Engineer	1.47	0.57	0.79	0.79	0.00	0.00%
Senior Management Analyst	1.11	1.11	1.11	1.11	0.00	0.00%
Senior Project Manager	0.10	0.10	0.10	0.10	0.00	0.00%
Supervisor Inspection and Surveying	0.53	0.10	0.10	0.10	0.00	0.00%
Surveyor, Public Works	0.31	0.10	0.33	0.33	0.00	0.00%
Traffic Controller Maintainer-Lead	1.00	0.00	0.00	0.00	0.00	0.00%
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	0.00	0.00%
Traffic Controller Maintainer II	2.00	2.00	2.00	2.00	0.00	0.00%
Tree Maintenance Person	1.00	1.00	1.00	1.00	0.00	0.00%
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	0.00	0.00%
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Total Public Works	52.98	54.59	55.93	56.16	0.23	0.41%
Total General Fund	589.58	600.71	603.94	604.42	0.48	0.08%
Enterprise Fund						
Public Works						
Account Specialist	0.45	0.45	0.30	0.30	0.00	0.00%
Accountant	0.40	0.40	0.40	0.40	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Administrative Associate I	0.10	0.10	0.10	0.10	0.00	0.00%
Administrative Associate II	2.15	2.15	2.15	2.15	0.00	0.00%
Administrative Associate III	0.10	0.10	0.10	0.10	0.00	0.00%
Assistant Director Public Works	1.30	1.30	1.30	1.30	0.00	0.00%
Assistant Manager WQCP	2.00	2.00	2.00	2.00	0.00	0.00%
Associate Engineer	1.35	1.35	1.99	1.99	0.00	0.00%
Business Analyst	0.13	0.00	0.00	0.00	0.00	0.00%
Buyer	1.00	1.00	0.00	0.00	0.00	0.00%
Chemist	3.00	3.00	3.00	3.00	0.00	0.00%
Chief Sustainability Officer	0.10	0.00	0.00	0.00	0.00	0.00%
Coordinator Public Works Projects	1.00	1.00	0.00	0.00	0.00	0.00%
Deputy Chief/Fire Marshal	0.08	0.07	0.07	0.07	0.00	0.00%
Electrician	3.00	3.00	3.00	3.00	0.00	0.00%
Electrician-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Engineer	1.00	1.00	0.90	0.90	0.00	0.00%
Engineering Technician III	0.20	0.20	0.25	0.25	0.00	0.00%
Environmental Specialist	2.00	2.00	2.00	2.00	0.00	0.00%
Equipment Operator	0.54	0.54	0.54	0.54	0.00	0.00%
Facilities Maintenance Lead	0.00	0.00	1.00	1.00	0.00	0.00%
Facilities Technician	0.00	0.00	0.00	1.50	1.50	0.00%
Hazardous Materials Inspector	0.04	0.04	0.04	0.04	0.00	0.00%
Heavy Equipment Operator	0.90	0.90	0.90	0.90	0.00	0.00%
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	0.00	0.00%
Industrial Waste Inspector	2.99	2.99	2.99	2.99	0.00	0.00%
Industrial Waste Investigator	1.79	1.79	1.15	1.15	0.00	0.00%
Laboratory Technician WQC	3.00	3.00	3.00	3.00	0.00	0.00%
Landfill Technician	1.00	1.00	1.00	1.00	0.00	0.00%
Maintenance Mechanic	7.00	7.00	0.00	0.00	0.00	0.00%
Management Analyst	2.30	1.30	2.30	2.30	0.00	0.00%
Manager Airport	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Environmental Control Program	3.90	4.90	4.90	4.90	0.00	0.00%
Manager Laboratory Services	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Maintenance Operations	0.96	1.96	1.96	1.96	0.00	0.00%
Manager Solid Waste	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Watershed Protection	0.95	0.95	0.95	0.95	0.00	0.00%
Plant Mechanic	0.00	0.00	7.00	7.00	0.00	0.00%
Program Assistant I	1.00	1.00	1.00	1.00	0.00	0.00%
Program Assistant II	2.00	2.00	2.00	2.00	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Project Engineer	1.81	1.83	1.83	1.83	0.00	0.00%
Project Manager	0.35	0.35	1.35	1.35	0.00	0.00%
Senior Accountant	0.30	0.30	0.30	0.30	0.00	0.00%
Senior Buyer	0.00	0.00	1.00	1.00	0.00	0.00%
Senior Chemist	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Engineer	1.76	1.76	3.76	3.76	0.00	0.00%
Senior Industrial Waste Investigator	0.99	0.99	0.99	0.99	0.00	0.00%
Senior Management Analyst	0.21	0.21	0.21	0.21	0.00	0.00%
Senior Mechanic	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Operator WQC	6.00	6.00	6.00	6.00	0.00	0.00%
Senior Technologist	1.13	1.00	1.00	1.00	0.00	0.00%
Storekeeper	1.00	1.00	1.00	1.00	0.00	0.00%
Street Maintenance Assistant	0.00	0.00	1.00	1.00	0.00	0.00%
Street Sweeper Operator	1.63	1.63	1.63	1.63	0.00	0.00%
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	0.00	0.00%
Surveyor, Public Works	0.11	0.35	0.12	0.12	0.00	0.00%
Technologist	1.00	1.00	1.00	1.00	0.00	0.00%
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	0.00	0.00%
WQC Plant Operator II	16.00	16.00	16.00	16.00	0.00	0.00%
Zero Waste Coordinator	2.00	2.00	1.00	1.00	0.00	0.00%
Total Public Works	94.23	95.12	98.69	100.19	1.50	1.52%
Utilities						
Account Specialist	2.55	2.55	1.70	1.70	0.00	0.00%
Accountant	0.60	0.60	0.60	0.60	0.00	0.00%
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	6.00	6.00	6.00	7.00	1.00	16.67%
Assistant City Manager/Utilities General Manager	0.00	0.00	0.00	0.75	0.75	0.00%
Assistant Director Administrative Services	0.25	0.25	0.25	0.25	0.00	0.00%
Assistant Director Utilities Customer Support Services	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Utilities Engineering	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Utilities Operations	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Utilities/Resource Management	1.00	1.00	1.00	1.00	0.00	0.00%
Associate Engineer	0.50	0.50	0.00	0.00	0.00	0.00%
Business Analyst	6.87	7.00	7.00	7.00	0.00	0.00%
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Cathodic Technician	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Cement Finisher	1.00	1.00	1.00	2.00	1.00	100.00%
Chief Sustainability Officer	0.35	0.00	0.00	0.00	0.00	0.00%
Contracts Administrator	0.70	0.70	0.70	0.70	0.00	0.00%
Coordinator Utilities Projects	7.00	7.00	6.00	6.00	0.00	0.00%
Customer Service Representative	6.00	6.00	6.00	7.00	1.00	16.67%
Customer Service Specialist	2.00	2.00	2.00	2.00	0.00	0.00%
Customer Service Specialist-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Deputy Chief/Fire Marshal	0.08	0.08	0.08	0.08	0.00	0.00%
Deputy City Attorney	0.00	0.00	0.00	1.00	1.00	0.00%
Director Administrative Services/CFO	0.20	0.20	0.20	0.20	0.00	0.00%
Director Utilities	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Electric Project Engineer	2.00	2.00	2.00	2.00	0.00	0.00%
Electric Underground Inspector	2.00	2.00	2.00	2.00	0.00	0.00%
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Electrical Equipment Technician	0.00	0.00	1.00	1.00	0.00	0.00%
Electrician Assistant I	4.00	4.00	3.00	3.00	0.00	0.00%
Engineer	4.00	4.00	4.00	4.00	0.00	0.00%
Engineering Manager - Electric	1.00	1.00	1.00	1.00	0.00	0.00%
Engineering Manager - WGW	1.00	1.00	1.00	1.00	0.00	0.00%
Engineering Technician III	4.00	4.00	5.00	3.00	-2.00	(40.00)%
Equipment Operator	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Gas and Water Meter Measurement and Control Technician	0.00	0.00	0.00	4.00	4.00	0.00%
Gas and Water Meter Measurement and Control Technician - Lead	0.00	0.00	0.00	1.00	1.00	0.00%
Gas System Technician	2.00	2.00	0.00	0.00	0.00	0.00%
Gas System Technician II	1.00	1.00	3.00	0.00	-3.00	(100.00)%
Hazardous Materials Inspector	0.06	0.06	0.06	0.06	0.00	0.00%
Heavy Equipment Operator	8.70	8.70	6.70	6.70	0.00	0.00%
Heavy Equipment Operator - Install/ Repair	0.00	0.00	4.00	4.00	0.00	0.00%
Industrial Waste Investigator	0.00	0.00	0.50	0.50	0.00	0.00%
Inspector, Field Services	4.00	4.00	5.00	5.00	0.00	0.00%
Lineperson/Cable Specialist	11.00	11.00	11.00	11.00	0.00	0.00%
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	0.00	0.00%
Maintenance Mechanic-Welding	2.00	2.00	2.00	2.00	0.00	0.00%
Manager Communications	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Customer Service	0.00	1.00	1.00	1.00	0.00	0.00%
Manager Customer Service and Meter Reading	1.00	0.00	0.00	0.00	0.00	0.00%
Manager Electric Operations	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Manager Treasury, Debt & Investments	0.00	0.00	0.40	0.40	0.00	0.00%
Manager Utilities Compliance	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Credit & Collection	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Marketing Services	1.00	1.00	0.00	0.00	0.00	0.00%
Manager Utilities Operations WGW	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Program Services	0.00	0.00	1.00	1.00	0.00	0.00%
Manager Utilities Strategic Business	0.00	0.00	1.00	1.00	0.00	0.00%
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	0.00	0.00%
Marketing Engineer	1.00	1.00	0.00	0.00	0.00	0.00%
Meter Reader	6.00	6.00	6.00	6.00	0.00	0.00%
Meter Reader-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Metering Technician	3.00	3.00	3.00	3.00	0.00	0.00%
Metering Technician-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Offset Equipment Operator	0.48	0.48	0.48	0.48	0.00	0.00%
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	0.00	0.00%
Planner	0.30	0.00	0.00	0.00	0.00	0.00%
Power Engineer	3.00	3.00	3.00	3.00	0.00	0.00%
Principal Business Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Principal Management Analyst	1.00	0.00	0.00	0.00	0.00	0.00%
Program Assistant I	2.50	2.50	2.50	1.50	-1.00	(40.00)%
Project Engineer	5.00	5.00	5.00	5.00	0.00	0.00%
Project Manager	0.75	0.75	0.75	0.75	0.00	0.00%
Resource Planner	5.00	5.00	6.00	6.00	0.00	0.00%
Restoration Lead	1.00	1.00	1.00	1.00	0.00	0.00%
SCADA Technologist	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Accountant	0.70	0.70	0.70	0.70	0.00	0.00%
Senior Business Analyst	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Deputy City Attorney	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Senior Electrical Engineer	4.00	4.00	4.00	4.00	0.00	0.00%
Senior Engineer	4.00	5.00	5.00	5.00	0.00	0.00%
Senior Management Analyst	2.40	2.40	0.70	0.70	0.00	0.00%
Senior Mechanic	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Performance Auditor	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Project Engineer	1.00	0.00	0.00	0.00	0.00	0.00%
Senior Resource Planner	6.00	6.00	6.00	6.00	0.00	0.00%
Senior Technologist	0.87	0.00	0.00	0.00	0.00	0.00%
Senior Utilities Field Service Representative	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Water Systems Operator	2.00	2.00	2.00	2.00	0.00	0.00%
Storekeeper	2.00	2.00	1.00	1.00	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Storekeeper-Lead	0.00	0.00	0.80	0.80	0.00	0.00%
Street Light, Traffic Signal & Fiber Technician	4.00	5.00	5.00	5.00	0.00	0.00%
Street Light, Traffic Signal & Fiber Technician Apprentice	1.00	0.00	0.00	0.00	0.00	0.00%
Street Light, Traffic Signal & Fiber-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Substation Electrician	6.00	6.00	6.00	6.00	0.00	0.00%
Substation Electrician-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Supervising Electric Project Engineer	1.00	1.00	1.00	1.00	0.00	0.00%
Supervisor Inspection Services	1.00	1.00	0.00	0.00	0.00	0.00%
Tree Maintenance Person	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Account Representative	0.00	0.00	0.00	0.00	0.00	0.00%
Utilities Chief Operating Officer	0.00	0.00	0.00	1.00	1.00	0.00%
Utilities Compliance Technician	2.00	2.00	2.00	2.00	0.00	0.00%
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	0.00	0.00%
Utilities Engineer Estimator	5.00	5.00	5.00	5.00	0.00	0.00%
Utilities Field Services Representative	5.00	5.00	5.00	5.00	0.00	0.00%
Utilities Install Repair-Lead-Welding Certified	2.00	2.00	2.00	2.00	0.00	0.00%
Utilities Install Repair-Welding Certified	3.00	3.00	3.00	3.00	0.00	0.00%
Utilities Install/Repair	12.00	12.00	10.00	10.00	0.00	0.00%
Utilities Install/Repair Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Install/Repair-Lead	5.00	5.00	5.00	5.00	0.00	0.00%
Utilities Key Account Representative	3.00	3.00	3.00	3.00	0.00	0.00%
Utilities Locator	3.00	3.00	3.00	3.00	0.00	0.00%
Utilities Marketing Program Administrator	4.00	3.00	3.00	3.00	0.00	0.00%
Utilities Safety Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Supervisor	11.00	11.00	12.00	12.00	0.00	0.00%
Utilities System Operator	5.00	5.00	5.00	5.00	0.00	0.00%
Utility Engineering Estimator - Lead	0.00	0.00	0.00	1.00	1.00	0.00%
Warehouse Supervisor	0.50	0.50	0.80	0.80	0.00	0.00%
Water Meter Cross Connection Technician	2.00	2.00	0.00	0.00	0.00	0.00%
Water System Operator I	0.00	0.00	1.00	0.00	-1.00	(100.00)%
Water System Operator II	4.00	4.00	4.00	4.00	0.00	0.00%
Total Utilities	258.36	255.97	254.92	256.67	1.75	0.69%
Total Enterprise Fund	352.59	351.09	353.61	356.86	3.25	0.92%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Other Funds						
Capital Project Fund						
Administrative Associate I	0.80	0.80	0.80	0.80	0.00	0.00%
Administrative Associate III	0.89	0.89	0.89	0.89	0.00	0.00%
Assistant Director Public Works	0.15	0.58	0.58	0.58	0.00	0.00%
Associate Engineer	2.69	2.69	2.69	2.96	0.27	10.04%
Cement Finisher	3.00	0.00	0.00	0.00	0.00	0.00%
Cement Finisher-Lead	1.00	0.74	0.74	0.74	0.00	0.00%
Chief Transportation Official	0.50	0.50	0.30	0.52	0.22	73.33%
Contracts Administrator	0.60	0.60	0.60	0.60	0.00	0.00%
Coordinator Public Works Projects	0.00	1.00	1.50	1.30	-0.20	(13.33)%
Coordinator Transportation Systems Management	0.10	0.15	0.90	0.62	-0.28	(31.11)%
Engineer	2.08	2.98	2.80	2.80	0.00	0.00%
Engineering Technician III	0.50	0.50	0.50	0.50	0.00	0.00%
Heavy Equipment Operator	0.20	0.00	0.00	0.00	0.00	0.00%
Inspector, Field Services	0.47	1.20	1.21	1.21	0.00	0.00%
Landscape Architect Park Planner	1.00	0.90	0.90	0.90	0.00	0.00%
Management Analyst	1.49	1.39	0.89	0.79	-0.10	(11.24)%
Manager Facilities	0.00	0.10	0.10	0.10	0.00	0.00%
Manager Maintenance Operations	0.90	1.65	0.65	0.65	0.00	0.00%
Parking Operations-Lead	0.00	0.00	0.30	1.00	0.70	233.33%
Program Assistant I	1.00	0.00	0.00	0.00	0.00	0.00%
Program Assistant II	0.00	0.00	0.20	0.40	0.20	100.00%
Project Engineer	5.09	4.99	6.49	7.14	0.65	10.02%
Project Manager	1.20	1.80	1.15	1.15	0.00	0.00%
Senior Engineer	1.09	1.99	1.99	1.99	0.00	0.00%
Senior Management Analyst	0.60	0.60	0.60	0.60	0.00	0.00%
Senior Planner	0.00	0.00	0.70	0.85	0.15	21.43%
Senior Project Engineer	0.70	0.00	0.00	0.00	0.00	0.00%
Senior Project Manager	0.90	0.90	0.90	0.90	0.00	0.00%
Supervisor Inspection and Surveying	0.20	0.63	0.63	0.63	0.00	0.00%
Surveyor, Public Works	0.11	0.55	0.55	0.55	0.00	0.00%
Traffic Engineering-Lead	0.00	0.00	0.90	0.62	-0.28	(31.11)%
Transportation Planning Manager	0.00	0.70	0.15	0.50	0.35	233.33%
Total Capital Project Fund	27.26	28.83	30.61	32.29	1.68	5.49%
Printing and Mailing Services						
Manager Revenue Collections	0.00	0.10	0.10	0.10	0.00	0.00%
Offset Equipment Operator	1.52	1.52	1.52	1.52	0.00	0.00%

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	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Senior Management Analyst	0.10	0.00	0.00	0.00	0.00	0.00%
Total Printing and Mailing Services	1.62	1.62	1.62	1.62	0.00	0.00%

Special Revenue Funds

Account Specialist	1.55	1.55	1.62	1.62	0.00	0.00%
Account Specialist-Lead	0.41	0.41	0.95	0.95	0.00	0.00%
Administrative Associate II	0.20	0.20	0.20	0.20	0.00	0.00%
Building Serviceperson-Lead	0.20	0.20	0.20	0.00	-0.20	(100.00)%
Chief Transportation Official	0.00	0.00	0.00	0.05	0.05	0.00%
Community Service Officer	0.50	0.50	0.50	0.50	0.00	0.00%
Coordinator Public Works Projects	0.00	0.00	0.00	0.20	0.20	0.00%
Electrician	0.20	0.20	0.20	0.20	0.00	0.00%
Facilities Maintenance-Lead	0.15	0.15	0.15	0.15	0.00	0.00%
Facilities Mechanic	0.45	0.45	0.00	0.00	0.00	0.00%
Facilities Painter	0.25	0.25	0.25	0.25	0.00	0.00%
Facilities Technician	0.00	0.00	0.45	0.45	0.00	0.00%
Management Analyst	0.00	0.00	0.02	0.02	0.00	0.00%
Manager Community Services Senior Program	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Maintenance Operations	0.19	0.19	0.19	0.19	0.00	0.00%
Manager Revenue Collections	0.00	0.20	0.28	0.28	0.00	0.00%
Parking Operations-Lead	0.00	0.70	0.50	0.00	-0.50	(100.00)%
Planner	0.75	0.75	0.00	0.00	0.00	0.00%
Program Assistant II	0.00	0.00	0.45	0.00	-0.45	(100.00)%
Senior Management Analyst	0.20	0.00	0.00	0.00	0.00	0.00%
Senior Planner	0.00	0.00	0.36	0.40	0.04	11.11%
Senior Project Engineer	0.10	0.00	0.00	0.00	0.00	0.00%
Street Maintenance Assistant	2.00	2.00	2.00	2.00	0.00	0.00%
Street Sweeper Operator	0.37	0.37	0.37	0.37	0.00	0.00%
Transportation Planning Manager	0.00	0.10	0.00	0.30	0.30	0.00%
Total Special Revenue Funds	8.52	9.22	9.69	9.13	-0.56	(5.78)%

Technology Fund

Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Administrative Services	0.10	0.00	0.10	0.10	0.00	0.00%
Business Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Desktop Technician	5.00	5.00	6.00	6.00	0.00	0.00%
Director Administrative Services/CFO	0.10	0.10	0.00	0.00	0.00	0.00%
Director Information Technology/CIO	1.00	1.00	1.00	1.00	0.00	0.00%
Management Analyst	1.00	0.00	0.00	0.00	0.00	0.00%

Table of Organization

	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Adopted Budget	FY 2018 Proposed Budget	FY 2018 Change FTE	FY 2018 Change %
Manager Information Technology	4.00	4.00	4.00	4.00	0.00	0.00%
Manager Information Technology Security	1.00	1.00	1.00	1.00	0.00	0.00%
Principal Business Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Principal Management Analyst	1.00	0.00	0.00	0.00	0.00	0.00%
Senior Business Analyst	0.00	2.00	2.00	2.00	0.00	0.00%
Senior Management Analyst	2.00	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	13.50	15.00	16.00	17.00	1.00	6.25%
Technologist	2.00	2.00	1.00	1.00	0.00	0.00%
Total Technology Fund	31.70	34.10	35.10	36.10	1.00	2.85%
Vehicle Replacement and Maintenance Fund						
Administrative Associate III	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Public Works	0.25	0.25	0.25	0.25	0.00	0.00%
Assistant Fleet Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Equipment Maintenance Service Person	2.00	2.00	2.00	2.00	0.00	0.00%
Fleet Services Coordinator	2.00	2.00	2.00	2.00	0.00	0.00%
Management Analyst	0.20	0.20	0.20	0.20	0.00	0.00%
Manager Fleet	1.00	1.00	1.00	1.00	0.00	0.00%
Motor Equipment Mechanic II	6.00	6.00	6.00	6.00	0.00	0.00%
Motor Equipment Mechanic-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Project Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Management Analyst	0.08	0.08	0.08	0.08	0.00	0.00%
Total Vehicle Replacement and Maintenance Fund	16.53	16.53	16.53	16.53	0.00	0.00%
Workers' Compensation Program Fund						
Senior Human Resources Administrator	0.00	0.00	1.00	1.00	0.00	0.00%
Workers' Compensation Program Fund						
Total Workers' Compensation Program Fund	0.00	0.00	1.00	1.00	0.00	0.00%
Total Other Funds	85.63	90.30	94.55	96.67	2.12	2.24%
Total Citywide Positions	1,027.80	1,042.10	1,052.10	1,057.95	5.85	0.56%



SUPPLEMENTAL INFORMATION



CITY OF
**PALO
ALTO**

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 16.6 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 to 20 percent of General Fund operating expenditures, with a target of 18.5 percent. Any reduction to the reserve below 15 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 percent of General Fund operating expenses. The table below depicts the BSR balances for seven years, last five years of actual ending BSR balances and two years of budgeted ending BSR balances. As discussed in this document, the Fiscal Year 2018 Proposed Budget assumes a BSR ending balance of \$39.1 million or 18.63 percent; this is \$273,000 above the Council approved 18.5 percent target.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actuals	Actuals	Actuals	Actuals	Actuals	Adopted	Proposed
Ending BSR Balance (in millions)	\$27.1	\$30.4	\$33.1	\$48.2	\$49.5	\$41.3	\$39.1
% of Total Expenses	18.50%	18.50%	19.33%	25.96%	24.06%	21.27%	18.63%

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. The City has adhered to this practice and has not used the BSR to provide ongoing budget stabilization during periods of economic downturns. In Fiscal Year 2014-2015, the BSR closed with an additional \$13.5 million set aside pending Council direction. A total of \$8.0 million was reserved for additional capital expenditures, \$4.2 million dedicated to Fiscal Year 2015-2016 one-time expenditures, and \$1.3 million dedicated to potentially address the unfunded pension liability.

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. These funds are anticipated to be unspent at the conclusion of Fiscal Year 2017, and it is recommended that this reserve be carried forward to Fiscal Year 2018.

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 it was most recently reaffirmed in 2013. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed most favorably by credit agencies.

The four 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 for 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. As part of the Council approved Infrastructure Plan (IP), approved in FY 2014,, the Infrastructure Reserve was planned to fund \$7.5 million of the IP funding needs. Between FY 2012 and FY 2016 unspent monies from General Fund capital projects are returned to the IR and retained within the Capital Fund. General Fund Operating Budget surpluses of \$36.9 million have been transferred to the

Infrastructure Reserve beyond base budget transfers. Investment income from this reserve is also retained within the IR to fund future capital project needs.

Other Policies

Debt

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.

Investments

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 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 finan-

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cial 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.

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.

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: 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 Proposed Budget integrates the 1998-2010 Comprehensive Plan into the budget process.

GLOSSARY

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): 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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Americans with Disabilities Act



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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

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.