

TRANSMITTAL LETTER

April 30, 2018

To the Honorable Mayor and City Council

2019 Fiscal Year Proposed Operating Budget Transmittal

Dear Mayor and Council Members:

In accordance with the City Charter, I am presenting the City of Palo Alto's Fiscal Year 2019 Proposed Budget totaling \$704.5 million. This proposed budget represents a \$32.3 million increase over FY 2018 Adopted Budget, or 4.8 percent growth. The primary driver for the increase from FY 2018 Adopted Budget levels is the Capital Improvement Fund where significant investments in the 2014 City Council approved Infrastructure Plan are programmed for FY 2019. The General Fund represents \$214 million, a modest 1.7 percent increase over the prior year budget. This budget includes net reductions of 6.60 full-time positions, and when combined with the 11.00 reduction in the Fire Department already approved by the City Council, citywide staffing has decreased 17.60 positions or 1.7 percent from FY 2018 (a 3 percent reduction in General Fund staffing). Moderate utility rate adjustments of 4.7 percent are included in this budget ensuring maintenance and management of services and infrastructure to the community. Proposed rate increases under review by the Utilities Advisory Commission and Finance Committee may recommend downward adjustments of these rates in both the water and electric commodities.

This budget reflects a strong local economy that continues to provide stable revenues that support the vast array of programs and initiatives this organization provides to our citizens. This budget maintains the high quality of services and facilities that our community values, with a focus on the priorities of the City Council. As a result of our distinctive place in the global economy, we continue to experience many challenges associated with the appeal of Silicon Valley. These include increased traffic and congestion, expensive housing, more demand for services, and various views about the nature and pace of change. We are not facing these challenges alone, as cities across the region share in the impacts that have accompanied such strong economic growth over the past eight years.

Over the past few years, staff has identified anticipated gaps in available funds in the General Fund during prior year budget processes as well as upcoming projects and funding challenges that will require the City to prioritize initiatives and related resources. Recently, the City had to absorb several increased costs driven by extenuating circumstances, including the increased costs of track watch guards (\$1.7 million), transfer of the electricity costs of streetlight and traffic signals (\$2.3 million), and anticipated revenue reductions associated with Stanford negotiations over fire services (\$2.0 million). That gap was closed in part by drawing on the Budget

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Stabilization Reserve (BSR) and other one-time solutions. Staff agreed with the City Council that the FY 2019 Budget would close that gap on a permanent structural basis; this budget accomplishes that.

As reported in the FY 2019-2028 Long Range Financial Forecast, the City's FY 2019 General Fund projected a gap between revenues and expenses of \$2.6 million. With this Proposed Budget, I am recommending reducing \$2.3 million in structural expenses with a minimal \$276,000 draw on the BSR to balance the FY 2019 General Fund Budget. This maintains the BSR at over 19 percent of General Fund expenditures, above the Council approved target level of 18.5 percent. The rationale for drawing on the BSR is due to the one-time expenses it is offsetting, such as the anticipated November 2018 election. When compared to the City's FY 2019-2028 LRFF report, these actions are projected to bring both FY 2019 and FY 2020 revenues and expenses into alignment.

The General Fund

In order to meet our objectives for FY 2019 and present a structurally balanced budget, it was necessary to make some reductions in staffing. As a result, there are no outright new positions that are recommended in this budget; instead, citywide this budget recommends a net reduction of 6.6 full-time positions, essentially all within the General Fund. When combined with City Council's prior approval of 11.0 position reductions in the Fire Department, as part of the effort to continue to provide for Stanford Fire Services, full-time positions in the City have declined 17.6 positions from the FY 2018 Adopted Budget to 1,041.35 in FY 2019. This represents a 1.7 percent reduction in the full-time City workforce.

No full-time staff lose their positions in this proposal. At the same time, I believe the structurally balanced FY 2019 Budget maintains existing services and responds to Council Priorities. As a comparison, the number of General Fund positions for FY 2019 is 10 percent below levels seen in FY 2008 and FY 2009.

City Council Priorities

In spite of the proposed reductions, both the proposed operating and capital budgets continue to support the ongoing priorities of the City Council approved January 2018:

- Transportation
- Housing
- Budget and Finance (focus on funding our infrastructure plan and pensions)
- Grade Separation (choose preferred alternative by end of year)

Of particular note in this Proposed Budget:

Parking & Transportation Strategy: This budget recommends incremental steps in already planned parking and transportation initiatives. As a result of vacancies in key staff positions, this budget reflects a need to scale the ecosystem of parking and transportation programs. It continues funding for the Transportation Management Association (TMA) at \$480,000 and

focuses resources on the procurement of a new comprehensive parking permit system. In the capital budget, funding for grade separation initiatives are recommended to be added as well.

Pension and Other Post-Employment Benefits (OPEB) Actions: In 2008, the City established an OPEB Trust fund for retiree healthcare obligations, which now has over \$100 million in assets. After a regular outside bi-annual review of the City's OPEB liabilities, a favorable report reduced our annual retiree medical contributions in the General Fund by \$1.3 million for FY 2019.

After establishing an irrevocable IRS Section 115 Pension Trust fund in FY 2017, the City has contributed \$5.6 million in all funds (\$3.4 million General Fund). The FY 2019 Proposed Budget recommends additional contributions of \$2.0 million for a total of \$7.6 million (\$4.6 million General Fund). Additional information can be found in the Salaries and Benefits Attachment B to this letter.

While the FY 2019 Budget maintains current services and takes important steps toward ongoing fiscal stability and health, the City will face critical challenges in the near and long-term.

Near-Term Challenges

Infrastructure Funding: Based on updated estimates and the most recent decisions on the plan made by the Council, the emergent gap in necessary resources for the 2014 City Council Infrastructure Plan is currently estimated at \$76 million. Anticipated new Transient Occupancy Tax (TOT) revenue (not included within the Proposed Budget forecast yet) could close half of that funding gap. An increase in the TOT via the ballot box in 2018 could resolve the remaining gap. Other funding challenges in the near-term include our Animal Shelter, the Junior Museum and Zoo, other City facilities like the Roth Building, and future planning for parks.

Transportation: Completion of plans and funding included in the City Council Infrastructure Plan, such as our Bike and Pedestrian Plan improvements and Charleston-Arastradero Corridor are an important factor in expanding our modes of transportation. Finding a permanent funding source for our TMA is also a near term challenge. Maintaining adequate funding for our parking needs (new systems, community engagement demands) will continue to challenge the City.

Competitive Workforce - Retaining and Recruiting a Quality Staff: Road gridlock and needed transit investments, along with out-of-reach housing costs, make our ability to attract and maintain the workforce our community requires a genuine concern. Labor negotiations with five bargaining groups will unfold throughout FY 2019. Unknown costs beyond this budget remain. The quality of services provided our community is most directly the result of having an adequate and high-quality workforce. This is a fact that needs to be better articulated to our community.

Pension Costs: The City already knows the expected range of increases in annual pension costs, which will put a continuing annual strain on our budgets.

Housing: Provision of adequate housing and the ability to meet our housing production goals will require action much more within the realm of policy and zoning, than in direct City funding. Some affordable housing funding is available within the City's existing programs, but it could quickly be used up within the near term. The City has larger goals and housing needs than the pool of municipal funding could meet. Creative concerted policy action by City Council will be essential.

Longer-Term Challenges

Grade Separation: Arguably the biggest infrastructure project in the City's recent history and for the next decades ahead is grade separation. Over the next ten years the City will need to plan for, find funding for, and then construct grade separation improvements along our four-mile corridor. The cost will run from the hundreds of millions of dollars into billions. How to accomplish this is the challenge of the decade ahead.

Sustainable Pensions and Health Care: The liabilities and risks to the CalPERS system are well known. Our City Council continues to be a leader in understanding the scale of the problem and in coming to grips with solutions that will be necessary. This, as we know, will continue to dominate the work of the Finance Committee and City Council in the years ahead.

Competitive and Quality Workforce: This too will continue to be the other large financial driver in the City Budgets in the years ahead. Beyond just funding, creative approaches to working environment and commutes will be needed, under conditions that are significantly affected by state regulations limiting the City's options.

There are additional funding challenges we face and these are referenced in the General Fund Summary section of this document.

Other Funds - Summary

Beyond the General Fund, the City's Enterprise and Other Funds remain healthy and continue to maintain and invest in the City's many service areas including Utilities, the Airport, and parking initiatives. As discussed above, moderate utility rate adjustments representing a 4.7 percent increase in the average residential monthly bill are assumed in this budget. The Airport Fund continues to see significant investment in capital improvements through grant funding awarded by the Federal Aviation Administration. Both a business plan assessment and facilities assessment are scheduled to be completed in FY 2019 to assist in future operating and investment decisions. As noticed previously, a focus on parking operations is anticipated in FY 2019. No significant changes in the program are recommended or proposed as the FY 2019 budget focuses on scaling the programs with much needed tools including a comprehensive permit system.

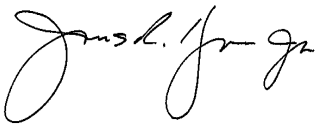
Acknowledgments

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.

Having spent the early, formative period of my career in budget offices, I know first-hand the teamwork and professionalism it takes to develop and produce the annual budget of a municipal organization. Special thanks to Lalo Perez, our Chief Financial Officer, Kiely Nose, Budget Director, Tarun Narayan, Treasury Manager, and the dedicated Office of Management and Budget team – Paul Harper, Steve Guagliardo, Jessie Deschamps, Chris Yi, Alexandra Harris, Chaitali Paliwal, Jamie Perez, and Kayla Shapiro. The completion of this budget document could not have been accomplished without the skill, dedication and professionalism of this team. Unless one has been involved in the actual planning and preparation of the budget it is impossible to appreciate the many hours our folks have sacrificed over the last few months. My gratitude must also go to the Department Directors of our Executive Leadership Team and all of the department personnel who worked on the preparation of the material. They are too numerous to mention here but all the senior/management analysts, division managers, administrative assistants and others have earned a well-deserved thank you.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "James Keene". The signature is fluid and cursive, with a large initial "J" and a stylized "K".

James Keene

City Manager

Attachment A: Fiscal Year 2019 Budget Balancing

The FY 2019 Proposed budget of \$704.5 reflects an increase of 4.8 percent from the FY 2018 Adopted Budget of \$672.3 million. The General Fund of \$214.0 million is approximately 30 percent of the City's total budget. General Fund expenses increased 1.7 percent from prior year levels of \$210.4 million - a small increase. This budget was developed with consideration of the multi-year implications of its recommendations. It strives to avoid reductions that significantly impact services and continues to invest heavily in the City's infrastructure.

General Fund

The FY 2019 Budget includes General Fund revenue estimates of \$213.7 million, a 3.2 percent increase from FY 2018 Adopted Budget levels of \$207.4 million, or a \$6.7 million increase. General Fund expenditures of \$214.0 million reflect growth of 1.7 percent from the FY 2018 Adopted Budget level of \$210.4 million, or a \$3.6 million increase.

The Budget Stabilization Reserve (BSR) is projected at FY 2019 BSR balance of \$41.0 million, or 19.2 percent of the FY 2019 Budget expenses of \$214.0 million. This is above the City Council target level of 18.5 percent or \$39.6 million.

The General Fund balancing strategy (see below) looked at a multi-year approach that anticipates FY 2020 General Fund to be in balance for FY 2020 also. This is an incremental step to position the City in advance of unknown future costs in such areas as pension and labor.

General Fund Balancing Strategy

REVENUES

Based on a continued gradual growth of the regional economy and Fiscal Year 2018 year-to-date major tax revenue receipts, this budget assumes continued healthy growth in Property Tax and Transient Occupancy Tax in comparison to the Fiscal Year 2018 Adopted Budget. This Fiscal Year 2019 Budget assumes increases to major tax revenue receipts by approximately \$5.8 million, or 4.9 percent, from \$119.3 million to \$125.2 million when compared to the FY 2018 Adopted Budget. Growth in major tax revenues reflects over 85 percent of the change from the FY 2018 Adopted Budget for all General Fund revenues.

The City continues to seek new ways to generate revenues and monitors State and regional 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 Act, is estimated to provide an additional \$1.2 million annually. These funds have been programed as part of the FY 2019-2023 Capital Improvement Plan for high-priority projects such as grade separation. We must continue to explore new revenue opportunities related to proposed new hotels and/or car dealership opportunities.

EXPENSES

The City's General Fund expense budget of \$214.0 million reflects a 1.7 percent increase from FY 2018 Adopted Budget levels of \$210.4 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 \$30.9 million, reflecting the continued priority of investing in infrastructure of \$25.2 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 and takes a further step by reducing costs through the elimination of ongoing expenses. The total positions budgeted in the General Fund reflect a year-over-year decrease in budgeted levels of 17.89, representing the net reduction of 17.6 FTE and a funding shift of 0.29 FTE. Despite these cost-containment strategies, we have continued to invest in critical services and initiatives such as public safety, parking plans, and our employees. We will continue to assess our resources and delivery of services as discussed above to ensure the continued high level of services coupled with fiscal prudence.

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 \$0.8 million in FY 2019, to match the funding levels provided by the General Fund for a total contribution of \$2.0 million. Major activities in non-General Funds include:

Waste Water Treatment Fund

As part of the 2019-2023 Capital Improvement Program (CIP) expenditures of \$94.9 million are programmed, with \$10.2 million allocated in Fiscal Year 2019. 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 agency's expected capacity share. Overall, a total of eight capital projects are programmed over the five-year CIP.

Airport Fund

The City assumed airport operations from Santa Clara County in August of 2014 for the Palo Alto airport, which ranks among the busiest general aviation airports in the country. As the City assumed operations and transitioned away from subleases to Fixed Base Operators (FBOs), rental income has increased, offset by expenses for maintenance and cleaning responsibilities that were previously performed by the FBOs. The airport has been undergoing major construction projects, leveraging grants from the Federal Aviation (FAA) which reimburse up to 90% of project costs. To ensure the stability of this fund, staff will continue researching alternative funding options to support the significant investment of grant funding from the FAA.

Various Parking Funds

Financial activities from daily parking reside primarily in three funds: University Avenue Parking District Fund, California Avenue Parking District Fund, and Residential Parking Permit Fund. Revenue in this fund is generated from parking permits and used for maintenance, repair, and beautification of parking facilities and public areas within these areas. In FY 2019, it is recom-

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mended to increase current permits at the 2.6 annual escalator in order to cover rising general costs.

As directed by the City Council, staff will develop potential strategies for the organization and scaling of a comprehensive parking strategy during the next fiscal year. Staff will continue to actively work with the City Council, and engage the community to develop a comprehensive parking strategy including advancing incremental steps as they are developed.

Storm Drainage Fund

FY 2019 Storm Water Management fee is scheduled to increase by 2.9 percent based on an average increase of \$0.65 per month approved by City property owners through a ballot measure in April 2017. The Storm Water Management Fee will sunset 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, which has identified 13 capital improvement projects for FY 2019 and beyond.

UTILITY RATE CHANGES

FY 2017 was the first year in recent years that rate increases have been necessary across the City's utilities, resulting in an 8.7 percent increase in the average residential utility bill. Electric rates had not increased since FY 2009. FY 2019 continues the rate increases forecast last year in order to ensure the City's ability to replenish lower reserves and provide sufficient funding to cover increasing expenses for commodity costs, and repair and replacement of the City's aging utility infrastructure. The median monthly residential utility bill is expected to increase by 4.7 percent, or \$13.40, from \$282.48 to \$295.88. The individual utility rate increases for FY 2019 can be found in the Enterprise Funds Summary section of this document. At the time of the printing of this report, the Finance Committee and Utility Advisory Commission are considering reductions to the proposed rate changes in both the water and electric commodities. Depending on final approved rate changes, budget assumptions may be changed as necessary to reflect these lower rate increases.

Attachment B:

Fiscal Year 2019 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. Therefore, it should not be surprising that nearly 60 percent of the Fiscal Year 2019 General Fund Budget is attributable to salaries and benefits. The City will continue to conduct labor negotiations in FY 2019 with its various bargaining units, striving to ensure that Palo Alto remains a competitive employer in the region for top talent.

Position Changes

This budget includes the net reduction of 17.60 FTEs across all funds, representing a decrease of 1.7 percent from the FY 2018 Adopted Budget, from 1,058.95 to 1,041.35 full-time equivalent (FTE) positions. This represents the elimination of 11.0 positions in the Fire Department, reflecting changes to the fire services agreement with Stanford University, as well as other reductions, discussed in greater detail below. The table following summarizes the changes in positions from the FY 2018 Adopted Budget to the FY 2019 Proposed Budget.

Position Changes

FY 2018 Adopted to FY 2019 Proposed Budget

| | General Fund | Enterprise Funds | Other Funds* | Total |
|---|----------------|------------------|--------------|-----------------|
| Fiscal Year 2018 Adopted Budget | 602.92 | 357.86 | 98.17 | 1,058.95 |
| Fiscal Year 2018 Approved Adjustments | (11.00) | - | - | (11.00) |
| Fiscal Year 2018 Modified Budget | 591.92 | 357.86 | 98.17 | 1,047.95 |
| Fiscal Year 2019 Increase | 0.75 | - | - | 0.75 |
| Fiscal Year 2019 Decrease | (7.35) | - | - | (7.35) |
| Fiscal Year 2019 Reallocation | (0.29) | - | .29 | 0.00 |
| Fiscal Year 2019 Proposed Budget | 585.03 | 357.86 | 98.46 | 1,041.35 |
| Net Difference | (17.89) | - | 0.29 | (17.60) |

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

NOTE: This table does not include Hourly positions.

This budget reflects a year over year reduction of 17.60 positions, of which 11.00 positions have already been approved by the Council with the realignment of the fire service agreement with Stanford University. This budget recommends the following net position changes by funding source: a net 6.89 reduction in the General Fund, representing the elimination of 7.35 positions

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partially offset by the conversion of two part-time positions into a 0.75 FTE, and a 0.29 increase in Other Funds. The 0.29 FTE increase reflects a net-zero reallocation between the General Fund and Other Funds.

The entirety of the 7.35 full-time FTEs recommended to be eliminated throughout the organization are in the General Fund. The 0.29 position reallocation reflects the realignment of certain services across the organization, while the 7.35 FTE eliminations represent efforts to reduce costs while minimizing the impacts to service delivery.

Position Changes recommended in this budget include:

- Conversion of two 0.48 (part-time) management specialists in the Office of Sustainability into a 0.75 Management Analyst to better align with desired roles and responsibilities.
- Elimination of 1.0 Coordinator Recreation Programs, associated with the aquatics program that is now managed by an outside contractor.
- Elimination of 1.0 Library Specialist associated with special programming; the Library Department does not anticipate core service reductions such as hours of operations from this elimination.
- Elimination of 1.0 Senior Legal Secretary in the Office of the City Attorney.
- Elimination of 1.0 Cement Finisher and 1.0 Equipment Operator in the Public Works Department.
- Elimination of 1.0 Building Serviceperson in the Public Works department and realign funding to work being performed by an outside contractor.
- Elimination of 0.75 Hearing Officer in the City Clerk's office to align with the work being performed by an outside contractor.
- Elimination of 0.60 Senior Management Analyst in the Office of Management and Budget.

Throughout the organization, classification changes are being recommended for existing full-time positions in this year's budget. They include:

- Reclassification of 1.0 Information Technology Manager to 1.0 Senior Technologist in the Information Technology department, giving the department greater operational capacity.
- The addition of 1.0 Landscape Architect, offset by the elimination of 1.0 Planning Arborist, enabling the Public Works department to ensure compliance with new state regulations.
- Reclassification of a Business Analyst to a Senior Business Analyst in the Utilities department.

- Reclassification of 1.0 Program Assistant II to 1.0 Associate Planner in the Planning and Community Environment department to align with the business needs of the Parking program
- Reclassification of 1.0 Program Assistant to 1.0 Program Assistant II in the Office of Emergency Services to align with the needs of the department.

More information on each of these full-time position changes, and information on part-time position changes, can be found in the individual department and fund summaries later in this document. In total, 19.22 part-time FTE equivalents are recommended to be eliminated through this budget.

These proposed changes in positions may be subject to meet and confer, and reflect the recommended actions to the Finance Committee at this time. The Human Resources Department will evaluate all proposed actions and the implications based on the City's current memoranda of agreements with various employee units and address as appropriate.

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 overall cost-containment strategies, and past successful steps 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-tier pension plan, 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 is the case across the state. As part of the 2016 Actuarial Report, CalPERS has continued their pension calculation methodology that calculates a payment for the Unfunded Accrued Liability (UAL) separate from the Normal Cost (NC). In December 2016, the CalPERS board voted to lower the discount rate for future years from 7.5 percent to 7.0 percent, phasing in the reduction over three years beginning in Fiscal Year 2019 with a discount rate assumption of 7.375 percent. This budget includes the most recent pension rates from these valuation reports, as of June 30, 2016. When compared to the prior fiscal year, Fiscal Year 2019 employer contribution rates, represent an average year-over-year increase of 9.9 percent.

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- Miscellaneous plan rate increased 2.4 percentage points, a year-over-year 7.9 percent growth, from an employer contribution rate of 30.2 percent to 32.6 percent
- Safety plan rate increased 5.9 percentage points, a year-over-year 11.9 percent growth, from an employer contribution rate of 49.7 percent to 55.6 percent.

These increases reflect the more conservative assumption in the discount rate as well as changes to various actuarial assumptions, including the mortality tables. CalPERS projected pension rates are included in the table below.

Pension Rates By Plan (Fiscal Year) - CalPERS

| FY | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------|------|------|-------|------|------|------|------|------|------|------|------|------|
| Miscellaneous (%) | 28.9 | 30.2 | 32.6 | 35.4 | 37.8 | 39.7 | 41.2 | 42.0 | 42.9 | 40.9 | 37.2 | 37.1 |
| Safety (%) | 45.4 | 49.7 | 55.7 | 60.8 | 65.0 | 68.6 | 71.6 | 73.2 | 74.8 | 76.1 | 76.6 | 76.8 |
| Discount Rate (%) | 7.5 | 7.5 | 7.375 | 7.25 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |

As the above chart evidences, the City's pension payment trend continues to escalate based on the CalPERS' assumptions of a 7.0 discount rate. This move represents CalPERS' effort to lower the volatility associated with pension payments. A more conservative investment strategy should enable the fund to make its investment target on a more frequent basis. As of the June 20, 2016 reports, the City's unfunded liability of \$404.7 million (\$261.7 million miscellaneous plan, \$143.0 million safety plan) reflects a funded rate of 64.2 percent and 63.6 percent for both the miscellaneous and safety benefit plans respectively.

As directed by the City Council during the FY 2018 budget adoption, staff has worked with the Finance Committee regarding pension funding options over the course of the current fiscal year. Over three dedicated agenda items have been brought forward for discussion with the Committee working towards education on the City's pension liabilities and proactive policies that will ensure the continued active management of these liabilities. Staff anticipates returning to the Finance Committee during 2018 to present potential paths forward regarding the City's pension obligations.

Alternative Pension Modeling: The tables and charts below continue the reporting and financial modeling that has been presented to the Finance Committee for alternative scenarios as compared to those reported above. Much discussion has centered on the actuarial assumptions used by CalPERS that determine the City's annual contributions. This chart shows the pension rates as a percentage of payroll, with the immediate assumption of a 6.2% discount rate, as calculated by the City's outside actuarial consultant, Bartel Associates.

Pension Rates By Plan (Fiscal Year) - 6.2% Discount Rate

| FY | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------|------|------|------|------|------|------|------|------|------|------|
| Miscellaneous (%) | 42.3 | 43.2 | 44.1 | 44.7 | 44.9 | 44.3 | 44.0 | 41.5 | 37.1 | 36.6 |
| Safety (%) | 73.4 | 74.9 | 76.4 | 77.8 | 78.4 | 77.4 | 77.0 | 77.2 | 76.4 | 75.4 |
| Discount Rate (%) | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |

As the above chart evidences, the City's pension payment escalates more aggressively should the discount rate be amended to 6.2 percent. Should the discount rate be amended to 6.2 percent, an increase in the pension contribution for the FY 2019 budget would be approximately \$12.5 million, a 31.6 percent increase over the current FY 2019 Proposed Budget pension costs of \$39.4 million. Of this increase, the General Fund contribution would increase approximately \$8.2 million. This increase in costs would require significant contemplation on the implications of achieving such a funding level. The Unfunded Liability of the City's plans would increase to \$509.8 million at this 6.2 percent discount rate (\$330.1 million miscellaneous plan, \$179.8 million safety plan).

To help proactively address the City's pension liabilities, this budget includes another \$2.0 million contribution, representing approximately 5.0 percent of the City's pension obligation for FY 2019, to the City's irrevocable Section 115 Trust Fund (PARS). This continues the City's efforts to prefund its pension obligation, and brings the total contributions to the PARS trust since its inception to approximately \$7.6 million across all funds. The General Fund represents approximately \$4.6 million of that total. A more in-depth discussion of the City's ongoing efforts with regards to pension are included in the 'Employee Information' section of this document.

RETIREE HEALTHCARE

Consistent with past practice, this budget assumes the full payment of the Actuarial Determined Contribution (ADC) for retiree pension and healthcare costs. With the payment of the ADC, it is assumed that, all else being equal, the City will pay off its obligations and unfunded liabilities for pension and retiree healthcare costs. A separate City Manager Report more fully detailing the latest valuation report for the City's Other Post Employment Benefit (OPEB) costs will be transmitted to the Finance Committee for consideration in parallel with this budget.

Bi-annually, the City has valuation done on its retiree medical benefits by an outside consultant. The valuation was performed at the end of FY 2017 and it had a net positive outcome on the City's finances. The City's Fiscal Year 2018 ADC was \$16.94 million based on the 2015 valuation report, and presumed a 7.25 percent discount rate. Based on the 2017 valuation report, the City's Fiscal Year 2019 ADC will be lower, and was calculated to be \$16.00 million using a 6.75 percent discount rate. The primary drivers for this are premium caps, changes in mortality assumptions, and increased eligibility for Medicare premium plans, which are much lower in cost. The impact on the General Fund is even greater, representing the shifting populations among the funds in the City of Palo Alto and the retirees from each fund.

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A more in-depth discussion of the City's ongoing efforts with regards to OPEB liabilities will be included in the separate City Manager Report. More information is also included in the 'Retiree Health Benefit Fund' portion of this document.

Retiree Healthcare Annual Required Contributions

(by Fiscal Year)

| Fund | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| General Fund | 10.9 | 10.3 | 10.2 | 10.5 | 10.8 | 11.2 | 11.5 | 11.9 | 12.2 | 12.6 | 13.0 | 13.4 |
| Non-General Funds | 5.2 | 6.7 | 5.8 | 6.0 | 6.2 | 6.3 | 6.5 | 6.7 | 6.9 | 7.2 | 7.4 | 7.6 |
| TOTAL | 16.1 | 16.9 | 16.0 | 16.5 | 17.0 | 17.5 | 18.1 | 18.6 | 19.2 | 19.8 | 20.4 | 21.0 |



CITY OF
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Fiscal Year 2019 Proposed Operating Budget

City Council

Liz Kniss, Mayor

Eric Filseth, Vice Mayor

Tom DuBois

Adrian Fine

Karen Holman

Lydia Kou

Gregory Scharff

Greg Tanaka

Cory Wolbach

James Keene, City Manager

Edward Shikada, Assistant City Manager/Utilities General Manager

Lalo Perez, Director of Administrative Services/Chief Financial Officer

David Ramberg, Assistant Director of Administrative Services

Kiely Nose, Budget Director, Office of Management and Budget

Steve Guagliardo, Budget Manager, Office of Management and Budget

Gregory Scharff, 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 OF
**PALO
ALTO**

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Introduction





CITY OF
**PALO
ALTO**

Budget Acknowledgments

Department Budget Coordinators

Administrative Services

Mary Figone

City Attorney

Stacy Lavelle

City Auditor

Jordan Christenson

City Clerk

David Carnahan

City Manager

Chantal Gaines

Judy Ng

Community Services

Jazmin LeBlanc

Sarah Ip

Development Services

Katie Whitley

Khashayar Alaei

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

Utilities

Anna Vuong

Budget Document Producers - Office of Management & Budget Staff

Lalo Perez

Kiely Nose

Paul Harper

Steve Guagliardo

Chris Yi

Jessie Deschamps

Alexandra Harris

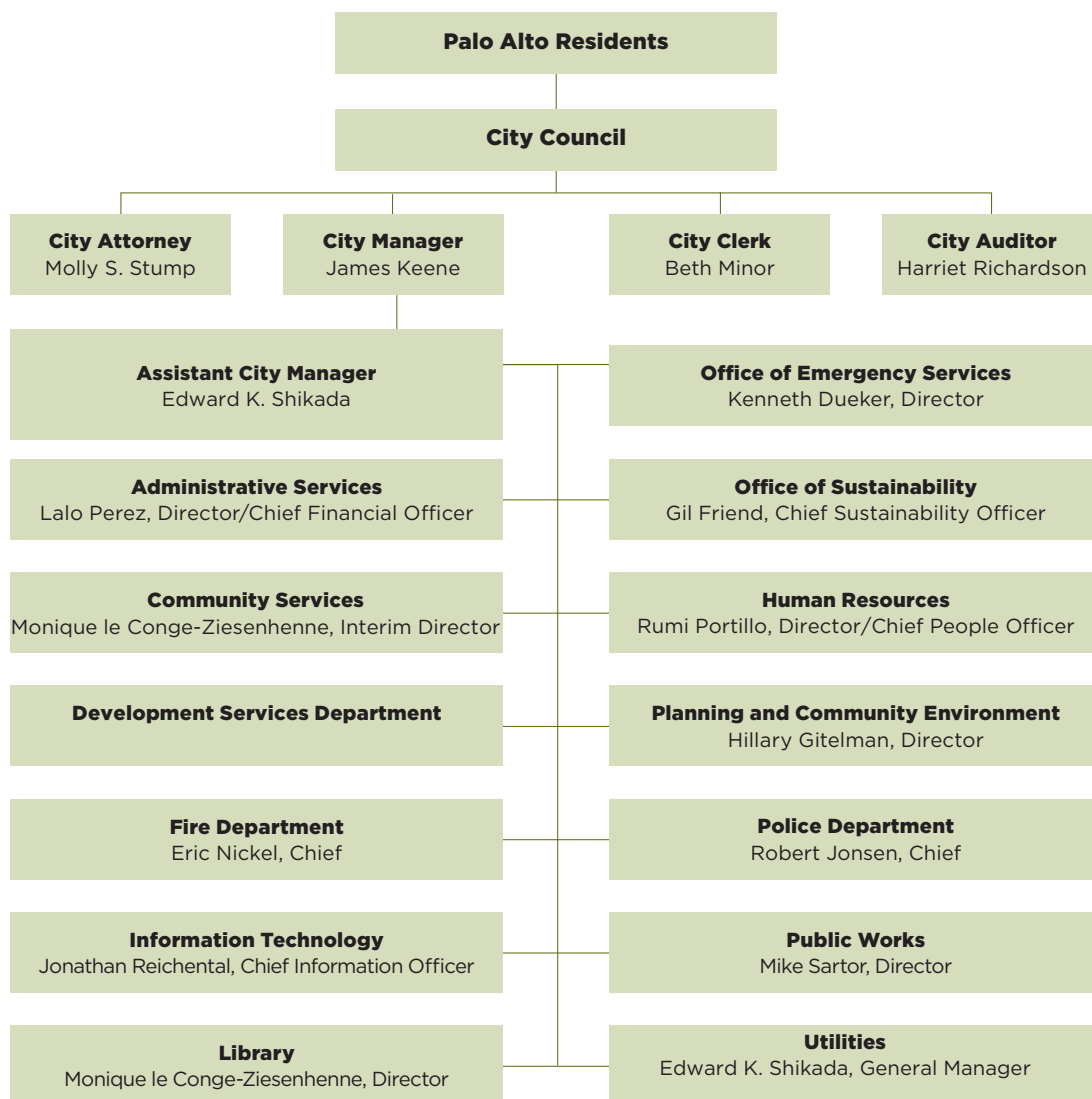
Chaitali Paliwal

Kayla Shapiro



CITY OF
**PALO
ALTO**

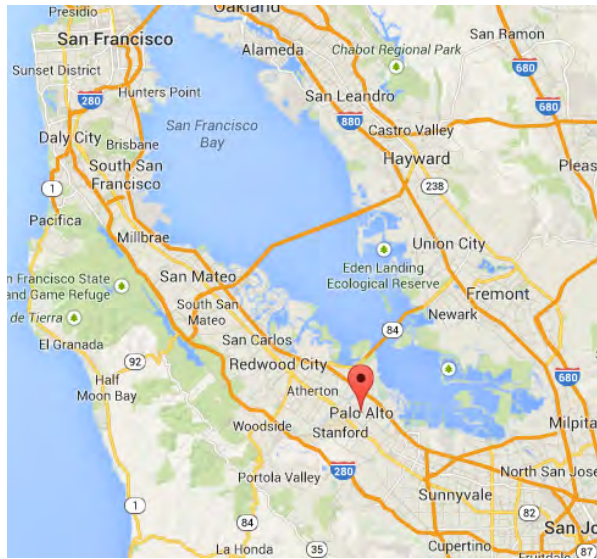
City of Palo Alto Organizational Chart





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

4,385 acres

CREDIT RATING

AAA

PALO ALTO AT A GLANCE

POPULATION

Palo Alto's population was 66,649 in 2017. This represents a 0.26 percent increase over the previous year and a 13.5 percent increase since 2000. Approximately 24.7 percent of the population is under the age of 18, and the median age is 41.8. Approximately 50.1 percent of the population is female, and 49.9 percent of the population is male.



EDUCATION

Palo Alto has one of the most outstanding educational systems in the nation. Palo Alto was recently named one of California's most educated cities. Over 98.3 percent of Palo Alto residents aged 25 or over have received a high school diploma. Over 81.3 percent have obtained a bachelor's degree and 53.3 percent have earned a post-graduate or professional degree.



School enrollments in Palo Alto increased to 12,261, or 8.23 percent, between 2008 and 2017. 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 2016 was \$132,673 and the per capita income in 2016 was \$83,033. As of 2016, 59.2 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 2.36 in 2016, compared to 2.26 per household in 2000.



HOUSING UNITS

In 2016, 54.9 percent of the 29,336 housing units were owner-occupied and 45.1 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 12.6 percent more total housing units from 2000 to 2016.

DEVELOPMENT

The City issued approximately 2,259 residential and 711 commercial building permits in Fiscal Year 2017. The combined valuation for all permits was \$366.8 million.

OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled approximately 7.45 million square feet as of the fourth quarter of 2017. The vacancy rate during this same time period was 3.9 percent compared to 10.3 percent for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, \$8.39 and \$4.79 per square foot, as of the fourth quarter of 2017.

Net rentable square footage for industrial facilities in Palo Alto was 1.6 million, with a vacancy rate of 3.5 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 2.2 percent and asking rent averaged \$1.19 per square foot for manufacturing and \$0.93 for warehouse.

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 10.1 million square feet with a vacancy factor of 1.7 percent and average asking rent of \$5.51 per square foot. The vacancy rate for the Silicon Valley market was 8.2 percent with an average asking rent of \$2.36 per square foot.



Top 25 Major Sales/Use Tax Contributors, FY 2017

| | | |
|----------------------------|------------------------------------|------------------------|
| Anderson Honda | Lucile Packard Children's Hospital | Tesla Motors |
| Apple Stores | Macy's Department Store | The Pace Gallery |
| Audi Palo Alto | Magnussen's Toyota | Tiffany & Company |
| Bloomingdales | Neiman Marcus Department Store | Urban Outfitters |
| Bon Appetit Management Co. | Nordstrom Department Stores | USB Leasing |
| Fry's Electronics | Shell Service Stations | Varian Medical Systems |
| Hewlett-Packard | Space Systems Loral | Volvo Cars Palo Alto |
| Houzz Shop | Stanford University Hospital | |
| Integrated Archive Systems | Tesla Lease Trust | |

RETAIL SALES AND SALES TAX REVENUE

Sales and use tax totaled \$29.9 million in FY 2017, a decrease of \$0.1 million or 0.3 percent.

On a year over year basis (FY 2017 versus FY 2016), the economic segments showing particular strength within the City were auto leasing and sales, drug stores, recreation products, furniture/appliance, office equip-

PALO ALTO AT A GLANCE

ment, and health services. Those showing decreases were department stores and construction.

Retail sales, which represent 29.7 percent of sales tax receipts have been steadily eroding due to online sales. Restaurants and food

products sales totaled \$4.7 million, a decrease of 1 percent over FY 2016; in the prior six years this economic segment averaged 8.5 percent growth.

Principal Property Taxpayers, FY 2017

| Rank | Taxpayer | Taxable Assessed Value |
|--------------|---|------------------------|
| 1 | Leland Stanford Jr. University | \$4,517,330 |
| 2 | Loral Space and Communications | \$254,505 |
| 3 | Google Inc. | \$191,425 |
| 4 | EOSII Palo Alto Technology Center LLC | \$123,548 |
| 5 | Whisman Ventures, LLC | \$113,709 |
| 6 | Hudson Embarcadero Place LLC | \$110,126 |
| 7 | Hobach Realty Co. LP | \$76,703 |
| 8 | SI 43 LLC | \$72,300 |
| 9 | BVK Hamilton Ave LLC | \$70,347 |
| 10 | Ronald & Ann Williams Charitable Foundation | \$63,641 |
| Total | | \$5,593,634 |

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, Genencor, Tencent America, Skype, Nest, the Institute for the Future and many other leading technology and business services firms.

Palo Alto was named the 2017 most livable U.S. city and again named among the top 7th most livable U.S. cities in 2017 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 32,008 employed residents in 2018. 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 95,882. Palo Alto's unemployment rate was 2.8 percent in 2017, which was considerably lower than the nation (4.1 percent), state (5.7 percent), and county (4.0 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, 2017.



Principal Employers, FY 2017

| Rank | Employer | Number of Employees |
|--------------|---|---------------------|
| 1 | Stanford Healthcare | 5,500 |
| 2 | Lucille Packard Children's Hospital | 4,850 |
| 3 | Stanford University | 4,300 |
| 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 | | 34,450 |

Parks, Recreation & Community Centers

| Item (FY 2017) | 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 2017) | Number |
|------------------------------------|-----------|
| Library Branches | 5 |
| Items Checked Out (Circulation) | 1,524,614 |
| Books (Inventory) | 249,735 |
| eBooks & eMusic (Inventory) | 92,117 |
| Audio/Visual - DVD/CDs (Inventory) | 49,350 |
| Reference Questions | 34,294 |

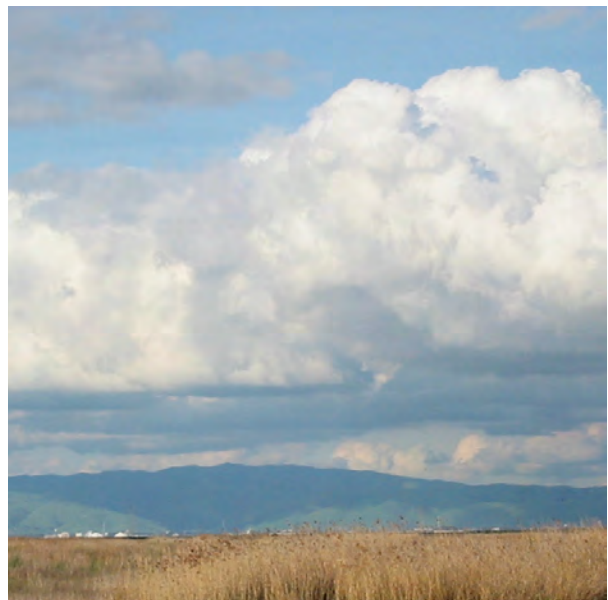
Public Safety

| Item (FY 2017) | Number |
|----------------------------------|--------|
| Police | |
| Police Stations | 1 |
| Sworn Police Personnel (FY 2015) | 92 |
| Police Vehicles | 25 |
| Motorcycles | 4 |
| Canine Units | 1 |
| Number of Calls for Service | 53,901 |
| Item (FY 2017) | Number |
| Fire | |
| Fire Stations | 7 |
| Sworn Fire Personnel (FY 2017) | 96 |
| Fire Engines | 9 |
| Fire Trucks | 2 |
| Ambulances | 6 |
| Number of Calls for Service | 9,056 |



Infrastructure, Maintenance & Development Activity

| Item (FY 2016) | Number |
|-------------------------------------|-----------------|
| Street Miles | 471 miles |
| Lane Miles Resurfaced Annually | 39 miles |
| Building Permits Issued Annually | 2,970 permits |
| Number of Fire Inspections | 6,228 |
| Active Capital Improvement Projects | 240 projects |
| Capital Improvement Projects Exp. | \$73.92 million |
| Miles of Water Municipal Mains | 236 miles |
| Gallons of Water Delivered (Daily) | 9.6 million |
| Miles of Municipal Wastewater Mains | 217 miles |
| Gallons of Wastewater Treated | 2.8 billion |
| Miles of Gas Mains | 209 miles |
| Overhead Electrical Line Miles | 117 miles |
| Underground Electrical Line Miles | 187 miles |
| Fiber Optic Backbone Miles | 42 miles |



Sustainability

| Item (FY 2017) | Number |
|--|-------------|
| Total Tons of Material Recycled or Composted | 60,582 tons |

* Calendar year 2017. "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 2017. "Carbon Neutral Sources" include eligible renewable (51%) and large hydro-electric power (73%). Due to the bountiful hydro conditions in 2017, the City was able to sell surplus carbon neutral electricity supplies to other utilities.

Sustainability

| Item (FY 2017) | Number |
|--|----------------------|
| Total Megawatt-hours Purchased from Eligible Renewable Sources* | 481,974 hours |
| Percent of Electric Portfolio Purchased from Eligible Renewable Sources | 51% |
| Percent of Electric Portfolio Purchased from Carbon Neutral Sources** | 100% |

* Calendar year 2017. "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 2017. "Carbon Neutral Sources" include eligible renewable (51%) and large hydroelectric power (73%). Due to the bountiful hydro conditions in 2017, the City was able to sell surplus carbon neutral electricity supplies to other utilities.

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 2016

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 City Council adoption of the budget in order to incorporate community input into the decision making process.

City Council Top 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 2018:

- Transportation
- Housing
- Finance
- Grade Separation

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

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 reviews 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 2019 Proposed Budget (Tentative) | | | |
|--|--|--|--|
| Date | Description | Time/Location | Departments Attending |
| Monday, April 30 | 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 15 | Finance Committee Special Meeting | 9:00 AM Community Meeting Room | Budget Kickoff; Departments/Funds: <ul style="list-style-type: none"> - Non-Departmental - Council Appointed Officials & Council; Office of Sustainability - Retiree Health Benefit Fund - Human Resources (including Employee Benefits Funds, Worker's Compensation Fund, and General Liabilities) - Administrative Services, Print & Mail Funds - Information Technology (Capital & Operating) - Development Services - Community Services - Utilities (Capital & Operating) |
| Wednesday, May 16 | Finance Committee Special Meeting | 9:00 AM Community Meeting Room | Budget Continuation; Departments/Funds: <ul style="list-style-type: none"> - Municipal Fee Schedule - Fire - Police - Office of Emergency Services - Planning & Community Environment - Special Revenue Funds (including Parking District & Stanford Development Agreement Fund) - Library - General Fund Capital - Public Works: General Fund, Refuse, Storm Drain, Wastewater Treatment, Airport, Vehicle Replacement, related Capital |
| Wednesday, May 23 | Finance Committee Special Meeting | 9:00 AM Community Meeting Room | - Wrap-up with Finance Committee |
| Monday, June 18 | City Council | 6:00 PM Council Chambers | Public Hearing - Budget Approval & Adoption |

Understanding the Budget Document

The operating budget document includes citywide 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 funds 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.

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, general 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 with 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 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

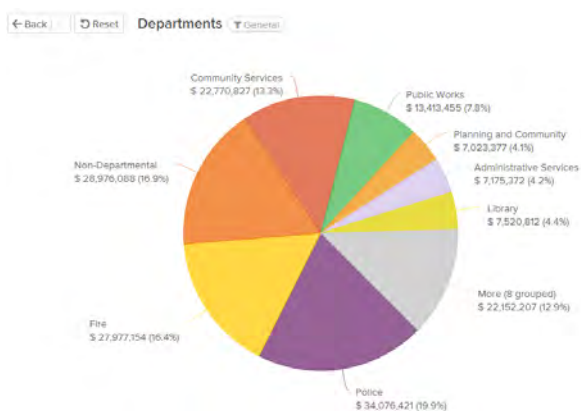
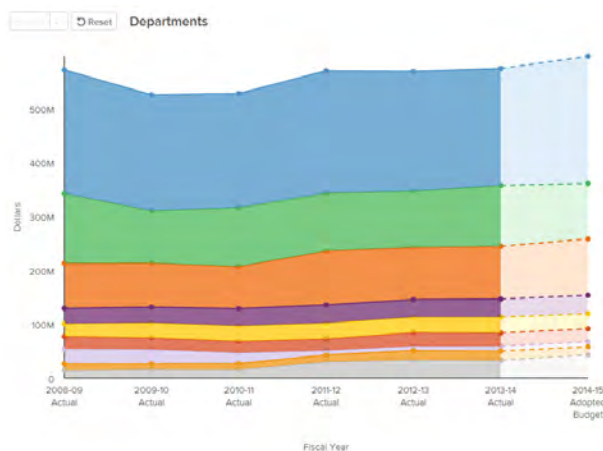
HOW DOES IT WORK?

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.



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 so it is included on the organizational chart, but the positions are budgeted in the Technology Fund so they do not appear in the ASD departmental budget summary.

Accomplishments: identifies the department's noteworthy accomplishments over the past fiscal year.

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 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 2016 Actuals, FY 2017 Actuals, FY 2018 Adopted and FY 2019 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, and/or the 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.

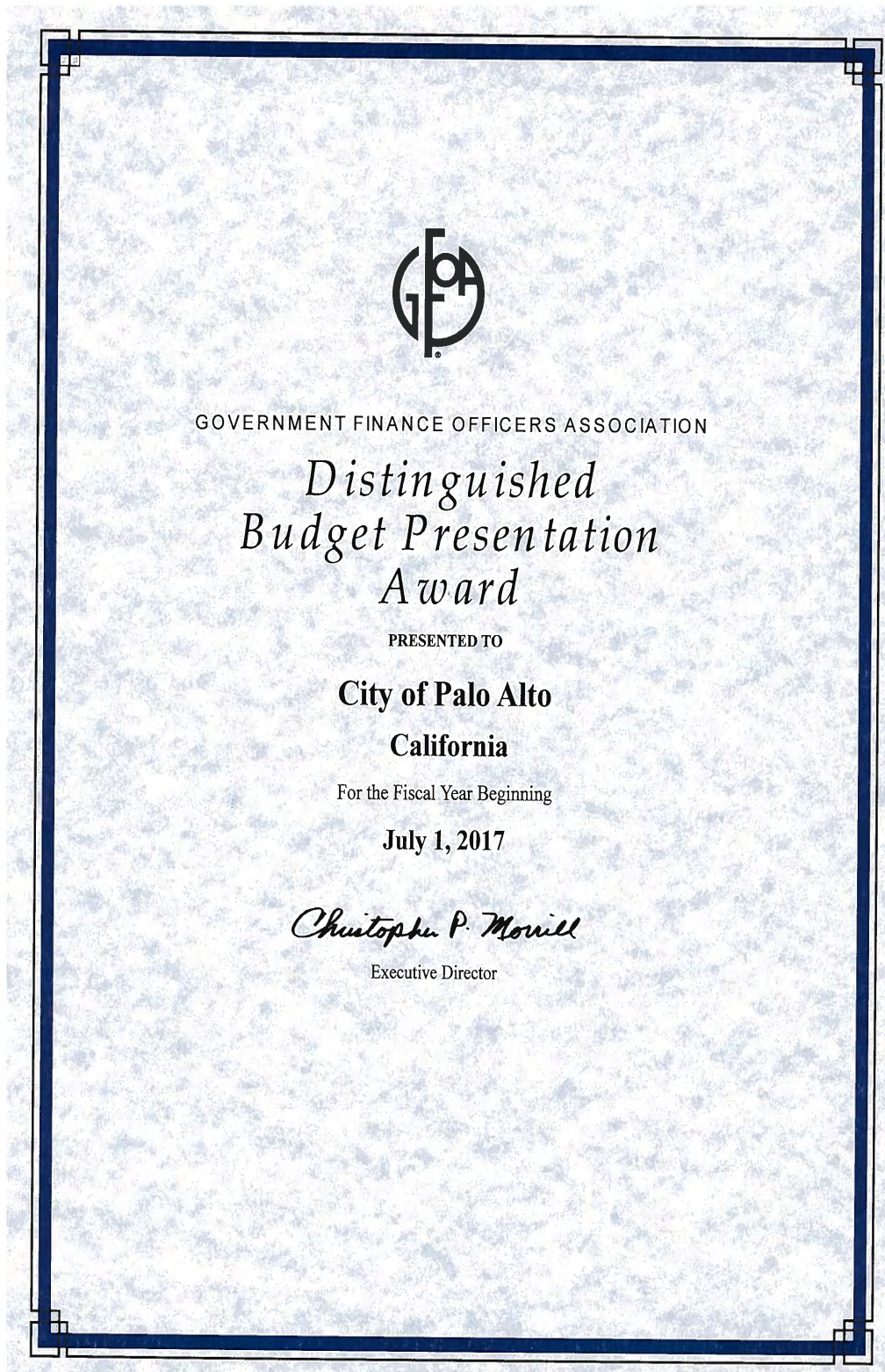
Fiduciary Fund Types

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.







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

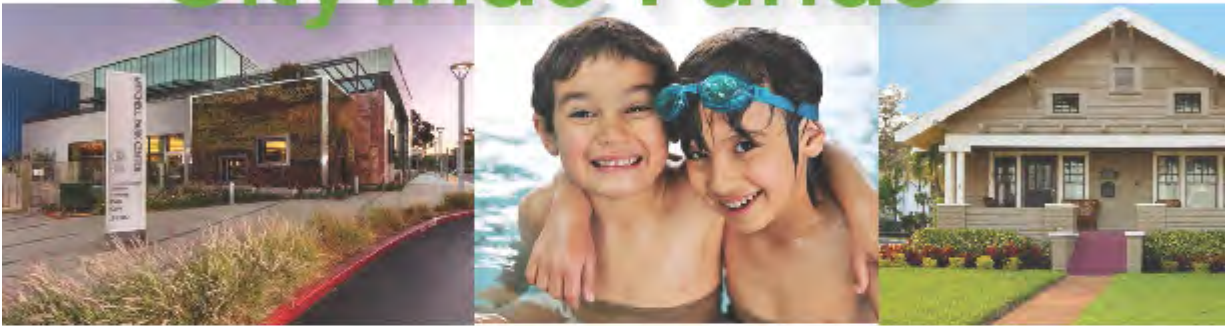
Christopher P. Merrill

Date March 01, 2018



CITY OF
**PALO
ALTO**

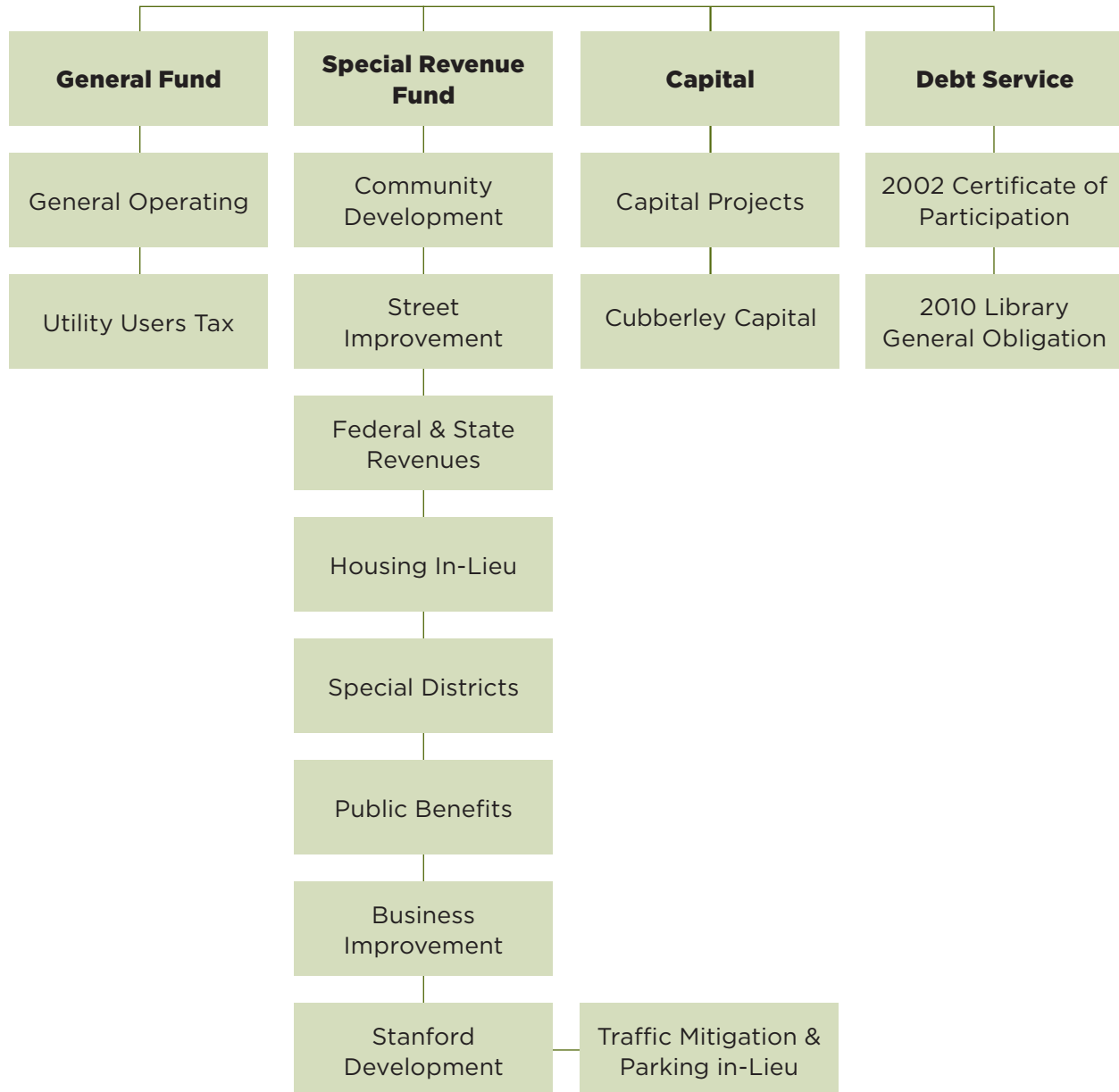
Citywide Funds



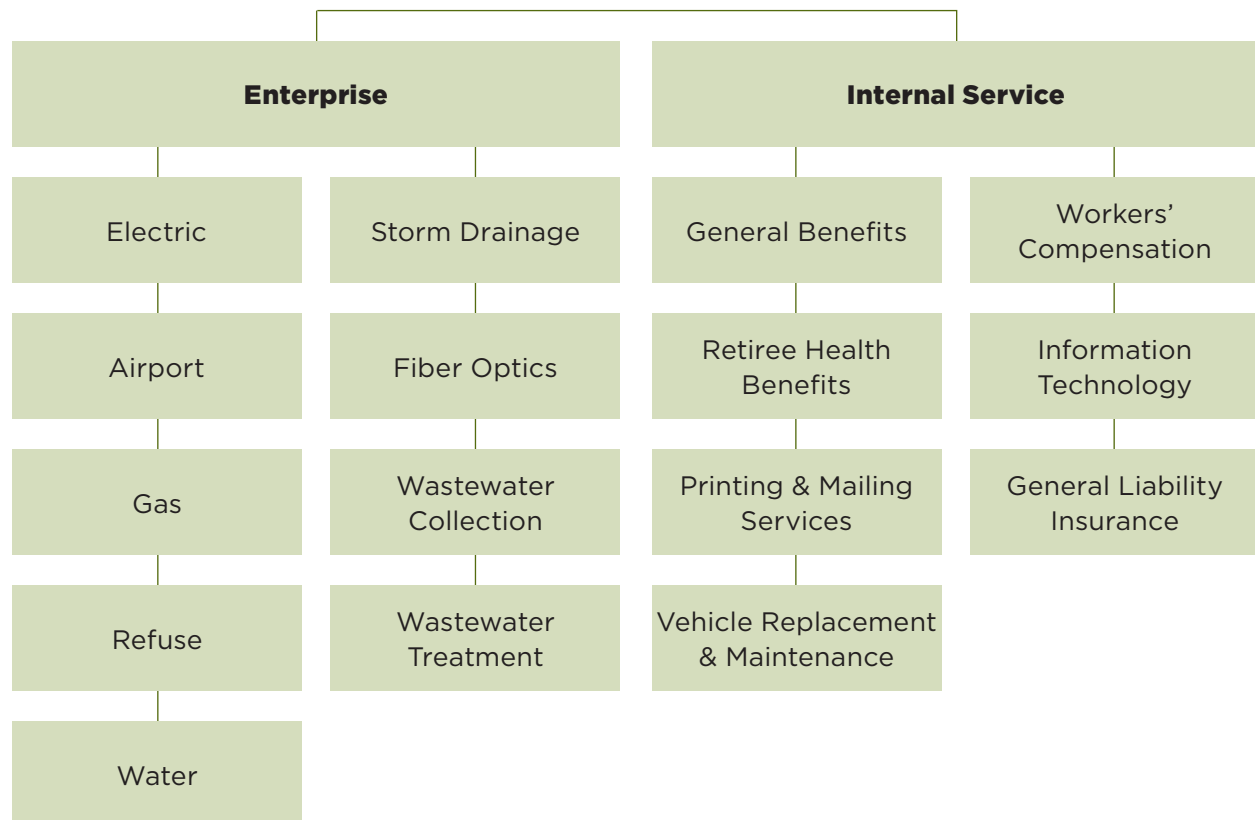


CITY OF
**PALO
ALTO**

Fund Structure



Fund Structure



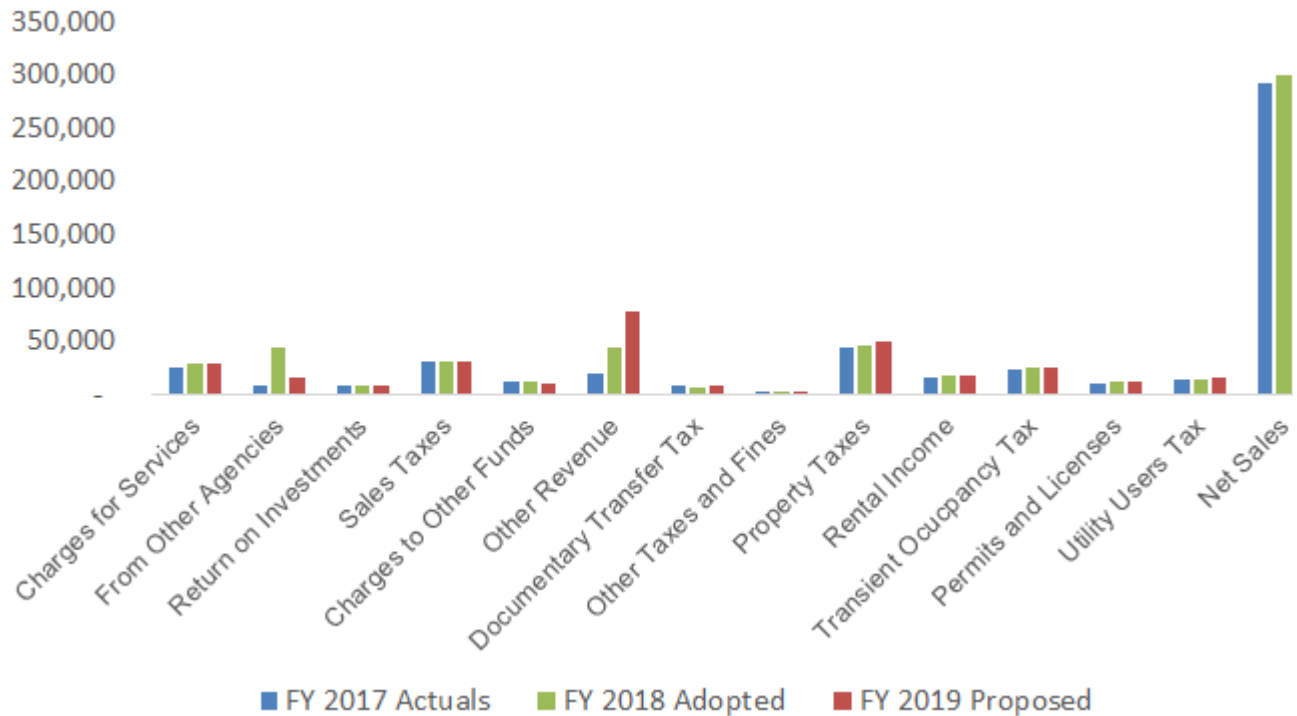
Total Citywide Revenue by Category

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Charges for Services | 25,990 | 24,210 | 28,985 | 29,421 | 436 | 1.50% |
| Charges to Other Funds | 12,851 | 11,414 | 11,857 | 10,863 | (994) | (8.38%) |
| Documentary Transfer Tax | 6,266 | 7,491 | 6,930 | 7,434 | 504 | 7.27% |
| From Other Agencies | 3,621 | 7,373 | 43,228 | 16,314 | (26,914) | (62.56%) |
| Net Sales | 257,786 | 291,672 | 300,463 | 317,349 | 16,886 | 5.62% |
| Other Revenue | 26,020 | 19,580 | 42,916 | 76,979 | 34,063 | 79.37% |
| Other Taxes and Fines | 2,785 | 2,360 | 2,247 | 2,372 | 125 | 5.56% |
| Permits and Licenses | 9,859 | 9,322 | 11,314 | 11,423 | 109 | 0.96% |
| Property Taxes | 41,290 | 44,051 | 46,500 | 49,899 | 3,399 | 7.31% |
| Rental Income | 16,323 | 16,466 | 17,264 | 16,571 | (693) | (4.01%) |
| Return on Investments | 12,102 | 8,458 | 8,064 | 8,303 | 239 | 2.96% |
| Sales Taxes | 30,018 | 29,923 | 31,458 | 31,246 | (212) | (0.67%) |
| Transient Occupancy Tax | 22,366 | 23,477 | 25,143 | 25,049 | (94) | (0.37%) |
| Utility Users Tax | 12,469 | 14,240 | 13,867 | 16,092 | 2,225 | 5.62% |
| Total | 479,746 | 510,037 | 590,236 | 619,315 | 29,079 | 4.93% |

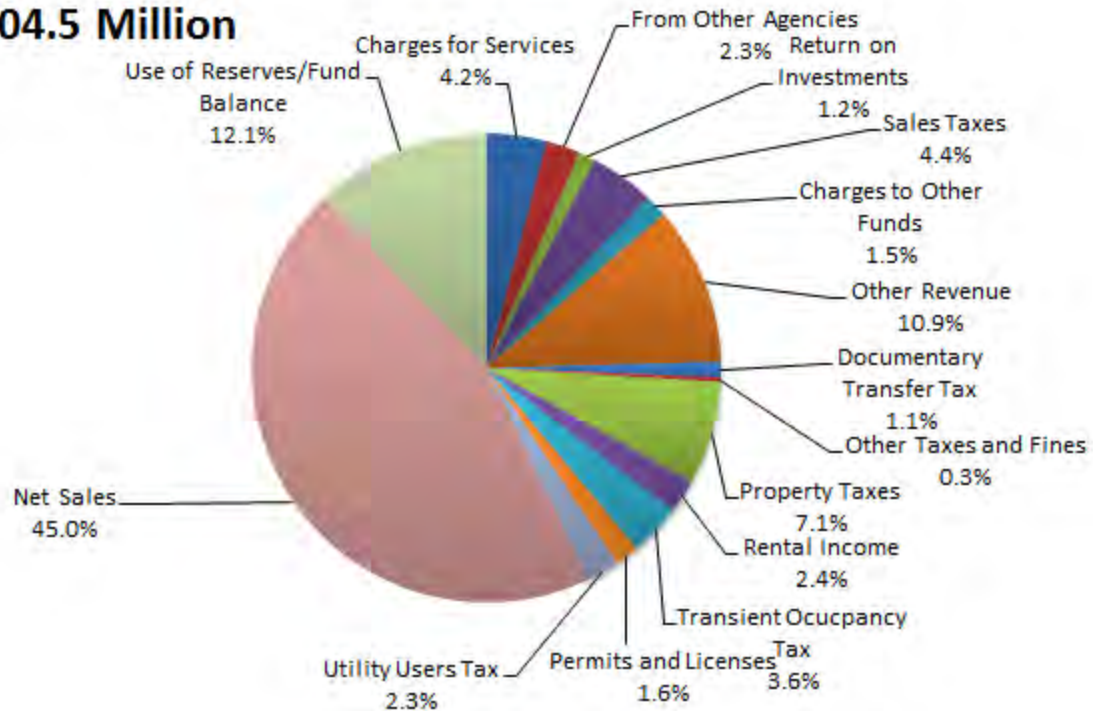
CITYWIDE FUNDS OVERVIEW

Citywide Revenue by Category

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



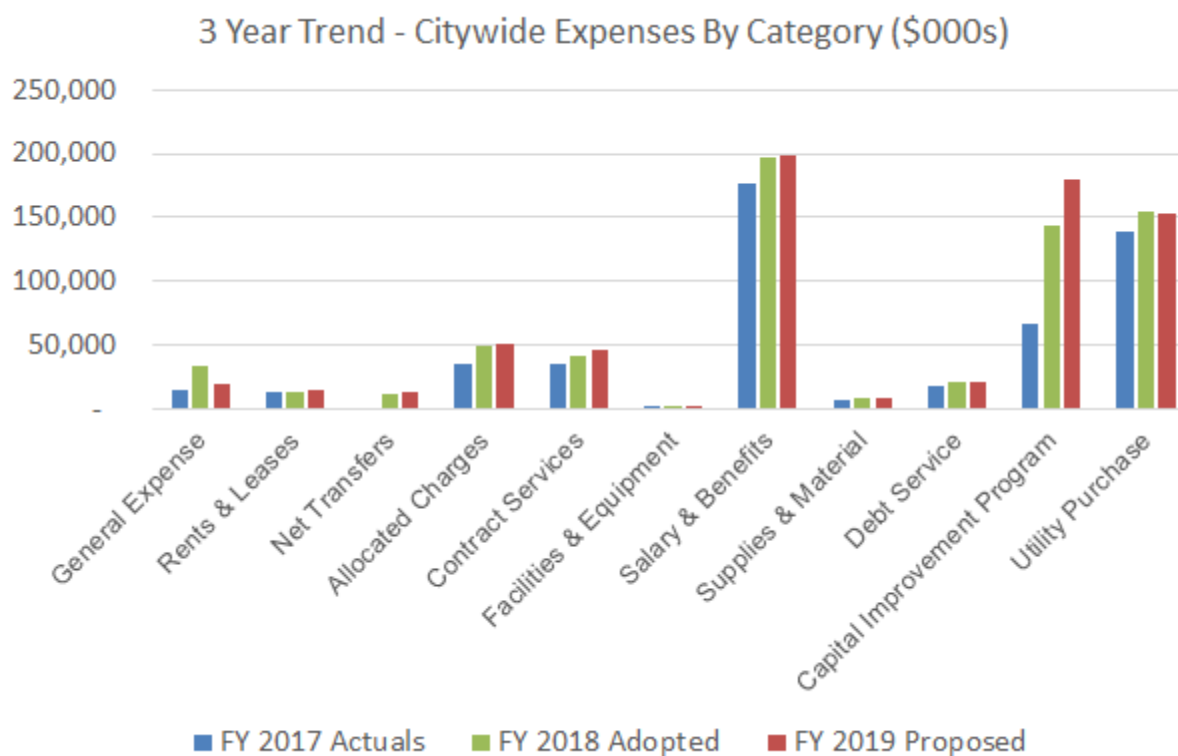
FY 2019 Proposed \$704.5 Million



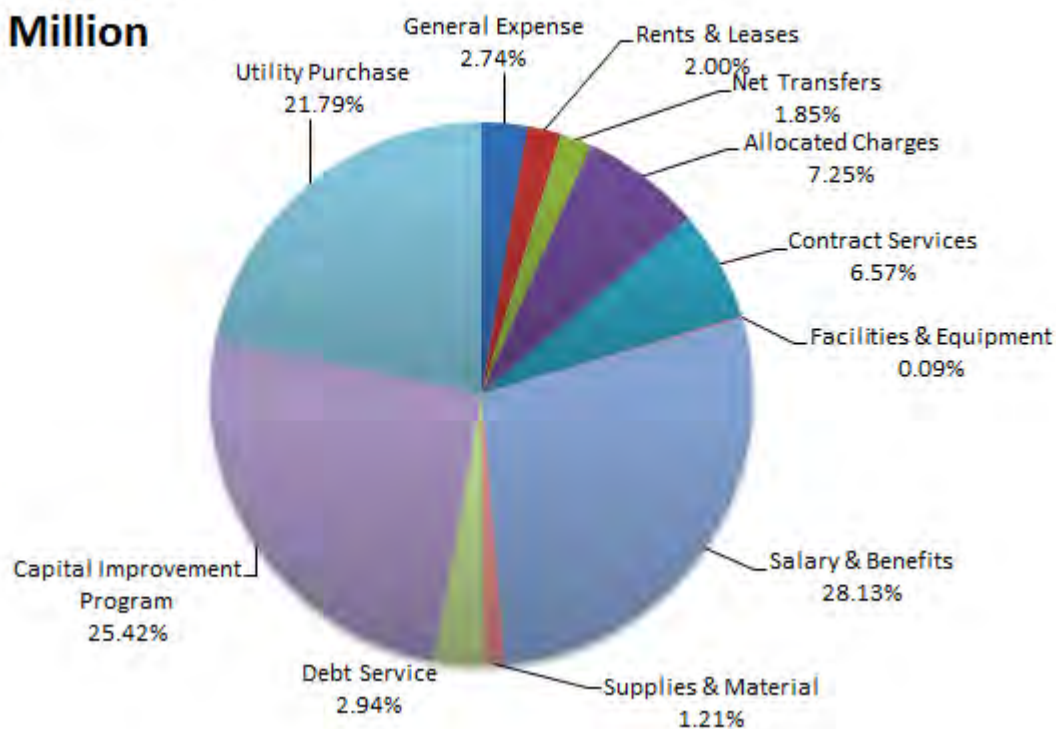
Total Citywide Expense by Category

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Allocated Charges | 36,946 | 35,729 | 49,025 | 51,072 | 2,047 | 4.2% |
| Contract Services | 33,911 | 35,541 | 41,546 | 46,281 | 4,735 | 11.4% |
| Debt Service | 23,980 | 17,383 | 20,609 | 20,692 | 83 | 0.4% |
| Facilities & Equipment | 554 | 769 | 604 | 655 | 51 | 8.4% |
| General Expense | 16,912 | 14,822 | 33,335 | 19,290 | (14,045) | (42.1%) |
| Rents & Leases | 12,285 | 12,402 | 13,669 | 14,118 | 449 | 3.3% |
| Salary & Benefits | 164,162 | 176,389 | 196,933 | 198,145 | 1,212 | 0.6% |
| Supplies & Material | 8,041 | 7,260 | 8,372 | 8,521 | 149 | 1.8% |
| Utility Purchase | 124,214 | 138,003 | 154,550 | 153,533 | (1,017) | (0.7%) |
| Capital Improvement Program | 51,849 | 66,760 | 142,895 | 179,109 | 36,214 | 25.3% |
| Net Transfers | (3,754) | (5,272) | 10,743 | 13,051 | 2,308 | 21.5% |
| Total | 469,100 | 499,786 | 672,281 | 704,467 | 32,186 | 4.8% |

Citywide Expense by Category



FY 2019 Proposed \$704.5 Million



Citywide Projected Operating Fund Balance

| | ENDING FUND BALANCE 6/30/18 | ESTIMATED REVENUES | NET FUND TRANSFERS | ESTIMATED EXPENDITURES | ENDING FUND BALANCE 6/30/19 |
|--|--------------------------------------|-----------------------|-----------------------|---------------------------|--------------------------------------|
| GENERAL FUND | | | | | |
| General Fund | \$41,287 | \$ 213,688 | \$ (11,126) | \$ 213,996 | \$41,010 |
| Total General Fund | \$41,287 | \$ 213,688 | \$ (11,126) | \$ 213,996 | \$41,010 |
| CAPITAL FUNDS | | | | | |
| Capital Improvement Fund | \$ 22,629 | \$ 54,409 | \$ 51,559 | \$ 125,684 | \$ 2,913 |
| Cubberley Property Infrastructure Fund | \$ 4,196 | \$ 0 | \$ 1,864 | \$ 2,364 | \$ 3,696 |
| Total Capital Funds | \$ 26,825 | \$ 54,409 | \$ 53,423 | \$ 128,048 | \$ 6,609 |
| DEBT SERVICE FUNDS | | | | | |
| Parking 2002 COPS (Taxable) Debt | \$ 251 | \$ 0 | \$ 162 | \$ 162 | \$ 251 |
| Library Bonds | \$ 6,640 | \$ 4,427 | \$ 0 | \$ 4,427 | \$ 6,640 |
| Total Debt Service Funds | \$ 6,891 | \$ 4,427 | \$ 162 | \$ 4,589 | \$ 6,891 |
| ENTERPRISE FUNDS | | | | | |
| Electric Fund | \$ 60,659 | \$ 156,847 | \$ (8,935) | \$ 158,640 | \$ 49,931 |
| Fiber Optics Fund | \$ 25,885 | \$ 5,556 | \$ (115) | \$ 4,065 | \$ 27,261 |
| Gas Fund | \$ 12,153 | \$ 37,798 | \$ (7,130) | \$ 36,290 | \$ 6,531 |
| Wastewater Collection Fund | \$ 3,585 | \$ 21,183 | \$ (283) | \$ 23,622 | \$ 863 |
| Water Fund | \$ 14,660 | \$ 45,030 | \$ 122 | \$ 57,656 | \$ 2,156 |
| Refuse Fund | \$ 8,308 | \$ 32,869 | \$ 106 | \$ 29,702 | \$ 11,581 |
| Storm Drain Fund | \$ (1,402) | \$ 7,379 | \$ (53) | \$ 9,339 | \$ (3,415) |
| Wastewater Treatment Fund | \$ 17,072 | \$ 34,412 | \$ (332) | \$ 35,763 | \$ 15,389 |
| Airport Fund | \$ 2,096 | \$ 11,879 | \$ (15) | \$ 12,373 | \$ 1,587 |
| Total Enterprise Funds | \$ 143,016 | \$ 352,953 | \$ (16,635) | \$ 367,450 | \$ 111,884 |
| INTERNAL SERVICE FUNDS | | | | | |
| General Benefits Fund | \$ 1,596 | \$ 16 | \$ 61,173 | \$ 61,905 | \$ 880 |
| Retiree Health Benefit Fund | \$ 3,262 | \$ 59 | \$ 15,997 | \$ 16,059 | \$ 3,259 |
| Workers' Compensation Fund | \$ 2,815 | \$ 16 | \$ 3,764 | \$ 6,102 | \$ 493 |
| Liability Insurance Fund | \$ 1,400 | \$ 64 | \$ 1,982 | \$ 2,985 | \$ 461 |
| Printing and Mailing Fund | \$ 0 | \$ 0 | \$ 1,558 | \$ 1,480 | \$ 78 |
| Technology Fund | \$ 18,343 | \$ 473 | \$ 16,792 | \$ 21,032 | \$ 14,576 |

CITYWIDE FUNDS OVERVIEW

Citywide Projected Operating Fund Balance

| | ENDING FUND BALANCE 6/30/18 | ESTIMATED REVENUES | NET FUND TRANSFERS | ESTIMATED EXPENDITURES | ENDING FUND BALANCE 6/30/19 |
|---|--------------------------------------|-----------------------|-----------------------|---------------------------|--------------------------------------|
| Vehicle Replacement and Maintenance Fund | \$ 6,441 | \$ 333 | \$ 8,273 | \$ 13,974 | \$ 1,073 |
| Total Internal Service Funds | \$ 33,857 | \$ 961 | \$ 109,539 | \$ 123,537 | \$ 20,820 |
| SPECIAL REVENUE FUNDS | | | | | |
| Community Development Fund | \$ 150,29 | \$ 892 | \$ (3,891) | \$ 0 | \$ 12,030 |
| Street Improvement Fund | \$ 604 | \$ 2,904 | \$ (2,904) | \$ 0 | \$ 604 |
| Federal and State Revenue Funds | \$ 5,371 | \$ 530 | \$ 0 | \$ 578 | \$ 5,323 |
| Housing In-Lieu and BMR Fund | \$ 44,738 | \$ 2,782 | \$ (1) | \$ 375 | \$ 47,143 |
| Special Districts Fund | \$ 4,609 | \$ 4,755 | \$ (2,508) | \$ 4,660 | \$ 2,196 |
| Traffic Mitigation & Parking In-Lieu Fund | \$ 10,714 | \$ 474 | \$ (6,947) | \$ 2,200 | \$ 2,041 |
| Downtown Business Improvement District | \$ 32 | \$ 142 | \$ 0 | \$ 148 | \$ 26 |
| Stanford Development Agreement (SUMC) | \$ 19,712 | \$ 296 | \$ (10,283) | \$ 0 | \$ 9,725 |
| Public Art Funds | \$ 285 | \$ 37 | \$ 168 | \$ 188 | \$ 302 |
| Total Special Revenue Funds | \$ 101,094 | \$ 12,812 | \$ (26,366) | \$ 8,150 | \$ 79,390 |
| TOTAL OPERATING FUND BALANCE | \$352,970 | \$ 639,250 | \$ 108,997 | \$ 845,770 | \$266,604 |

Citywide Average Salary

| Category | Mgmt/ Prof | Utilities Mgmt/ Prof | Fire Chief Asscn. | Fire Fighters | Police Mgmt Asscn. | PAPOA | SEIU | Weighted Average |
|---|----------------|----------------------------|----------------------|------------------|--------------------------|----------------|----------------|---------------------|
| Full-Time Equivalent (FTE) | 229.75 | 49.00 | 4.00 | 88.00 | 7.00 | 83.00 | 580.6 | 1,041.35 |
| % of City | 22.1% | 4.7% | 0.4% | 8.5% | 0.7% | 8.0% | 55.8% | 100.0% |
| Salary (1) | 142,409 | 156,503 | 182,387 | 130,809 | 205,579 | 136,894 | 89,645 | 112,926 |
| In-Lieu Holiday | N/A | N/A | N/A | 5,574 | N/A | 4,022 | 283 | 1,1315 |
| Incentive Pay (2) | N/A | N/A | N/A | 896 | N/A | 1,184 | 356 | 511 |
| Overtime (Average) | N/A | N/A | N/A | 21,725 | N/A | 15,411 | 4,587 | 7,788 |
| Management Leave (80 Hours) | 5,477 | 6,019 | 7,015 | N/A | 7,907 | N/A | N/A | 5,649 |
| Pension Employer Portion Misc 32.56%; Safety 56.63% (3) | 46,368 | 50,957 | 101,462 | 72,769 | 114,364 | 76,154 | 29,188 | 42,279 |
| Medicare | 2,065 | 2,269 | 2,645 | 1,897 | 2,981 | 1,909 | 1,314 | 1,637 |
| Medical | 18,044 | 19,382 | 25,557 | 20,802 | 23,312 | 20,919 | 18,265 | 1,916 |
| Dental/Vision | 1,950 | 1,827 | 2,507 | 2,195 | 2,281 | 2,135 | 1,828 | 1,916 |
| Retiree Medical (4) | 6,842 | 6,939 | 11,750 | 9,307 | 12,714 | 11,193 | 5,654 | 6,800 |
| Workers' Comp | 4,470 | 1,424 | N/A | 8,564 | N/A | 7,293 | 4,831 | 5,052 |
| LIFE/LTD/SUI | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 |
| Non-salary Benefits (5) | 3,132 | 3,111 | 2,673 | 173 | 3,173 | 173 | 173 | 994 |
| Average Salary & Benefits | 231,415 | 249,089 | 336,654 | 275,369 | 372,969 | 277,945 | 156,783 | 205,787 |
| Isolate Holiday Pay from Salary Category | | | | | | | | |
| Salary, includes holidays | 142,409 | 156,503 | 182,387 | 130,809 | 205,579 | 136,894 | 89,645 | 112,926 |
| Holidays (assumes 11, 9 hour days) | 6,778 | 7,449 | 8,681 | 6,226 | 9,785 | 6,516 | 4,267 | 5,375 |
| Salary, excludes holidays | 135,631 | 149,054 | 173,706 | 124,583 | 195,794 | 130,378 | 85,378 | 107,551 |

Notes:

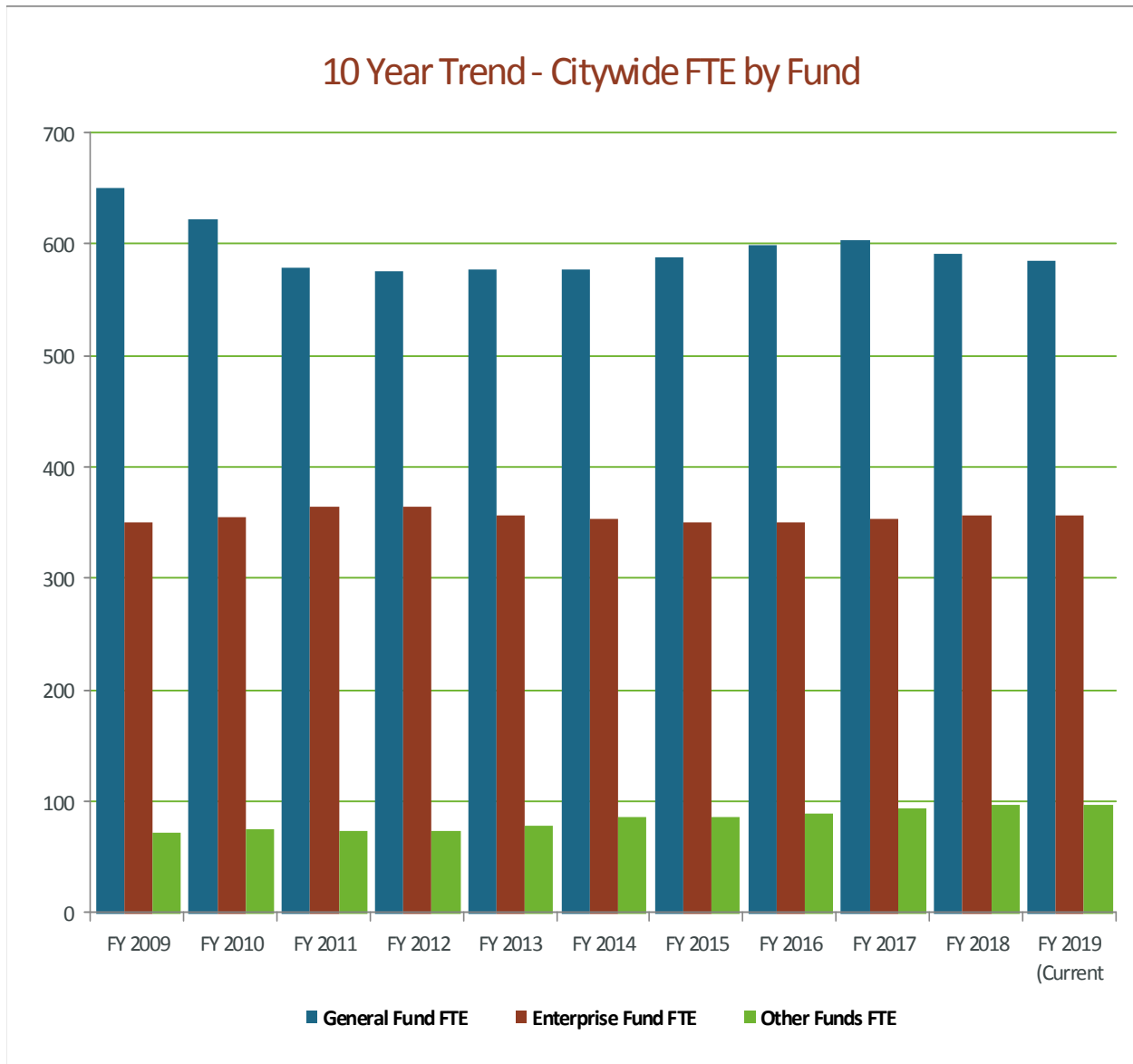
(1) Salary is calculated at actual pay rate (base pay and special pays, as applicable) as of February 2016 adjusted for step increases in accordance with applicable Memoranda of Understandings with the City's bargaining groups or pay for performance increases for Management and Professional employees.

(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 55.63%, while SEIU employees will pick-up 1.0% and MGMT employees will pick up 0.5%, transitioning to 1.0%.

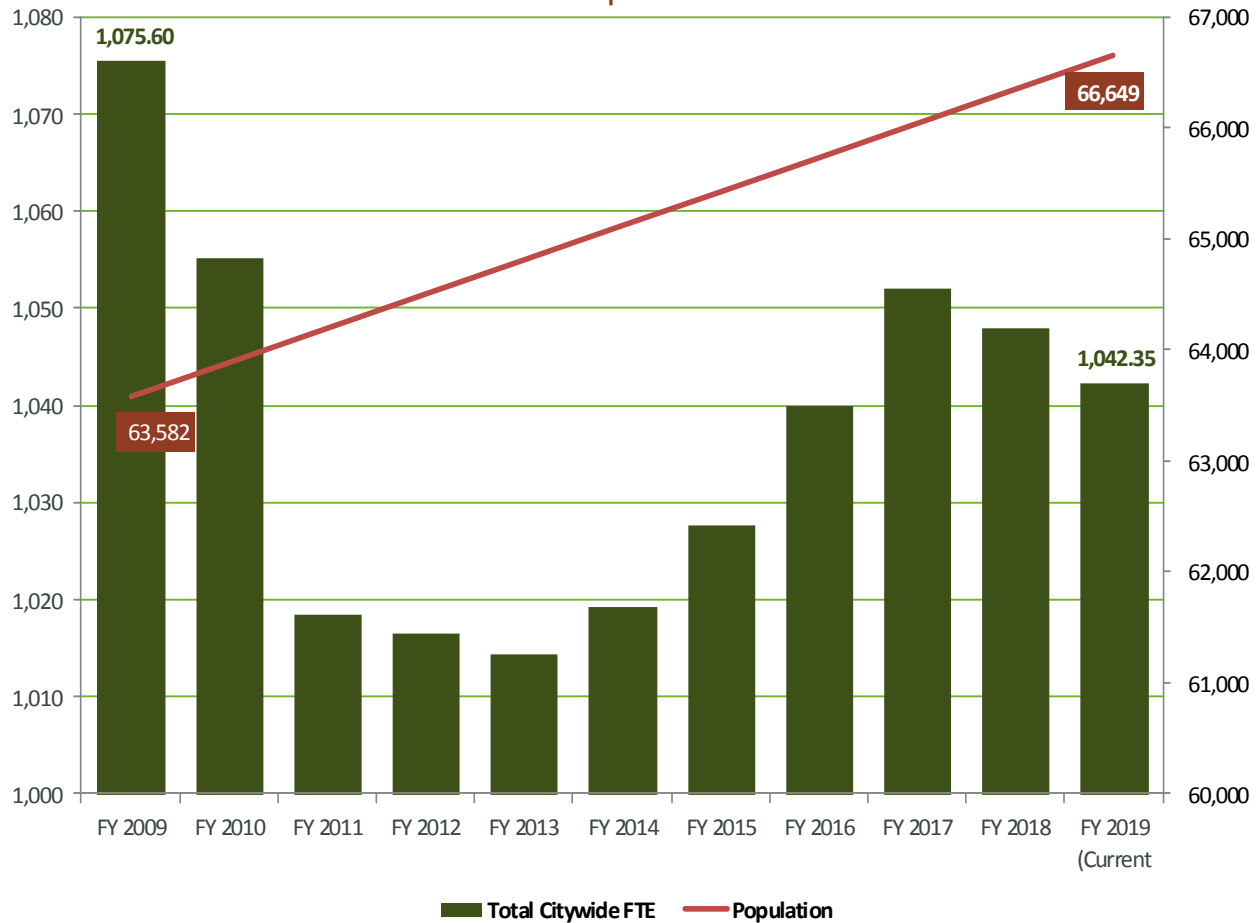
(4) Annual amount incurred for active employees (normal cost only).

10 Year Trend - Citywide FTE by Fund



10 Year Trend - Citywide FTE vs Population

10 Year Trend - Total Citywide FTE
Positions vs. Population Growth





CITY OF
**PALO
ALTO**

General Fund





CITY OF
**PALO
ALTO**

GENERAL FUND OVERVIEW

Overview

FISCAL YEAR 2019 GENERAL FUND LONG TERM FINANCIAL FORECAST

As part of the annual budget process, a ten year long range financial forecast is produced by staff looking at current City's financials in the General Fund in both the near and long term horizon. The Long Range Financial Forecast (LRFF) marks the beginning of the FY 2019 annual budget process and discusses projected General Fund financials over the next ten years based on current City Council approved service levels as well as alternative financial models.

At the December Finance Committee meeting and subsequently accepted by the City Council in January 2018, the Base Case financial forecast at the time reflected a gap in the General Fund of \$2.6 million in FY 2019 and a range between annual gaps of up to \$2.4 million and surpluses of \$8.8 million in the out years. The Base Case provided a forecast that can provide comparison in evaluating the effects of major policy revisions against a "status quo" version of the future. It assumes that the world continues to change and unfold in line with current expectations.

| | Adopted 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Revenue | \$207,042 | \$213,229 | \$221,638 | \$229,695 | \$237,623 | \$245,792 | \$253,881 | \$262,065 | \$269,898 | \$277,349 | \$285,655 |
| | | 3.0% | 3.9% | 3.6% | 3.5% | 3.4% | 3.3% | 3.2% | 3.0% | 2.8% | 3.0% |
| Total Expenditures | \$210,426 | \$215,780 | \$223,855 | \$232,045 | \$239,609 | \$246,919 | \$253,672 | \$260,223 | \$266,387 | \$270,488 | \$276,845 |
| | | 2.5% | 3.7% | 3.7% | 3.3% | 3.1% | 2.7% | 2.6% | 2.4% | 1.5% | 2.3% |
| Net One-Time Surplus/(Gap) | (\$3,384) | (\$2,551) | (\$2,217) | (\$2,350) | (\$1,986) | (\$1,127) | \$209 | \$1,842 | \$3,511 | \$6,861 | \$8,810 |
| Cumulative Net Operating Margin (One-Time) | | | | | | | | | | | \$11,000 |
| Net Operating Margin | | (\$2,551) | \$334 | (\$133) | \$363 | \$859 | \$1,336 | \$1,634 | \$1,668 | \$3,350 | \$1,945 |
| Cumulative Net Operating Margin | | | | | | | | | | | \$8,810 |

Assumes that the annual shortfalls are solved with ongoing solutions and annual surpluses are spent for ongoing expenditures.

Staff expects tax revenues to grow into FY 2019 and for the economy to remain strong and assumes gross domestic product (GDP) between mid-2 percent to low 3 percent; unemployment remaining around 4 percent which is currently at the lowest level in a decade at 4.1 percent; and the CPI (consumer price index; aka inflation) is expected to be in the low 2 percent though wage growth is tepid. Tax revenues continue to parallel the local economy and included in this LRFF, staff projected a \$4.5 million or 3.7 percent increase in tax revenues in FY 2019 over those projected for FY 2018 approximately six months through the year.

Based on this Forecast, guidance to prioritize spending is critical to ensure financial stability. The City is facing a number of future pressures such as the 2014 Council Infrastructure Plan which currently is projected to have an approximately \$75 million gap in funding; the growing costs of pension benefits; and the upcoming labor negotiations for many of the City's largest employee units. Staff communicated that a containment strategy is necessary to maintain a manageable financial

GENERAL FUND OVERVIEW

position and to address known and unknown financial challenges, program needs, or an economic downturn. It is this review and planning that will be critical since the City is facing many requests and has identified several key community supported programs that would need funding.

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 LRFF:

- New staffing and program requests;
- Labor negotiations;
- Cost implications that may arise such as support for the Parks Master Plan, Cubberley Master Plan, and loans to the Palo Alto airport;
- Escalating costs to complete the Capital Infrastructure Plan after full design; prevailing wage requirements; construction costs; and operating budget impacts from new facilities;
- Parks Master Plan expenditures including Foothills Park 7.7 acres;
- 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

FISCAL YEAR 2019 GENERAL FUND BUDGET

Subsequent to the release of the Long Range Financial Forecast, staff has reviewed all expenses and revenue estimates in the General Fund resulting in a final FY 2019 Base Budget gap of \$1.3 million as well as in FY 2020 with revenues of \$2.14 million estimated and \$215.4 million in expenses forecasted. This budget addresses this gap on an ongoing basis and proactively positions the General Fund in FY 2020 with a further gap forecasted in the years beginning in FY 2021. 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 2019 (additional revenues of \$1.1 million);
- Increases in charges for services and licenses and permits primarily due to the opening of the golf course and the new Council approved managed services contract terms (additional revenues of \$1.0 million);
- Reduction in cost allocation receipts reflecting a refinement of the General Fund cost allocation plan (reduction in revenues of \$1.3 million);
- Reduction in Salaries & Benefits of \$2.1 million primarily due to revised retiree medical actuarial valuations (\$1.3 million) and reflect the current employee population as of February 2018 (reduced expenses of \$773,000);
- Increases in Allocated Charges of \$1.3 million to reflect more refined expense estimates as well as address inadvertent omissions in the LRFF.

This FY 2019 Proposed Budget includes General Fund revenues estimates of \$213.7 million, a 3.2 percent increase from FY 2018 Adopted Budget levels of \$207.1 million, or an \$6.7 million

increase. General Fund expenditures of \$214.0 million reflect growth of 1.7 percent from the FY 2018 Adopted Budget level of \$210.4 million, or a \$3.6 million increase when all recommended budget actions are considered.

At this time, staff projects the FY 2018 Budget Stabilization Reserve (BSR) to end the year at approximately \$41.3 million, or 19.0 percent of the FY 2018 Modified Budget expenditure levels. This does not include any excess revenues or expense savings when compared to budgeted levels in FY 2018 based on current tracking. It is anticipated that the General Fund will end FY 2018 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 \$276,000 resulting in a projected balance of \$41.0 million, or 19.2 percent of the FY 2019 Proposed Budget expenses of \$214.0 million. This is above the City Council target level of 18.5%. The draw will produced a balance Budget for FY 2019.

REVENUES

Based on a continued, gradual growth of the regional economy and Fiscal Year 2018 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 2018 Adopted Budget. The Fiscal Year 2019 Budget assumes increases to major tax revenue receipts by approximately \$5.8 million, or 4.9 percent, from \$119.3 million to \$125.2 million when compared to the FY 2018 Adopted Budget. Growth in major tax revenues reflects over 85 percent of the change from the FY 2018 Adopted Budget for all General Fund revenues.

The following sections discuss the City's major revenue sources and their projected levels as well as major expenditure categories for Fiscal Year 2018 and 2019.

SALES TAX

Sales taxes continue to rise reasonably well from the Great Recession. Sales taxes are projected to rise to \$31.2 million in FY 2019, a 3.3% growth rate from the current FY 2018 estimates. The growth rate is consistent with the compound annual growth rate of 3.1% over the past ten years. Sectors showing growth that is expected to continue into FY 2019 are auto leasing and sales, drug stores, recreation products, furniture/appliance, office equipment, and health services. Areas experiencing weak sales include department stores and construction.

There are continued 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 brings negative news that additional business have moved on-line, however, increased receipts from county pools continue to offset this loss. Sales tax that occur 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 county-wide Amazon sales goes to county pools; Palo Alto's average receipt of pool sales tax has been 6.9 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 on-line retailers expansion to brick and mortar platforms which will allow them a platform to test products and pricing such as Amazon's purchase of Whole Foods, potential state legislation to change the county pools allocation methodology based on population which will adversely impact the City, and

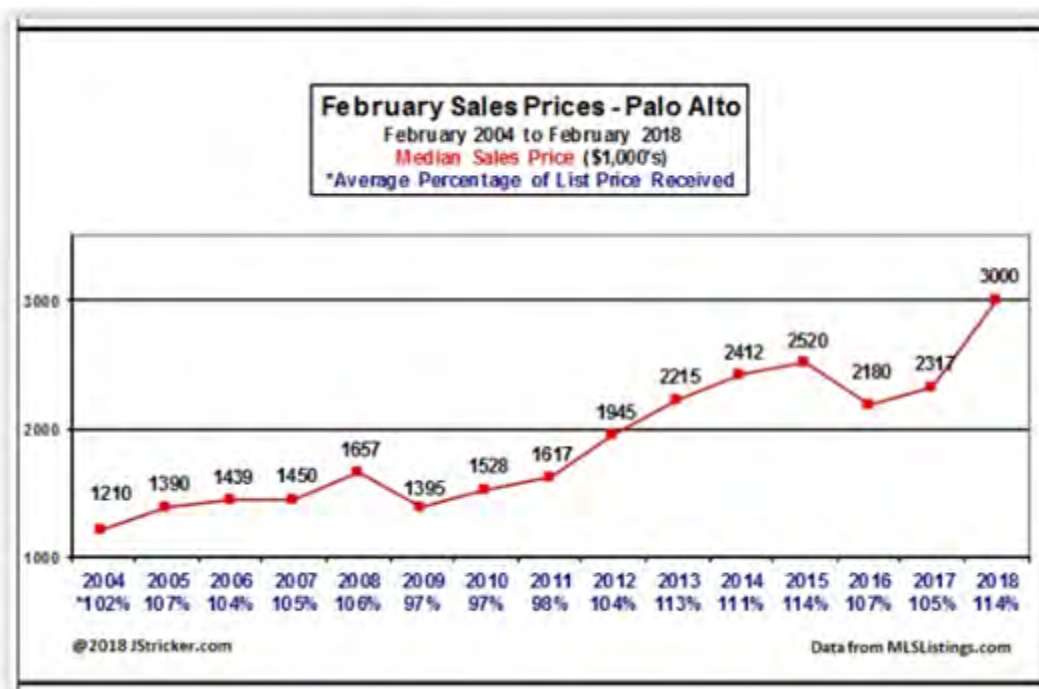
GENERAL FUND OVERVIEW

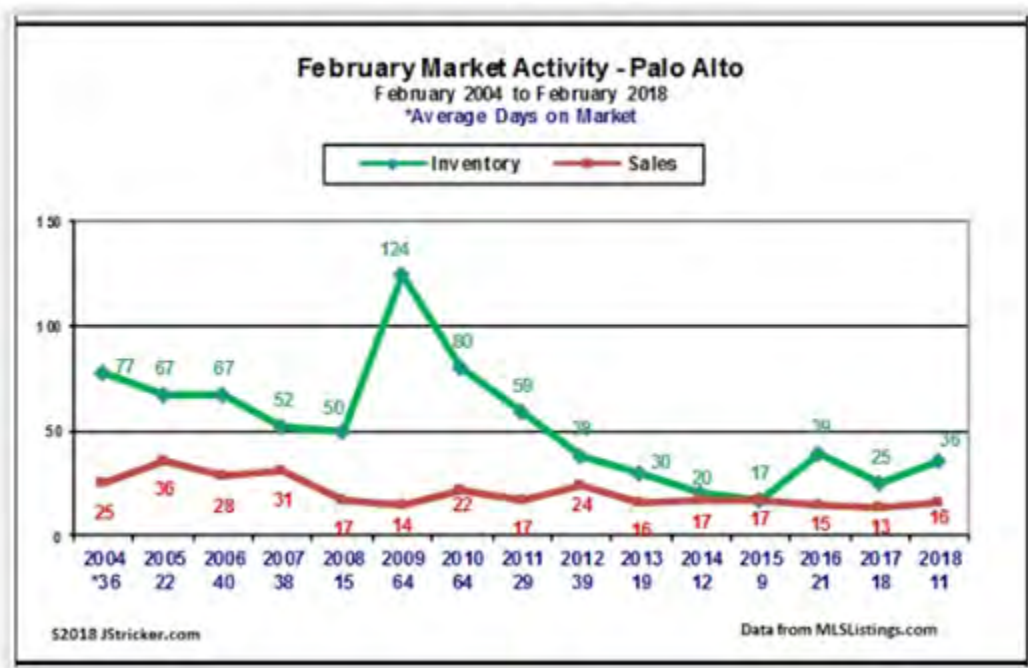
the amount of Stanford Hospital construction use tax dissipating as the expansion projects wind down.

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 and 7.6 percent increase in FY 2016 and FY 2017. In dollar terms it has risen from \$34.1 million in FY 2015 to \$36.6 million in FY 2016, to \$39.4 million in FY 2017 and projected to grow to \$42.4 million in FY 2018 and to \$45.3 million in FY 2019. The increase from FY 2018 to 2019 equals 7 percent or \$3 million which is higher than the 10 year compound annual growth rate of 6.3 percent. Staff estimates for FY 2019 include excess Education Revenue Augmentation Fund (ERAF) funds at a similar level than the past several years.

The following charts are taken from a realtor (JeffandSteve.com) web site. It shows 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 continued 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.

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 February 2018 around 77.5 percent of the rooms available will have been occupied and that the average daily room rate will hover around \$265 compared to 77.2 percent and \$257 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 Infrastructure Management Plan project funding.

Revenues moved upward from \$16.7 million in FY 2015 to \$22.4 million in FY 2016 to \$23.5 million in FY 2017. TOT for Fiscal Year 2018 is expected to reach \$24.4 million. Projections for FY 2019 stand at \$25.1 million, 2.6 percent or \$0.6 million above the projection for FY 2018.

The sharp increase in TOT from FY 2015 to projected FY 2019 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 (\$8.4 million), specifically for the City Council Infrastructure Plan.

GENERAL FUND OVERVIEW

UTILITY USERS TAX

The Utility Users Tax revenue budget for FY 2019 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 slightly decline. Instead, revenues from this source in the first 7 months of FY 2018 have significantly exceeded those in FY 2017 for the same period while the annual receipts for FY 2017 significantly exceeded the FY 2016 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 2019 are budgeted at \$6.2 million.

Utility receipts from the UUT are based on the Utilities Department's five-year revenue projections. Proposed rate increases for FY 2019 are 8 percent for electric and 4 percent each for water and gas. 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. The water rate increase is primarily due to increasing water supply and capital projects. The gas rate increase is attributable to operations costs increase related to the cross-bore inspection program, increase in capital improvement program costs as a result of higher bids on capital projects and modest increase in commodity costs around 1 percent to 2 percent. In addition, sales volumes for water and gas have been trending downward over the last several years. A combination of water (drought) conservation and, for gas, most likely due to relatively warm winter heating seasons, as well as lower hot water usage during the drought, but a cooler winter and the end of drought restrictions has brought increased usage. Gas usage has generally recovered to pre-drought levels, but as with water, it is difficult to determine whether long run usage will resume the declining trend seen over the last few decades. Although increasing rates should result in higher UUT revenues, potential customers reduction in usage, both for electric and water; the latter as a response of past drought conditions, could moderate the UUT increase. Also, warm weather conditions can result in less gas usage and UUT revenue as well. For FY 2019 the General Fund is expected to realize \$9.9 million from utility sales.

Combined, telephone and utility UUT revenues for the FY 2019 budget are estimated at \$15.9 million, representing growth of 3.7 percent over the revised FY 2018 year-end estimate of \$15.3 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. FY2016 receipts were \$6.3 million, FY 2017 receipts were \$7.5 million, and FY 2018 expected to be \$7.4 million. Adjusted Budget of \$7.4 million reflects an increase of \$467,400 or 6.7 percent over Adopted Budget. Through mid-March, revenues are running 14.2 percent above the same prior year period. At this time, it is anticipated that the City will realize \$7.4 million in FY 2019.

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 a marginal decrease in this category from FY 2018 levels of \$2.1 million to \$2.0 million, a 1.3 percent decrease. The largest source of revenue in this category is derived from parking violations revenue which are not projected to change from FY 2018 to FY 2019. The anticipated decrease is primarily attributed to a lower revenue estimate for Library fines to align with current performance.

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 2018 Adopted Budget revenue estimate of \$26.5 million, the Fiscal Year 2019 Budget estimate increases \$1.5 million, or 5.7 percent. A number of revenue adjustments have been made in the category from the FY 2018 Adopted level. Key changes from the FY 2018 Adopted Budget are listed below by department:

- Community Services Department: \$1.1 million increase, primarily driven by Golf Course Estimates
- Fire Department: \$0.2 million increase, primarily due to anticipated adjustments to the Stanford Fire Agreement
- Planning and Community Environment: \$0.1 million increase, primarily due to municipal fee changes

The City continues to negotiate with Stanford to settle on a service level and cost. This budget assumes a Stanford reimbursement at current levels 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 \$7.3 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 the Fiscal Year 2018 Budget revenue estimate of \$8.8 million, the FY 2019 Budget revenue estimate represents an increase of \$112,000, or 1.3 percent, primarily due to an increase in Planning and Community Environment Fees (\$62,000) and Police Fees anticipated from false alarms (\$35,000).

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 FY 2018 forecast is \$1.1 million, and the forecast for FY 2019 is \$1.2 million. At its peak, in FY 2002, the General Fund earned \$4.4 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 2019 budget of \$15.8 million reflects a \$231,000 increase from the

GENERAL FUND OVERVIEW

FY 2018 Adopted Budget, or 1.5 percent increase. Slight annual rental increases for enterprise funded departments at General Fund properties are based on an assessment of these properties that was conducted in Fiscal Year 2015 adjusted annually for cost of living increases. It is anticipated that another assessment will be conducted during FY 2019 and that the results will be incorporated into the development of the FY 2020 Operating Budget.

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 decreased by 8.9%, from \$11.1 million in FY 2018 to \$10.1 million in FY 2019. This decrease is attributable mainly to refining the methodology used for the cost allocation plan.

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 2018 Adopted Budget of \$1.2 million, other revenues are \$1.2 million higher, due to a change in how Public, Education, and Government (PEG) revenues from Cable Franchise Fees are treated. They have been designated as 'other revenues' to more appropriately align with the type of revenue.

OPERATING TRANSFERS-IN

In comparison to the Fiscal Year 2018 Adopted Budget transfer-in amount of \$20.8 million, the Fiscal Year 2019 Budget amount of \$19.8 million represents a decrease of \$1.02 million primarily due to a change in how PEG revenues are characterized. The largest component of this revenue category is the \$19.3 million equity transfer from the Enterprise Funds, a slight decrease from the FY 2018 level of \$19.5 million. The equity transfer 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

Proposed Fiscal Year 2019 Budget Expenditures total \$214.0 million in the general fund, representing a 1.7% increase year-over-year from the Fiscal Year 2018 Adopted Budget of \$210.4 million. Details of major expenditure categories are discussed below. This modest grow reflects the significant effort to structurally balance this FY 2019 budget on an ongoing basis, as discussed with the Finance Committee.

SALARY AND BENEFITS

Salary and benefit costs in the General Fund for Fiscal Year 2019 total \$125.5 million, representing a minor decrease of 0.1% from the Fiscal Year 2018 total of \$125.6 million. The primary reason for the decrease in salary and benefit costs are the net reduction of 35.1 FTE (17.6 FTE from full-time position reductions and 17.5 FTE from part-time position reductions) in the General Fund, a favorable update to the City's Retiree Healthcare Actuarial Valuation, and the use of one-time

fund balance in the Workers' Compensation Fund to subsidize annual contributions from all funds for Workers' Compensation.

The FY 2019 Budget maintains the historical methodology for calculating salaries and benefits; this methodology represents the agreed upon labor terms outlined in memorandums of agreement and the respective costs of those terms are budgeted directly in department sections. Additionally, it is presumed that departments will realize a certain level of vacancies throughout the year. As part of budget development, a vacancy rate is used to adjust the budget for Salary and Benefits for each department based on historical experience. In the 'Budget Reconciliation' section of each department a variance between the FY 2017 Actuals and the FY 2018 Adopted Budget columns is expected. This variance reflects the difference between estimated vacancies and staff costs actually incurred.

Salaries: Salaries of \$74.7 million in FY 19 are 0.7% higher than the \$74.2 million budgeted in the FY 2018 Adopted Budget. This reflects the general year-over-year increase in salaries, partially offset by savings associated with the 24.1 FTE eliminations beyond the 4.0 Apparatus Operators and 7.0 Firefighters that were presumed in the FY 2018 Adopted Operating Budget. This modest growth in salaries is not expected to continue in the near future, since it is tempered primarily by those staffing reductions.

Pension Costs: Pension costs are increasing 5.3% in the General Fund in Fiscal Year 2019, from \$23.3 million in Fiscal Year 2018 to \$24.6 million. This increase represents the first year of the CALPERS' phase-in of a 7.0% discount rate. The discount rate used for the determination of the Fiscal Year 2019 contributions was 7.375%, down from 7.5% in Fiscal Year 2018. In Fiscal Year 2019, there will be a 7.9% increase in the Miscellaneous pension rate (from 30.2 percent of salary to 32.6 percent) and an 11.9% increase in the Safety pension rate (from 49.7 percent of salary to 55.6 percent of salary). These increases reflect the more conservative assumptions in the discount rate as well as changes to various actuarial assumptions, including the mortality tables.

The City has anticipated these increasing pension costs and actively developed strategies to proactively address this growing liability. The FY 2019 Proposed Budget assumes that employees will continue to pick up a portion of the employer share of pension contributions, as agreed to in the most recent round of labor negotiations. In addition, this budget includes a recommendation for additional funding of approximately \$1.2 million from the General Fund for an additional contribution to the City's irrevocable Section 115 Trust Fund (PARS) to prefund future pension obligations. Additional details of the City's pension work to date can be found in the 'Employee Information' section of this document.

Retiree Health: The City's Other Post-Employment Benefits (OPEB) costs, primarily Retiree Healthcare, are decreasing 10.4% in the General Fund, from \$9.8 million in FY 2018 to \$8.8 million in FY 2019. This represents the latest figure from the City's outside actuarial consultant, Bartel Associates. The favorable adjustment is primarily driven by premium caps, changes in mortality assumptions, and increased eligibility for Medicare premium plans, which are much lower in cost. A separate report discussing the City's OPEB liabilities will be transmitted in May, 2018 more fully detailing the changes to the City's liability.

Healthcare: Healthcare costs are increasing only marginally, driven primarily by significant savings in dental premiums as a result of lower than anticipated utilization in the prior year. These savings are not expected to continue in future years.

GENERAL FUND OVERVIEW

Other Benefits: Other Benefits Costs, including special pays, long-term disability, medicare, and management excess benefit funding, are increasing 3.8%, from \$2.2 million in FY 2018 to \$2.3 million in FY 2019. This increase primarily represents increased eligibility for special pays, including retention pay for Police Officers.

Workers' Compensation costs are down 28.1 percent in the General Fund from FY 2018 to FY 2019, from \$3.6 million to \$2.6 million. This represents a one-time reduction in payments to the Workers' Compensation Fund. The Workers' Compensation fund is an Internal Service Fund; costs are recovered through allocated charges to departments. In FY 2019, the fund has sufficient accumulated fund balance to offset some of the expenditures. The one-time reduction in payments into the Workers' Compensation Fund across all funds will partially draw down that accumulated fund balance in FY 2019.

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.

Other non-departmental expenses include one-time funding of \$100,000 for the Fall 2018 City Council election, as well as funding for costs associated with Property Tax collection which is administered by the County of Santa Clara.

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 to fund unanticipated expenses. As part of the FY 2018 Budget, the City Council contingency was reduced from \$250,000 to \$225,000 to help close the budgetary gap. This level is maintained in FY 2019. The City Council approves any use of the City Council Contingency, while the City Manager has to approve the use of any other contingency. The Fiscal Year 2019 Budget includes \$725,000 in these accounts.

OPERATING TRANSFERS-OUT

Funds are transferred to the Capital Infrastructure Fund, Cubberley Infrastructure Fund, Debt Service Fund, and Technology Fund on an annual basis. In Fiscal Year 2019, \$26.5 million is programmed to be transferred to these funds, a level consistent with Fiscal Year 2018 transfers. In addition, in the FY 2019 Proposed Operating Budget \$170,000 is transferred to the Public Art Fund, \$283,000 is transferred to the University Avenue Parking District Fund (for City employee permits in the downtown garages), and \$2.7 million is transferred to the Electric Fund. The transfer to the Electric Fund is to reimburse the Electric Fund for electricity costs associated with City streetlight and traffic signal costs to align with the most recent Electric Fund Cost of Services Analysis (COSA).

RESERVES

The City's general reserve is referred to as the Budget Stabilization Reserve (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 their discretion, to transfer any amount in excess of 18.5 percent to the Capital Projects Infrastructure Reserve. The Fiscal Year 2019 Bud-

GENERAL FUND OVERVIEW

get is projected to have a \$41.0 million BSR balance, or 19.2 percent of the General Fund expenditure budget. Only \$276,000 is recommended to be used of the BSR to offset one-time costs such as the November 2018 election.

GENERAL FUND OVERVIEW

General Fund Reserves

| | FY 2017 Actuals | FY 2018 Adopted Changes | FY 2018 Net Adjustments | Projected FY 2018 Year-End | Projected FY 2019 Adopted Budget | Projected FY 2019 Year-End |
|--|--------------------|-------------------------------|----------------------------|----------------------------------|---|----------------------------------|
| Budget Stabilization Reserve (BSR) Activity: | | | | | | |
| BSR | 48,118 | (3,385) | (3,446) | 41,287 | (276) | 41,011 |
| Other Reserve Activity: | | | | | | |
| Human Services Resource Allocation Process (HSRAP) Reserve | - | - | - | 50 | - | 50 |
| Encumbrance & Reappropriation | 7,280 | - | - | 7,280 | - | 7,280 |
| Inventory of Materials & Supplies | 4,298 | - | - | 4,298 | - | 4,298 |
| Notes Receivable, Prepaid Items, Interfund Advances, & Unrealized Gains and Losses | 3,411 | - | - | 3,411 | - | 3,411 |
| Total Reserves | 63,107 | (3,385) | (3,446) | 56,326 | (276) | 56,050 |

1. The BSR is projected to be 19.2 percent of the FY 2019 Expense Budget at the end of FY 2019.
2. City reserve policy indicates a 15-20 percent range, with an 18.5 percent target.
3. Minimum FY 2019 BSR \$32.1 million (15 percent); Maximum FY 2019 BSR \$42.8 million (20 percent).
4. Target FY 2019 BSR \$39.6 million (18.5 percent).
5. Projected FY 2018 BAOs assumes City Council approved budget adjustments through February 2018.
6. This assumes the Human Services Resource Allocation Process Reserve will not be spent in FY 2018 and is recommended to be carried forward to FY 2019.

General Fund Revenue Descriptions

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.

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 \$119 million through Fiscal Year 2018 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 9.4 percent or 9.4 cents for every property tax dollar a property owner pays to the county. The majority of the tax dollar paid or 56.6 percent goes to the school district, community college and county school service, 15.9 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 11.1 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 (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

GENERAL FUND OVERVIEW

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).

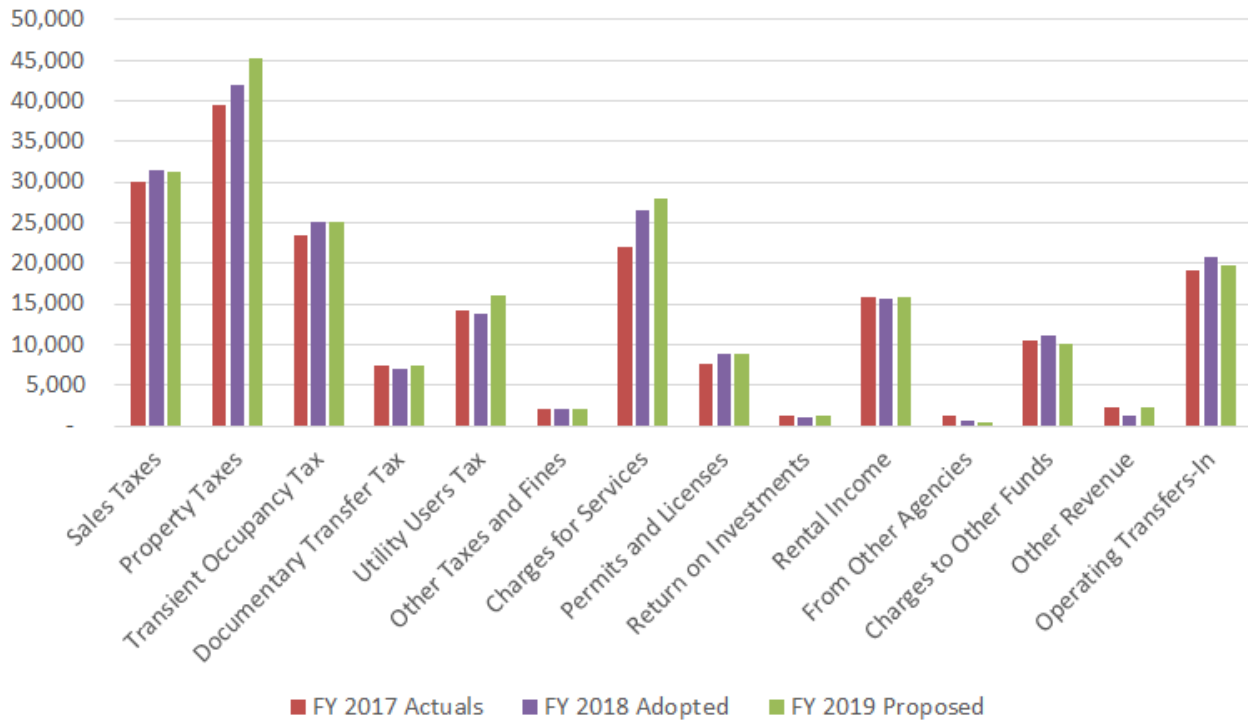
GENERAL FUND OVERVIEW

General Fund Revenue by Category

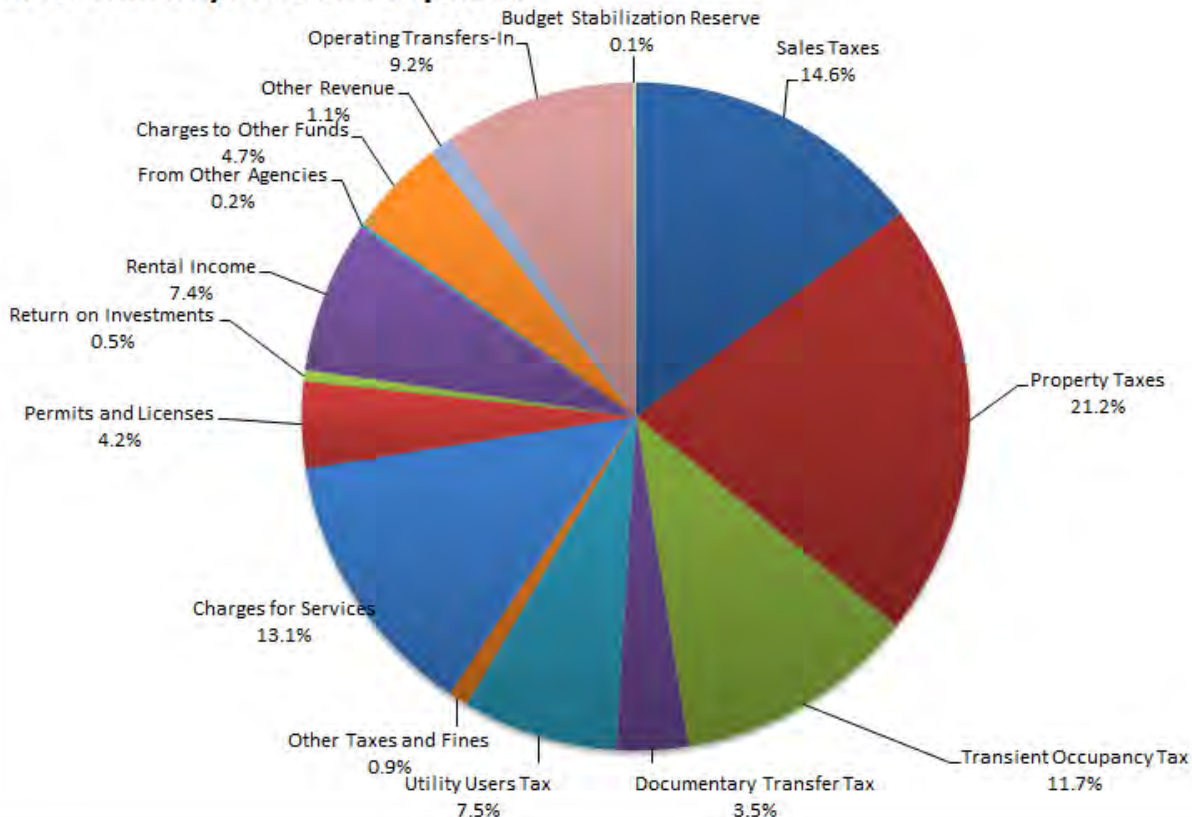
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Sales Taxes | 30,018 | 29,923 | 31,458 | 31,246 | (212) | (0.7%) |
| Property Taxes | 36,607 | 39,381 | 41,927 | 45,332 | 3,405 | 8.1% |
| Transient Occupancy Tax | 22,366 | 23,477 | 25,143 | 25,049 | (94) | (0.4%) |
| Documentary Transfer Tax | 6,266 | 7,491 | 6,930 | 7,434 | 504 | 7.3% |
| Utility Users Tax | 12,469 | 14,240 | 13,867 | 16,092 | 2,225 | 16.0% |
| Other Taxes and Fines | 2,238 | 2,167 | 2,060 | 2,032 | (28) | (1.4%) |
| Charges for Services | 23,562 | 21,989 | 26,497 | 28,015 | 1,518 | 5.7% |
| Permits and Licenses | 8,263 | 7,714 | 8,837 | 8,949 | 112 | 1.3% |
| Return on Investments | 1,037 | 1,209 | 1,024 | 1,166 | 142 | 13.9% |
| Rental Income | 15,842 | 15,767 | 15,575 | 15,806 | 231 | 1.5% |
| From Other Agencies | 719 | 1,156 | 688 | 370 | (318) | (46.2%) |
| Charges to Other Funds | 11,576 | 10,439 | 11,076 | 10,093 | (983) | (8.9%) |
| Other Revenue | 4,899 | 2,300 | 1,169 | 2,361 | 1,192 | 102.0% |
| Subtotal | 175,862 | 177,253 | 186,251 | 193,945 | 7,694 | 4.1% |
| Operating Transfers-In | 18,317 | 19,222 | 20,791 | 19,772 | (1,019) | (4.9%) |
| Total | 194,179 | 196,475 | 207,042 | 213,717 | 6,675 | 3.2% |

General Fund Revenue by Category

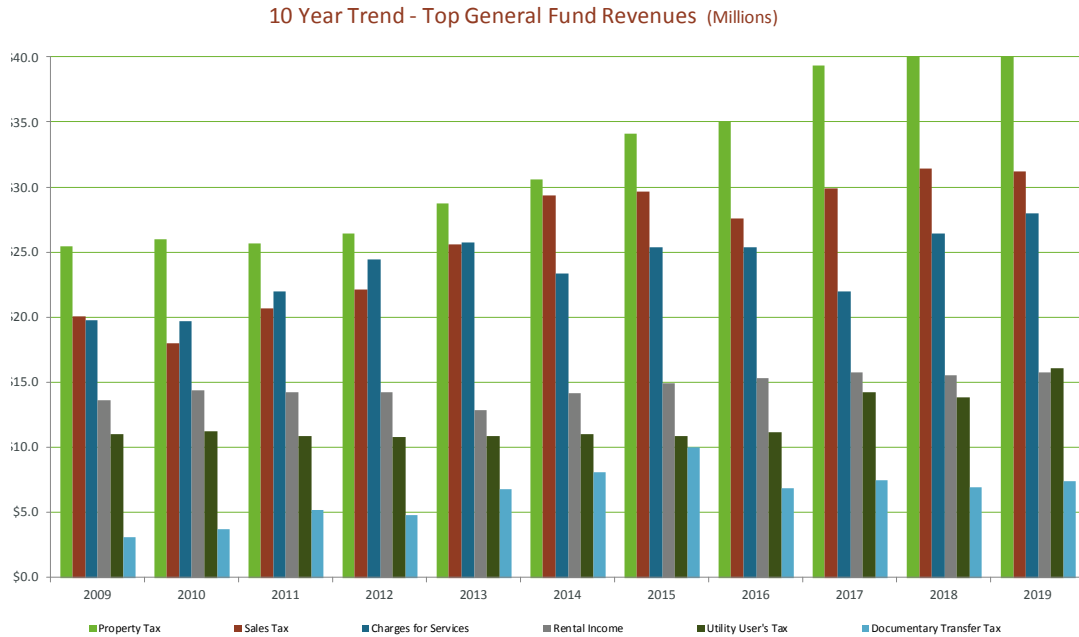
3 Year Trend - General Fund Revenues By Category (\$000s)



\$214.0 Million/FY 2019 Proposed



General Fund Revenue by Category



General Fund Expenditures by Department

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Administrative Services | 7,497 | 7,379 | 7,983 | 7,963 | (20) | (0.3%) |
| City Attorney | 2,796 | 3,158 | 3,356 | 3,263 | (93) | (2.8%) |
| City Auditor | 1,112 | 1,208 | 1,301 | 1,258 | (43) | (3.3%) |
| City Clerk | 1,001 | 1,049 | 1,374 | 1,282 | (92) | (6.7%) |
| City Council | 430 | 452 | 500 | 488 | (12) | (2.4%) |
| City Manager | 3,097 | 2,412 | 3,158 | 3,259 | 101 | 3.2% |
| City Manager's Office of Sustainability | 495 | 478 | 524 | 417 | (107) | (20.4%) |
| Community Services | 24,272 | 25,200 | 27,560 | 28,915 | 1,355 | 4.9% |
| Development Services | 10,665 | 11,014 | 12,540 | 12,561 | 21 | 0.2% |
| Fire | 27,553 | 31,530 | 31,774 | 31,826 | 52 | 0.2% |
| Human Resources | 3,559 | 3,314 | 3,757 | 3,634 | (123) | (3.3%) |
| Library | 7,960 | 8,953 | 9,447 | 9,664 | 217 | 2.3% |
| Non-Departmental | 6,235 | 6,400 | 8,435 | 7,825 | (610) | (7.2%) |
| Office of Emergency Services | 1,044 | 983 | 1,039 | 1,509 | 470 | 45.2% |
| Planning and Community Environment | 8,880 | 8,654 | 8,452 | 8,791 | 339 | 4.0% |
| Police | 35,666 | 39,206 | 42,333 | 41,951 | (382) | (0.9%) |
| Public Works | 14,326 | 16,655 | 17,005 | 18,492 | 1,487 | 8.7% |
| Subtotal | 156,588 | 168,045 | 180,538 | 183,098 | 2,560 | 1.4% |
| Transfer to Infrastructure | 29,366 | 22,859 | 24,981 | 25,173 | 192 | 0.8% |
| Operating Transfers-Out | 5,095 | 6,572 | 4,908 | 5,725 | 817 | 16.6% |
| Total | 191,049 | 197,476 | 210,427 | 213,996 | 3,569 | 1.7% |

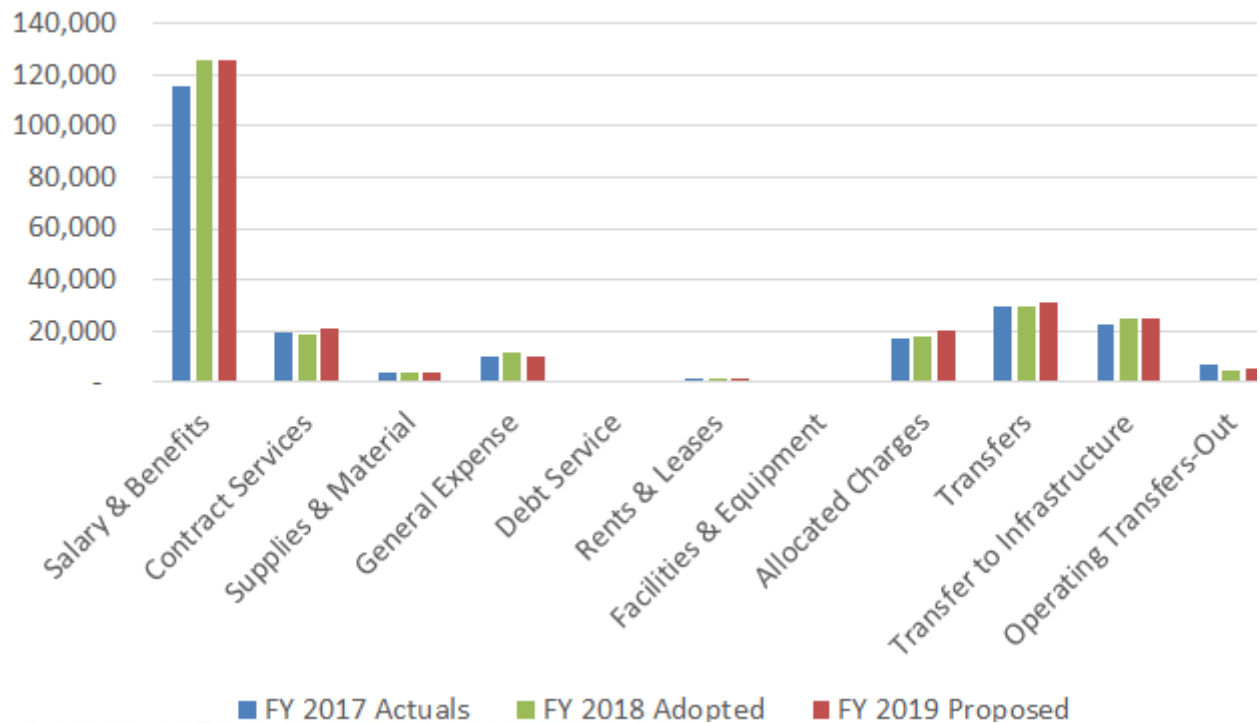
GENERAL FUND OVERVIEW

General Fund Expenditures by Category

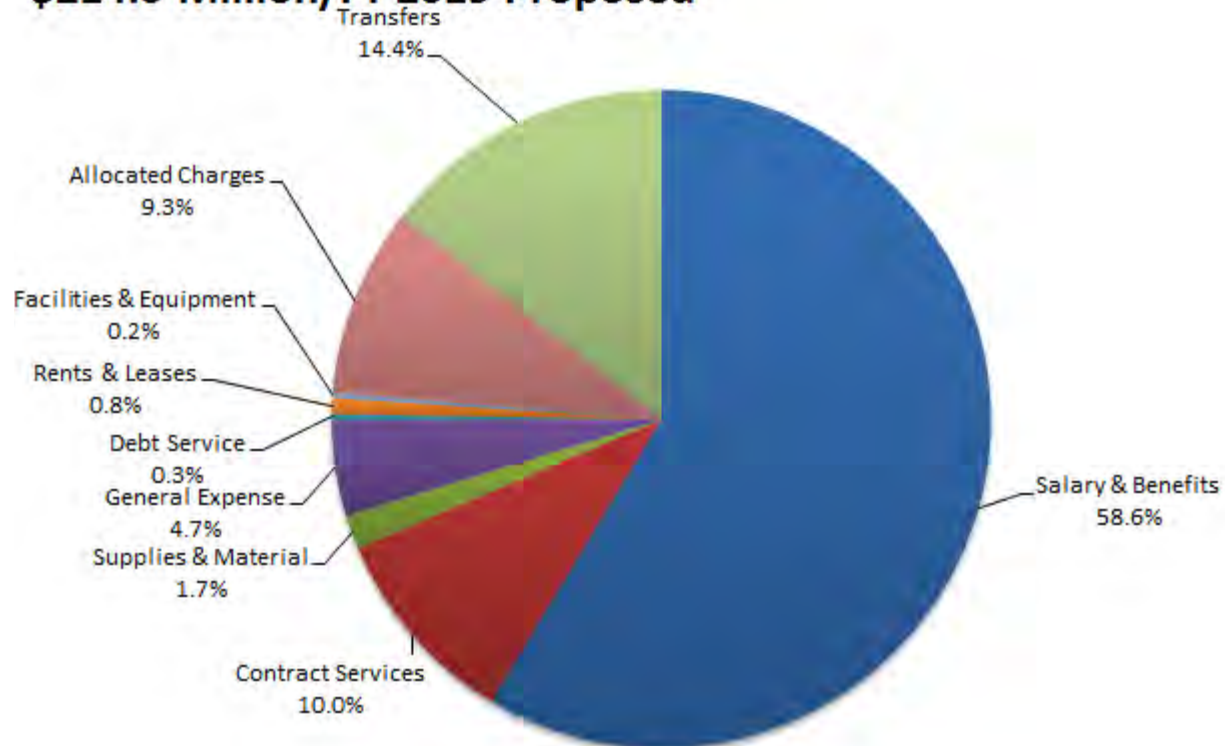
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|----------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Salary & Benefits | 106,185 | 115,608 | 125,623 | 125,452 | (171) | (0.1%) |
| Contract Services | 17,803 | 19,436 | 18,984 | 21,334 | 2,350 | 12.4% |
| Supplies & Material | 3,771 | 3,723 | 3,544 | 3,563 | 19 | 0.5% |
| General Expense | 9,568 | 9,971 | 11,933 | 10,074 | (1,859) | (15.6%) |
| Debt Service | 431 | 432 | 432 | 613 | 181 | 41.9% |
| Rents & Leases | 1,537 | 1,345 | 1,567 | 1,690 | 123 | 7.8% |
| Facilities & Equipment | 537 | 685 | 517 | 522 | 5 | 1.0% |
| Allocated Charges | 16,756 | 16,845 | 17,937 | 19,850 | 1,913 | 10.7% |
| Subtotal | 156,588 | 168,045 | 180,537 | 183,098 | 2,561 | 1.4% |
| Transfer to Infrastructure | 29,366 | 22,859 | 24,981 | 25,173 | 192 | 0.8% |
| Operating Transfers-Out | 5,095 | 6,572 | 4,908 | 5,725 | 817 | 16.6% |
| Total | 191,049 | 197,476 | 210,426 | 213,996 | 3,570 | 1.7% |

General Fund Expenditures by Category

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



\$214.0 Million/FY 2019 Proposed





CITY OF
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Enterprise Funds





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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 2019 is \$357.9 million, which is \$9.6 million, or 2.6 percent, lower than Fiscal Year 2018. This overall decrease is largely due to a \$34.1 million reduction in revenue in the Wastewater Treatment Fund from other agencies, partially offset by both higher estimated net sales revenue and operating transfers in revenues for capital projects. Utility services with rate increases for FY 2019 include Electric, Fiber Optics, Gas, Storm Drainage, Wastewater Collection, and Water, with a varying degree of increases, details on these changes are discussed below. Wastewater Collection rates are scheduled to increase the most at 11.0 percent. This increase in wastewater collection rates is largely due to costs associated with a major capital improvement project to upgrade the Wastewater Treatment Plant and is anticipated to result in approximately \$1.7 million in additional revenue. Refuse rates will remain the same for FY 2019.

EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for Fiscal Year 2019 is \$389.1 million, which is \$9.1 million, or 2.3 percent, lower than the prior year. Lower Capital Improvement Program (CIP) costs of approximately \$10.0 million when compared to FY 2018 are the primary driver for this year over year reduction. This decrease is partially offset by increases in other expenses including: approximately \$2.0 million in contract services associated with the cross-bore inspection program and electric overhead maintenance, \$0.3 million in rents and leases, and \$0.1 million in salaries and benefits.

UTILITY RATE CHANGES

FY 2019 Budget includes utility rate adjustments for Electric, Fiber Optics, Gas, Storm Drainage, and Water charges. The median monthly residential utility bill is expected to increase by 4.7 percent or \$13.40 from \$282.48 to \$295.88. At the time of the printing of this document, rate increases were under review by the Finance Committee, this document does not reflect or assume any changes as a result of that process. Once finalized adjustments will be made as necessary.

ENTERPRISE FUNDS OVERVIEW

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

- Electric Fund - Proposed rate increase is up to 8.0 percent overall to fund rising transmission costs, new renewable projects coming online, and substantial capital investment and replacement in the electric distribution system.
- Gas Fund - Proposed rate increase is 4.0 percent due to increasing construction costs for gas main replacements.
- Water Fund - Scheduled rate increase is up to 4.0 percent due to rising capital costs for water main replacements and seismic improvements for reservoirs.
- Wastewater Collection Fund - Proposed rate increase is 11.0 percent due to significant increase in wastewater collection system capital project costs to improve the overall distribution systems, as well as increase in operating and treatment costs.
- Fiber Optics Fund - Proposed rate increase is 2.9 percent, based on Consumer Price Index (CPI) for All Urban Consumers in the San Francisco Bay Area, for customers on the EDF-1 rate.
- Storm Drainage Fund - Proposed rate increase of 2.9 percent, or \$0.40 per Equivalent Residential Unit (ERU) per month based on CPI for All Urban Consumers in the San Francisco Bay Area.
- Refuse Fund - No rate adjustment is scheduled for FY 2019.

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 2019 will increase by approximately \$0.3 million compared to FY 2018.

EQUITY TRANSFERS

In FY 2009, the Council adopted a change to the methodology, beginning 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 2019, the equity transfers from the Electric and Gas Funds are projected to decrease by approximately \$0.2 million from \$19.5 million to \$19.3 million in FY 2019.

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 included in this budget, the total Enterprise Fund Reserve Balances are estimated to decrease by \$14.4 million from FY 2018 to FY 2019.

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 2019. 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 2019 electric rates are scheduled to increase by 8.0 percent overall to recover costs for increasing transmission costs, new renewable projects coming online, and substantial additional capital investment in the electric distribution system. Electricity purchase costs have increased substantially since FY 2013 as new renewable projects have come online to fulfill the City's environmental goals, and as transmission costs have increased due to improvements being made to the California grid. Projected capital expenses for FY 2018 through FY 2023 are higher in FY 2018 through FY 2021 due to relocation of overhead lines for Caltrain, completion of 4kV to 12kV conversion projects, as well as anticipated Advanced Metering Infrastructure (AMI) and smart grid implementation. Once these larger, one-time project cost increases are completed, annual Capital Improvement Program (CIP) projects are anticipated to decline back to levels seen in recent years. The forecast also assumes that smart grid costs are funded from the Electric Special Projects Reserves.

Gas

FY 2019 gas rates are scheduled to increase by 4.0 percent in FY 2019 due to increasing capital and operations costs. In the short term, some of the increase in operations costs are related to the crossbore inspection program, but capital improvement program costs have increased substantially as the economy has improved. Future CIP project costs have been revised upwards from prior forecasts to reflect higher bids on gas CIP projects. Commodity costs are the most volatile component of the Gas Utility's expenses, but market prices have been steady and current forecasts project increases of around 1 to 2 percent annually. Gas Utility expenses in general are forecast to increase by roughly 3 to 4 percent annually from FY 2019 to FY 2028. While gas distribution rates were last increased in July 2016, they were not increased to fully

ENTERPRISE FUNDS OVERVIEW

match cost. Instead, reserve funds have been used to phase in rate increases over time. Increases of 7 to 8 percent are projected over the next three years (FY 2020 – FY 2022) to bring revenues in line with projected distribution spending.

Water

FY 2019 water utility rates are scheduled to increase by 4.0 percent due to rising water supply costs and increasing capitals costs. The main driver for the increase over the next several years is the escalating cost of wholesale water and rising construction costs for water main replacements, as well as large one-time capital costs in FY 2019, FY 2020, and FY 2021 related to reservoir rehabilitation and additional costs required to switch water meters to be read automatically with Advanced Metering Infrastructure.

Wastewater Collection

FY 2019 wastewater collection rates are scheduled to increase by 11.0 percent. Capital and operating costs are anticipated to increase for the wastewater collection system. In addition, CPAU anticipates treatment costs to rise over the forecast period due to increasing operating costs and capital replacement needs at the Regional Water Quality Control Plant. As a result, projected rate increases range from 9.0 to 11.0 percent annually through FY 2022 and 3.0 to 4.0 percent annually for FY 2023 and beyond.

Fiber Optics

Fiber optics rates are scheduled to increase by 2.9 percent for customers on the EDF-1 rate schedule in FY 2019. 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. 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 the EDF-2 rates. New fiber customers are enrolled under the 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 2019 refuse rates remain unchanged. FY 2020 and 2021 rates are projected to increase at a rate based on consumer price index, which is the end date for all three Refuse Fund related agreements for waste collection, processing and disposal (over \$20 million in annual agreements). In addition, a new Zero Waste Plan Update will be finalized and include initiatives that will help the City continue making progress on its Zero Waste goals to divert 90 percent or more waste from landfills by 2021 and 95 percent by 2030.

Storm Drain

FY 2019 Storm Water Management fee is scheduled to increase by 2.9 percent. The Storm Water Management fee was approved by property owners through a ballot measure in April 2017. 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 ensure adequate local drainage of the City's storm drainage system. This fund also 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 Plant 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 2019 revenues in the Wastewater Treatment Fund are expected to increase by \$190,000 or 2.1 percent compared to FY 2018. The majority of the increase resulted from funding sources programmed for FY 2019 - FY 2023 capital improvement expenditures and partner revenue increases outlined in the Wastewater Treatment Fund section of the Public Works Department. The Dewatering and Loadout Facility is on track for completion Winter 2019 and will result in the retirement of the incinerator around the same time, which will change operating expenses for utilities and contract services. Utilities usage for Gas and Electric will decrease and contract expenses to haul and treat sludge will increase.

Airport

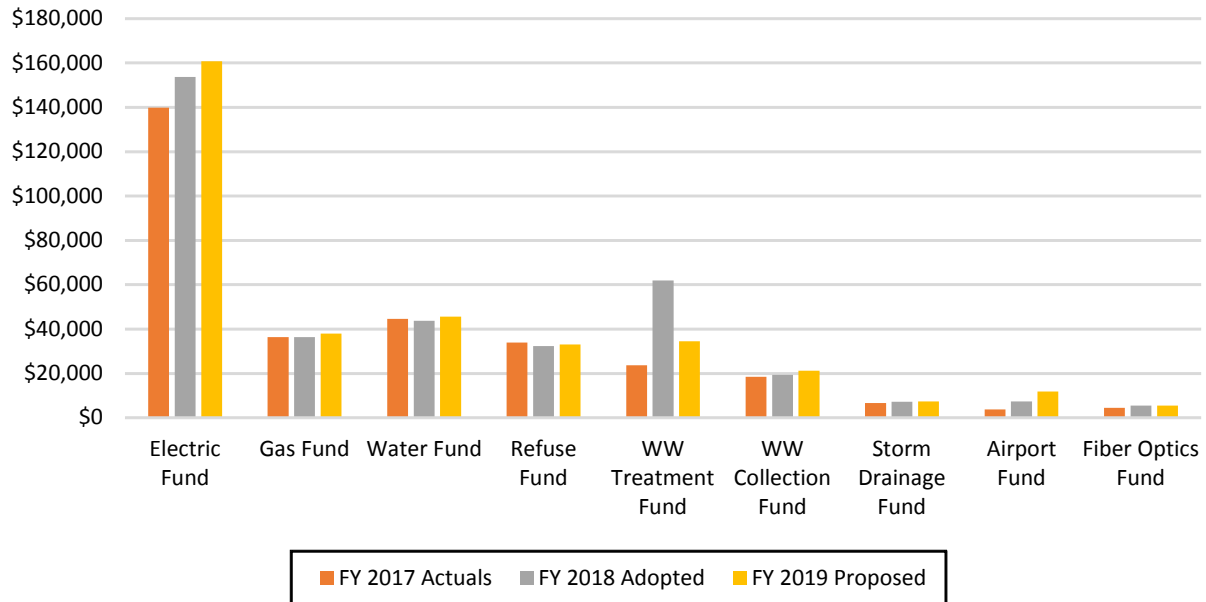
The City assumed airport operations from Santa Clara County in August of 2014 for the Palo Alto airport, which ranks among the busiest general aviation airports in the country. Under previous terms, the County exercised the right to sublease to Fixed Base Operators (FBOs) with agreements that expired in April 2017 and the City worked on signing new lease agreements. As a result of new lease agreements signed, Airport fund revenues from rentals are projected to increase approximately \$38,000 in FY 2019. The airport's Schedule of Fees and Charges are scheduled to increase by 2.9 percent. Expenses are also projected to increase due to major construction projects that incur costs which are 90 percent offset by Federal Aviation Grants. To ensure sufficient funding for operating costs and continued services with minimal service delivery impact, the Airport fund has received loans from the General Fund, totaling \$3.1 million as of FY 2019 since the City took over operations.

ENTERPRISE FUNDS OVERVIEW

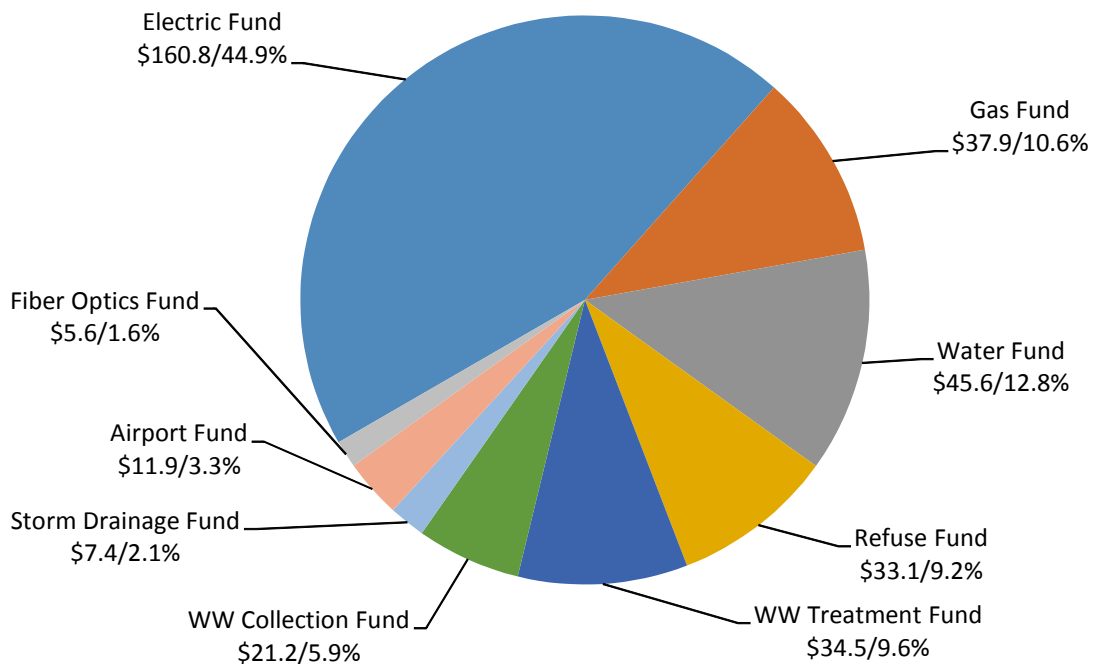
Enterprise Funds Summary

| 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 | 294 | 98 | 81 | 213 | 53 | 31 | — | — | — | 770 |
| From Other Agencies | — | — | 577 | — | — | — | — | 9,500 | — | 10,076 |
| Net Sales | 145,449 | 36,161 | 42,737 | 30,110 | 28,370 | 19,836 | 7,128 | 648 | 4,990 | 315,428 |
| Operating Transfers-In | 3,664 | — | 539 | — | — | — | — | — | — | 4,203 |
| Other Revenue | 8,660 | 1,092 | 931 | 2,546 | 5,838 | 1,070 | — | 975 | 200 | 21,312 |
| Other Taxes and Fines | — | — | — | — | 4 | — | 3 | — | — | 7 |
| Rental Income | — | — | — | — | — | — | — | 755 | — | 755 |
| Return on Investments | 2,508 | 526 | 775 | 179 | 199 | 267 | 130 | 2 | 366 | 4,952 |
| Total | 160,805 | 37,897 | 45,651 | 33,081 | 34,464 | 21,213 | 7,379 | 11,879 | 5,556 | 357,925 |
| Expenses | | | | | | | | | | |
| Allocated Charges | 9,029 | 4,441 | 4,614 | 1,841 | 6,122 | 2,601 | 1,173 | 526 | 591 | 30,938 |
| Contract Services | 7,744 | 2,463 | 819 | 6,206 | 3,008 | 249 | 908 | 259 | 455 | 22,110 |
| Debt Service | 8,722 | 803 | 3,223 | 196 | 1,469 | 129 | 949 | — | — | 15,491 |
| Equity Transfer | 12,709 | 6,563 | — | — | — | — | — | — | — | 19,272 |
| Facilities & Equipment | 64 | 19 | 17 | 3 | 8 | 13 | 8 | — | 2 | 133 |
| General Expense | 3,457 | 769 | 667 | 112 | 451 | 125 | 146 | 40 | 14 | 5,782 |
| Operating Transfers-Out | 128 | 641 | 486 | 106 | 382 | 294 | 49 | 13 | 114 | 2,213 |
| Rents & Leases | 5,893 | 760 | 3,003 | 2,213 | — | 420 | 49 | 12 | 79 | 12,428 |
| Salary & Benefits | 15,253 | 6,482 | 7,022 | 2,709 | 12,430 | 2,817 | 1,959 | 712 | 1,267 | 50,650 |
| Supplies & Material | 924 | 489 | 611 | 143 | 2,091 | 381 | 95 | 56 | 9 | 4,798 |
| Transfer to Infrastructure | — | — | — | 27 | — | — | — | — | — | 27 |
| Utility Purchase | 89,712 | 14,672 | 22,620 | 16,253 | — | 10,276 | — | — | — | 153,533 |
| Capital Improvement Program | 17,898 | 5,417 | 15,073 | — | 10,187 | 6,631 | 4,056 | 10,768 | 1,650 | 71,681 |
| Total | 171,533 | 43,519 | 58,155 | 29,808 | 36,147 | 23,936 | 9,392 | 12,388 | 4,180 | 389,057 |

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

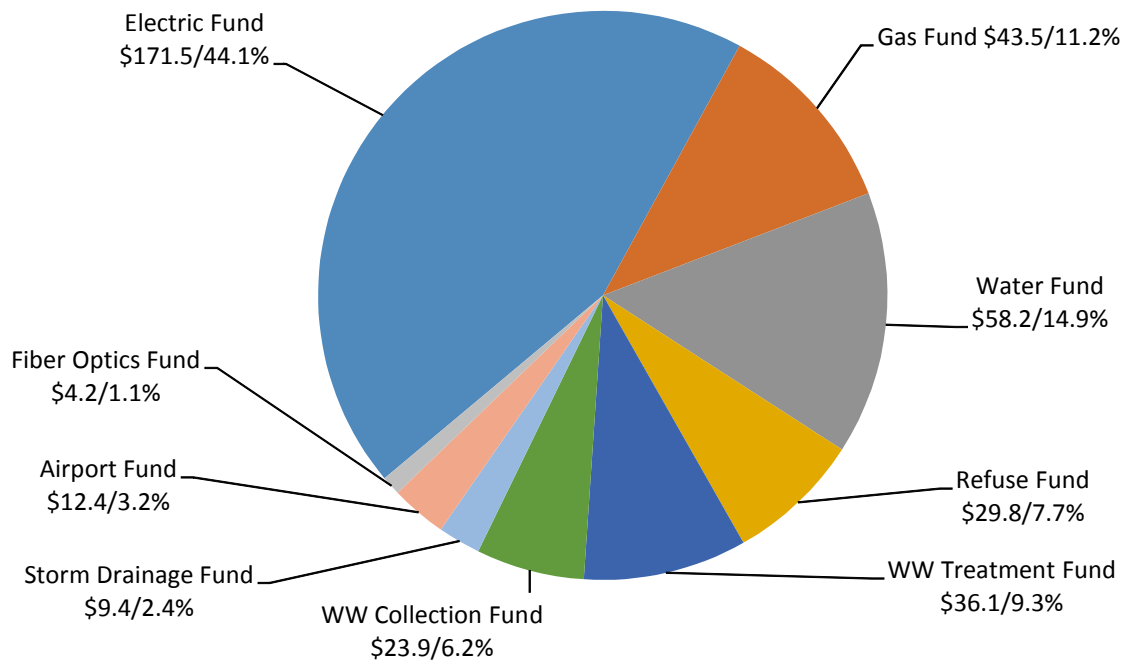
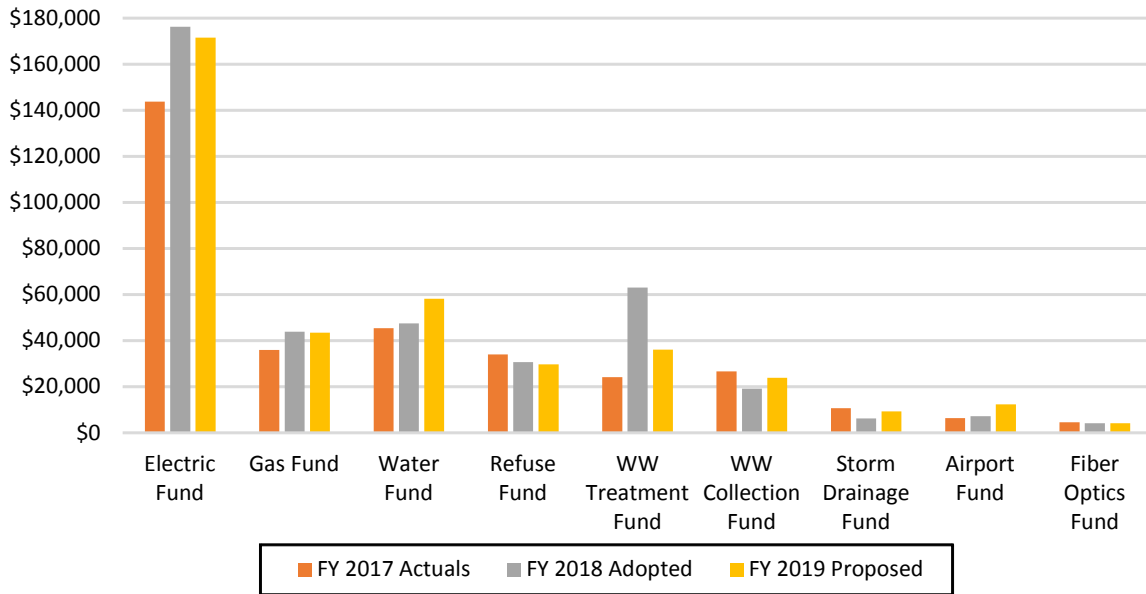


FY 2019 PROPOSED/\$357.9 MILLION



ENTERPRISE FUNDS OVERVIEW

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



ENTERPRISE FUNDS RESERVES

| Reserves (\$000) | FY 2018 Projected Ending Balance | FY 2019 Changes | FY 2019 Projected Ending Balance | FY 2019 Reserve Guideline Range |
|-----------------------------------|--|-----------------|--|------------------------------------|
| Electric Fund | | | | |
| Supply Rate Stabilization | 0 | 0 | 0 | |
| Operations | 32,254 | 696 | 32,950 | 28,197 - 56,394 |
| Hydro Stabilization | 0 | 0 | 0 | |
| Electric Special Projects | 41,526 | 0 | 41,526 | |
| Public Benefit | 739 | 0 | 739 | |
| Underground Loan | 729 | 0 | 729 | |
| Capital Improvement Projects | 13,070 | (11,424) | 1,646 | |
| GASB 68 Pension Reserve | (27,659) | 0 | (27,659) | |
| | | | | |
| Subtotal | 60,659 | (10,728) | 49,931 | |
| | | | | |
| Gas Fund | | | | |
| Rate Stabilization | 4,810 | 0 | 4,810 | |
| Operations | 15,463 | (3,093) | 12,370 | 7,154 - 14,308 |
| Capital Improvement Projects | 4,385 | (2,529) | 1,856 | |
| GASB 68 Pension Reserve | (12,505) | 0 | (12,505) | |
| | | | | |
| Subtotal | 12,153 | (5,622) | 6,531 | |
| | | | | |
| Wastewater Collection Fund | | | | |
| Rate Stabilization | 342 | 0 | 342 | |
| Operations | 6,842 | 1,630 | 8,472 | 5,942 - 14,855 |
| Capital Improvement Projects | 3,420 | (4,352) | (932) | |
| GASB 68 Pension Reserve | (7,019) | 0 | (7,019) | |
| | | | | |
| Subtotal | 3,585 | (2,722) | 863 | |

ENTERPRISE FUNDS OVERVIEW

ENTERPRISE FUNDS RESERVES

| Reserves (\$000) | FY 2018 Projected Ending Balance | FY 2019 Changes | FY 2019 Projected Ending Balance | FY 2019 Reserve Guideline Range |
|------------------------------------|--|-----------------|--|------------------------------------|
| Water Fund | | | | |
| Rate Stabilization | 0 | 0 | 0 | |
| Operations | 19,753 | 953 | 20,706 | 6,787-13573 |
| Capital Improvement Projects | 6,643 | (13,457) | (6,814) | |
| GASB 68 Pension Reserve | (11,736) | 0 | (11,736) | |
| | | | | |
| Subtotal | 14,660 | (12,504) | 2,156 | |
| | | | | |
| Refuse Fund | | | | |
| | | | | |
| Rate Stabilization | 12,485 | 3,273 | 15,758 | 4,900 - 9,800 |
| Landfill Corrective Action Reserve | 728 | 0 | 728 | |
| Capital Improvement Projects | 0 | 0 | 0 | |
| GASB 68 Pension Reserve | (4,905) | 0 | (4,905) | |
| | | | | |
| Subtotal | 8,308 | 3,273 | 11,581 | |
| | | | | |
| Storm Drainage Fund | | | | |
| | | | | |
| Rate Stabilization | 1,159 | 1,599 | 2,758 | |
| Capital Improvement Projects | 394 | (3,612) | (3,218) | |
| GASB 68 Pension Reserve | (2,955) | 0 | (2,955) | |
| | | | | |
| Subtotal | (1,402) | (2,013) | (3,415) | |
| | | | | |
| Wastewater Treatment Fund | | | | |
| | | | | |
| Emergency Plant Replacement | 1,980 | 0 | 1,980 | 1,936 (max.) |
| Rate Stabilization | 14,266 | 2,586 | 16,852 | 3,945 - 7,869 |
| Capital Improvement Projects | 18,209 | (4,269) | 13,940 | |
| GASB 68 Pension Reserve | (17,383) | 0 | (17,383) | |
| | | | | |
| Subtotal | 17,072 | (1,683) | 15,389 | |

ENTERPRISE FUNDS RESERVES

| Reserves (\$000) | FY 2018 Projected Ending Balance | FY 2019 Changes | FY 2019 Projected Ending Balance | FY 2019 Reserve Guideline Range |
|--|--|-----------------|--|------------------------------------|
| Fiber Optics Fund | | | | |
| Emergency Plant Replacement | 1,000 | 0 | 1,000 | 1,000 (min.) |
| Rate Stabilization | 25,676 | 2,853 | 28,529 | 687 - 1,374 |
| Capital Improvement Projects | 910 | (1,477) | (567) | |
| GASB 68 Pension Reserve | (1,701) | 0 | (1,701) | |
| | | | | |
| Subtotal | 25,885 | 1,376 | 27,261 | |
| Airport Fund | | | | |
| | | | | |
| Fund Reserves | (2,015) | 546 | (1,469) | |
| Capital Improvement Projects | 4,505 | (1,055) | 3,450 | |
| GASB 68 Pension Reserve | (394) | 0 | (394) | |
| | | | | |
| Subtotal | 2,096 | (509) | 1,587 | |
| | | | | |
| TOTAL RESERVES | 143,016 | (31,132) | 111,884 | |
| Summary of Reserves | | | | |
| | | | | |
| Emergency Plant Replacement | 2,980 | 0 | 2,980 | |
| Rate Stabilization | 58,738 | 10,311 | 69,049 | |
| Operations | 74,312 | 186 | 74,498 | |
| Capital | 51,536 | (42,175) | 9,361 | |
| Electric Special Projects | 41,526 | 0 | 41,526 | |
| Public Benefit | 739 | 0 | 739 | |
| Underground Loan | 729 | 0 | 729 | |
| Landfill Corrective Action Reserve | 728 | 0 | 728 | |
| Fund Reserves | (2,015) | 546 | (1,469) | |
| GASB 68 Pension Reserve | (86,257) | 0 | (86,257) | |
| | | | | |
| TOTAL RESERVES | 143,016 | (31,132) | 111,884 | |
| Landfill Closure and Postclosure Care Liability | 10,997 | 0 | 10,997 | |
| | | | | |
| TOTAL RESERVES AND FULLY-FUNDED LIABILITY | 154,013 | (31,132) | 122,881 | |

ENTERPRISE FUNDS OVERVIEW

RESIDENTIAL MONTHLY UTILITY COST INFORMATION

| Utility | Adjusted FY2018 Bill | Proposed FY2019 Bill | \$ Difference | % Difference |
|---------------------------|-------------------------|-------------------------|---------------|--------------|
| Electric | 51.81 | 56.07 | 4.26 | 8.2% |
| Water | 84.27 | 87.11 | 2.84 | 3.4% |
| Gas | 39.09 | 40.72 | 1.63 | 4.2% |
| Wastewater | 34.83 | 38.66 | 3.83 | 11.0% |
| Refuse | 50.07 | 50.07 | 0.00 | 0.0% |
| Storm Drain | 13.65 | 14.05 | 0.40 | 2.9% |
| User Tax | 8.76 | 9.20 | 0.44 | 5.0% |
| Total Monthly Bill | 282.48 | 295.88 | 13.40 | 4.7% |

Internal Service Funds





CITY OF
**PALO
ALTO**

INTERNAL SERVICE FUNDS OVERVIEW

Internal Service Funds 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 strategy in Fiscal Year 2019 the allocated charges to other City departments and funds were reduced for both Workers' Compensation and General Liability. Over the past few years, fund balance has accumulated in each of these funds. Since the revenue source for these funds is other funds and departments, the charges were able to be reduced. This one-time draw on accumulated fund balance is not sustainable, and is only recommended on a one-time basis. These reductions are 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 2019 and will be allocated out to departments and funds in proportion to their share. In addition, the FY 2019 Proposed Budget continues past practice of contributing to the City's irrevocable IRS Section 115 Pension Trust Fund. 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 General Liability Insurance Program. In Fiscal Year 2019, costs are projected to increase compared to the Fiscal Year 2018 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 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 the Fund is included in the 'Employee Information' section of this document, and a City Manager Report discussing the June 30, 2017 valuation prepared by the outside actuarial consultant will be transmitted separately for discussion.

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 2019.

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 2019, \$8.3 million is allocated for vehicles and equipment that are due for replacement. Of the \$8.3 million, \$4.4 million is for the continuation of projects approved by City Council in prior fiscal years. The 2019-2023 Capital Improvement Program (CIP) reflects funding totaling \$23.4 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 2019, costs are projected to increase slightly compared to the Fiscal Year 2018 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 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 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 | 9,014 | 14,571 | 1,566 | — | — | 1,977 | — | 27,128 |
| Operating Transfers-In | — | 2,321 | — | 1,992 | — | 5 | 2,197 | 6,515 |
| Other Revenue | 155 | 33 | — | 61,362 | 3,764 | 41 | 13,800 | 79,154 |
| Return on Investments | 178 | 441 | — | 16 | 16 | 23 | 59 | 734 |
| Total | 9,347 | 17,366 | 1,567 | 63,369 | 3,780 | 2,046 | 16,056 | 113,531 |
| Expenses | | | | | | | | |
| Allocated Charges | 1,353 | 1,440 | 277 | — | — | — | — | 3,070 |
| Contract Services | 507 | 5,647 | 115 | 221 | 7 | 72 | — | 6,568 |
| Facilities & Equipment | — | 870 | — | — | — | — | — | 870 |
| General Expense | 71 | 500 | 287 | — | 650 | 2,913 | — | 4,421 |
| Operating Transfers-Out | 198 | 100 | 8 | 2,197 | 2 | — | — | 2,505 |
| Rents & Leases | 195 | 374 | 508 | — | — | — | — | 1,077 |
| Salary & Benefits | 2,246 | 7,907 | 214 | 61,684 | 5,444 | — | 16,059 | 93,554 |
| Supplies & Material | 1,339 | 85 | 80 | — | — | — | — | 1,504 |
| Transfer to Infrastructure | 540 | — | — | — | — | — | — | 540 |
| Capital Improvement Program | 8,267 | 4,208 | — | — | — | — | — | 12,474 |
| Total | 14,715 | 21,132 | 1,488 | 64,102 | 6,103 | 2,985 | 16,059 | 126,583 |



CITY OF
**PALO
ALTO**

Special Revenue Funds





CITY OF
**PALO
ALTO**

Overview

Special Revenue Funds have revenues with 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. The program 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. Construction projects in excess of 10,000 square feet that require Architectural Review and have 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 2019, the projected revenue for the Public Art Fund is \$0.2 million and includes a transfer of \$170,000 from the General Fund to ensure the fund remains financially stable. 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 2019 - 2023 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 provide funding for the City's infrastructure related to community centers, libraries, parks, public safety facility, general government facilities, and the Charleston-Arastradero Corridor. The projected revenue within the Development Impact Fee Funds is \$0.9 million for Fiscal Year 2019, primarily reflecting anticipated receipts in the Park Impact and Parkland Dedication Funds. The Fiscal Year 2019 - 2023 Capital Improvement Plan includes a transfer of \$2.4 million in Fiscal Year 2019 from Park Impact Fees for the remaining improvements to Byxbee Park and a \$450,000 transfer from Park Dedication Impact fees for park restroom installations (\$350,000) and the Baylands Athletic Center 10.5 acre expansion plan (\$100,000). Additionally, the Capital Improvement Plan includes a transfer of \$1.0 million in Fiscal Year 2019 from Community Center Impact Fees for renovations to the Junior Museum and Zoo (JMZ) and a \$507,000 transfer from Transportation Impact Fees for upgrades to traffic signal and intelligent transportation systems. 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 2017 annual report ending June 30, 2017,

SPECIAL REVENUE FUNDS OVERVIEW

is included in City Council Staff Report #8753 found here: <https://www.cityofpaloalto.org/civicax/filebank/documents/62814>.

STREET IMPROVEMENT FUNDS (SIF)

Revenue in this category comes from the state gas tax including estimated receipts from the recently approved S.B.1 transportation funds and from federal and state grants earmarked for street improvements. These funds are used for transportation and traffic-related capital projects. Based on preliminary estimates from the State Department of Finance, the projected revenues are estimated to be \$2.9 million for Fiscal Year 2019. This level of receipts is \$1.5 million higher than the Fiscal Year 2018 level of \$1.4 million as result of adjustments to Highway Users Tax Account (HUTA) allocations and the new S.B. 1 transportation funding bill, effective July, 1, 2017. The first full year of S.B.1 funding will occur in Fiscal Year 2019 and is anticipated to allocate a total of \$1.1 million in revenue from the Road Maintenance and Rehabilitation Account (RMRA) and \$80,000 from State General Fund loan repayments.

In Fiscal Year 2019, \$2.5 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 2019 - 2023 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. In addition, the total receipt of \$1.1 million in S.B. 1 funding is programmed to be transferred to the Capital Improvement Fund to the Charleston/Astradero project to reconfigure the corridor to enhance pedestrian and bicycle safety and reduce motor vehicle congestion. In April 2018, the City Council approved this use of the Fiscal Year 2019 S.B. 1 funds.

FEDERAL AND STATE REVENUE FUNDS

The Federal and State Revenue Funds consist 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. The Fiscal Year 2019 draft action plan includes agency requests totaling \$680,000 and a total budget of \$578,000 as presented and approved by the Finance Committee on April 3, 2018. Staff intends to bring the Fiscal Year 2019 Action Plan for Council approval in May 2018, in order to finalize and submit the final application to the Department of Housing and Urban Development (HUD) by the May 15, 2019 deadline.

The Fiscal Year 2019 draft action plan is included in Council Staff Report #9027 and can be found here: <https://www.cityofpaloalto.org/civicax/filebank/documents/64248>.

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 2019, \$2.7 million in in-lieu fees are anticipated. These estimates remain constant from Fiscal Year 2018 and are based on historical tracking and Planning and Community Environment (PCE) staff projections.

SPECIAL REVENUE FUNDS OVERVIEW

Annually, the Administrative Services Department issues a report of the activities in these funds including the remaining balances within them. The FY 2017 annual report ending June 30, 2017, is included in City Council Staff Report #8753 found here: <https://www.cityofpaloalto.org/civ-cax/filebank/documents/62814>. As of June, 30, 2017, approximately \$12.5 million remained available in these funds.

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. This grouping does not include any Assessment District Funds. Revenue in these funds, generated from parking permits, is used for maintenance, repair, and beautification of parking facilities and public areas within the University and California Avenue business districts and Residential Parking Permit (RPP) costs. As of Fiscal Year 2019, five neighborhoods are active in the RPP program to mitigate parking congestion in Palo Alto neighborhoods: College Terrace, Downtown, Evergreen Park/Mayfield, Crescent Park, and SouthGate.

In Fiscal Year 2019, it is anticipated that Parking Funds will be able to meet near-term cash flow needs. Therefore, increases to current permits throughout the City are recommended to increase at the 2.6% annual escalator rate for general increases in annual costs. This would increase annual permits in the Downtown core from \$730 to \$750 per year, and the California Avenue Business District from \$365 to \$375 per year. A complete list of fees and fee changes can be found in the Fiscal Year 2019 Municipal Fee Schedule.

This Fiscal Year 2019 Proposed Budget includes the following significant expense proposals. In consideration of vacancies in current key positions, the Fiscal Year 2019 budget reflects a maintenance of current efforts while the City works to evaluate resources and programs. Most critical in the upcoming year is the investment in a parking permit system to scale current programs to manageable levels.

- Reallocations to align staffing with the volume of work necessary for administering various parking programs. A net increase of 0.95 positions are recommended within these funds, reflecting a shift of staff resources from the implementation of Traffic and Transportation capital projects to the operational management of these programs (\$166,000);
- Add 0.48 part-time Administrative Specialist II to provide customer support services during the implementation and transition to the new parking management software system (6-12 months, \$19,000 one-time);
- Increase expense allocation to contract services to assist in administering parking programs despite vacancies in staffing (\$300,000);
- Maintain funding to the Transportation Management Association (TMA) to support the reduction of single occupancy vehicle rates (SOV) in Palo Alto (\$480,000);
- Revise valet parking contract services to discontinue regular services in University Avenue garages and lots and provide temporary services during the construction of new garages at University and California Avenue (net \$11,000);

SPECIAL REVENUE FUNDS OVERVIEW

- Increase contract service funding for janitorial services to University Avenue lots and garages in accordance with the recent agreement approved by City Council on August 14, 2018 (\$148,000);
- Increase contract services funding for the collection and synthesis of parking occupancy data (\$127,000); and
- Capital improvement investments in FY 2019 through a net transfer of \$2.7 million to the General Capital Improvement Fund. Major projects funded in FY 2019 include: Downtown Automated Parking Guidance Systems (APGS), Access Controls, and Revenue Collections Equipment (\$1.1 million); Parking Management and System Implementation (\$1.0 million); High Street Parking Garage Waterproofing Study (\$300,000), Parking Lot J Elevator Modernization (\$50,000); and Downtown Parking Wayfinding (\$280,000). Additional project details can be found in the FY 2019 - 2023 Adopted 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 has worked to develop potential strategies for the organization and scaling of a comprehensive parking strategy. The anticipated reorganization and scaling of parking activities necessary to implement and maintain a comprehensive parking strategy, including a paid parking program, may require up-front financial and staff resource investments resulting in forecasts that show a net gap between anticipated revenues and expenses in future periods. However, it is important to note that these forecasts assume that paid parking fees are assessed for on-street and surface lot parking in the Downtown area.

The ability of the funds to meet future cash flow needs will be significantly impacted by existing projects in the pipeline and the design and complexity of the elements of the comprehensive parking strategy, including permit pricing. In the upcoming year staff will actively engage the City Council, Committees, and the community to develop a comprehensive parking road map. In order to strategically manage existing projects and programs in the pipeline and to enact a comprehensive parking strategy, a pause on new projects and initiatives is recommended in the upcoming fiscal year to allow staff to fill critical vacancies and assess the various programs.

Parking initiatives and investments not appropriated in this Fiscal Year 2019 Budget but anticipated on the horizon, including the projected start date and estimated costs, are detailed below:

- Parking Garage LED lighting upgrades (FY 2019 - 2020, \$600,000 to \$1.0 million);
- Centralize parking operations within the City of Palo Alto (ongoing, to be determined); and
- On-Street and Surface Lot Paid Parking Program (FY 2019 Downtown only, \$1.5 million to \$2.2 million);

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 and brought before City Council for decisions as appropriate.

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 2019, \$0.5 million in traffic mitigation and parking in-lieu fees are anticipated. These estimates remain steady with FY 2018 revenues and are based on historical tracking and PCE staff projections. The Fiscal Year 2019 - 2023 Capital Improvement Plan includes a transfer of \$6.9 million in Fiscal Year 2019 for the new public parking garage in the University Avenue commercial area, street maintenance (\$900,000), and traffic signals (\$500,000).

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 2017-2018 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 2019.

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. In Fiscal Year 2018, the City received the final payment of \$11.8 million, for a total amount of \$44.3 million over the course of the development agreement. 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.

Annually PCE issues a report of activities during the prior period for Council review to ensure compliance with the agreement. The annual report for the 2015-2016 period is included in City Council Staff Report #8249 found here: <https://www.cityofpaloalto.org/civicax/filebank/documents/60896>.

Community Health and Safety: Funds are to be distributed to selected community health programs that benefit residents of the City. The projected FY 2019 beginning balance in this cate-

SPECIAL REVENUE FUNDS OVERVIEW

gory is \$2.7 million. The Fiscal Year 2019 - 2023 Capital Improvement Plan includes a transfer of \$11,200 in Fiscal Year 2019 to pilot traffic signal preemption for emergency vehicles.

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 FY 2019 beginning balance for this category is \$2.8 million.

Intermodal Transit: Funds are to enhance the pedestrian and bicycle connection from the Transit Center to the El Camino/Quarry Road intersection. The projected FY 2019 beginning balance in this category is \$1.2 million. There are no planned transfers in Fiscal Year 2019 to the Fiscal Year 2019 - 2023 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. Beginning FY 2019 there is no longer fund balance in this category. Remaining funding for Quarry Road Improvements and Transit Center Access will be expended from the Intermodal Transit Fund in future periods, 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.

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 FY 2019 beginning balance in this category is \$10.4 million. The Fiscal Year 2019 - 2023 Capital Improvement Plan includes a transfer of \$9.1 million for the new public parking garage in the University Avenue commercial area.

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 FY 2019 beginning balance for this category is \$2.7 million. The Fiscal Year 2019 - 2023 Capital Improvement Plan includes \$1.2 million in Fiscal Year 2019 for the Bicycle and Pedestrian Plan-Implementation Project.

A detailed presentation of the Stanford University Medical Center funding for Fiscal Year 2019 follows below.

SPECIAL REVENUE FUNDS OVERVIEW

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 | Special District Funds | Traffic Mitig. & Parking In-Lieu Funds | Stan. Univ. Medical Center Fund | Total |
|----------------------------|-----------------|-----------------|-----------------------|-----------------------|---------------------|----------------------------|------------------------|--|---------------------------------|---------------|
| Revenues | | | | | | | | | | |
| Charges for Services | 35 | 673 | — | — | — | — | — | 276 | — | 984 |
| From Other Agencies | — | — | — | — | 2,891 | 393 | — | — | — | 3,283 |
| Net Sales | — | — | — | — | — | — | 1,921 | — | — | 1,921 |
| Operating Transfers-In | 170 | — | — | — | — | — | 354 | — | — | 524 |
| Other Revenue | — | — | — | 2,345 | — | 136 | — | — | — | 2,481 |
| Other Taxes and Fines | — | — | — | — | — | — | 333 | — | — | 333 |
| Permits and Licenses | — | — | — | — | — | — | 2,474 | — | — | 2,474 |
| Property Taxes | — | — | 140 | — | — | — | — | — | — | 140 |
| Rental Income | — | — | — | 9 | — | — | — | — | — | 9 |
| Return on Investments | 2 | 219 | 2 | 428 | 13 | 2 | 27 | 198 | 296 | 1,185 |
| Total | 207 | 892 | 142 | 2,782 | 2,904 | 530 | 5,109 | 474 | 296 | 13,335 |
| Expenses | | | | | | | | | | |
| Allocated Charges | 1 | — | — | — | — | 1 | 269 | — | — | 272 |
| Contract Services | — | — | — | 269 | — | — | 2,467 | — | — | 2,736 |
| General Expense | 1 | — | 148 | 53 | — | 505 | 528 | 2,200 | — | 3,435 |
| Operating Transfers-Out | 2 | 15 | — | 1 | 364 | — | 132 | — | — | 513 |
| Salary & Benefits | 185 | — | — | 53 | — | 72 | 1,274 | — | — | 1,585 |
| Supplies & Material | — | — | — | — | — | — | 121 | — | — | 121 |
| Transfer to Infrastructure | — | 3,876 | — | — | 2,541 | — | 2,730 | 6,947 | 10,283 | 26,377 |
| Total | 189 | 3,891 | 148 | 376 | 2,904 | 578 | 7,522 | 9,147 | 10,283 | 35,039 |

SPECIAL REVENUE FUNDS OVERVIEW

Consolidated Special Revenue Funds

| Fund Summary (\$000) | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| REVENUES | | | | | | |
| Gas Tax | 1,461 | 1,304 | 1,416 | 2,891 | 1,475 | 104.7 |
| Federal & State Grants | 126 | — | — | — | — | — |
| Federal CDBG | 240 | 803 | 379 | 393 | 14 | 3.69 |
| Housing In-Lieu | 4,882 | 2,234 | 2,150 | 2,150 | — | — |
| Traffic Mitigation Fees | 484 | 376 | 467 | 276 | (191) | (40.90) |
| Developer Impact Fees | 1,893 | 736 | 1,479 | 673 | (806) | (54.50) |
| Parking Mitigation Fees | 3,221 | 3,282 | 4,407 | 4,728 | 321 | 7.28 |
| BID Assessment | 100 | 97 | 140 | 140 | — | — |
| SUMC | — | — | — | — | — | — |
| Interest Income | 1,756 | 1,526 | 1,100 | 1,185 | 85 | 7.73 |
| Other Revenue | 583 | 898 | 460 | 375 | (85) | (18.48) |
| Subtotal Revenue | 14,746 | 11,256 | 11,998 | 12,811 | 813 | 6.78 |
| Transfers In | | | | | | |
| General Fund | 713 | 443 | 426 | 453 | 27 | 6.34 |
| Technology Fund | 12 | 12 | 21 | 24 | 3 | 14.29 |
| Utility Admin Fund | 24 | 24 | 48 | 47 | (1) | (2.08) |
| Subtotal Operating Transfers In | 749 | 479 | 495 | 524 | 29 | 5.86 |
| Total Source of Funds | 15,495 | 11,735 | 12,493 | 13,335 | 842 | 6.74 |
| EXPENDITURES | | | | | | |
| General Expense | 4,909 | 4,306 | 19,875 | 8,149 | (11,726) | (59.00) |
| SUMC | 1,074 | 33 | — | — | — | — |
| Subtotal Expenditures | 5,983 | 4,339 | 19,875 | 8,149 | (11,726) | (59.00) |
| Transfers Out | | | | | | |
| General Fund | 422 | 461 | 480 | 500 | 20 | 4.22 |
| Capital Project Fund | 5,675 | 14,865 | 9,881 | 26,377 | 16,496 | 166.95 |
| General Benefits | — | — | 22 | 13 | (9) | (41.20) |
| Refuse Fund | 101 | — | — | — | — | — |
| Subtotal Operating Transfers Out | 6,198 | 15,326 | 10,383 | 26,890 | 16,507 | 158.98 |
| Total Use of Funds | 12,181 | 19,665 | 30,258 | 35,039 | 4,781 | 15.80 |
| Net To (From) Reserves | 3,314 | (7,930) | (17,765) | (21,704) | (3,939) | 22.17 |

Community Development Block Grant

| Community Development Block Grant Fund | FY 2018 Adjusted Budget | FY 2019 Agency Requests | FY 2019 Proposed Budget |
|---|-------------------------------|-------------------------------|-------------------------------|
| Housing & Urban Development, current year | 436,309 | — | 392,678 |
| Housing & Urban Development, prior years | — | — | — |
| Prior Year Excess/Reallocation (1) | 329,057 | — | 49,569 |
| Program Income | | | |
| Palo Alto Housing Corporation | 136,049 | — | 136,049 |
| TOTAL SOURCE OF FUNDS | 901,415 | — | 578,296 |
| | | | |
| USE OF FUNDS | | | |
| Public Service | | | |
| Palo Alto Housing Corporation - SRO Resident Support Services | 23,327 | 49,457 | 24,023 |
| Catholic Charities - Long-Term Care Ombudsman | 9,327 | 10,000 | 10,000 |
| YWCA/Support Network - Domestic Violence Services | 10,000 | 10,000 | 10,000 |
| LifeMoves (formerly InnVision) - Opportunity Service Center | 37,328 | 50,000 | 38,023 |
| Silicon Valley Independent Living - Housing and Emergency Services | 5,032 | 5,032 | 5,032 |
| Subtotal: Public Service | 85,014 | 124,489 | 87,078 |
| | | | |
| Planning and Administration | | | |
| Project Sentinel/Fair Housing Services | 32,012 | 33,698 | 32,012 |
| City of Palo Alto - CDBG Administration includes 0.10 FTE & 0.48 Hourly CDBG Administrative Staff | 82,460 | 85,000 | 73,733 |
| Subtotal: Planning and Administration | 114,472 | 118,698 | 105,745 |
| | | | |
| Housing, Economic Development, Capital Projects, & Public Facilities | | | |
| Downtown Streets Team/Workforce Development | 336,400 | 336,400 | 331,002 |
| City of Palo Alto - Minor Home Repair Program | 145,529 | 100,000 | — |
| Community Working Group - Opportunity Center Rehabilitation | 220,000 | — | 54,471 |
| Subtotal: Housing, Economic Development & Capital Projects | 701,929 | 436,400 | 385,473 |
| | | | |
| TOTAL USE OF FUNDS | 901,415 | 679,587 | 578,296 |
| | | | |
| (1) Funds received in excess of revenue estimate for local program income (prior fiscal years) | | | |

SPECIAL REVENUE FUNDS OVERVIEW

University Avenue Parking Permit Fund

| | FY 2018 Adopted | FY 2018 Adjusted | FY 2019 Proposed |
|---|------------------|------------------|------------------|
| Revenues | | | |
| Permit Sales | 2,190,000 | 2,190,000 | 2,217,000 |
| Day Passes | 312,000 | 312,000 | 675,000 |
| Ticket Machine | 215,000 | 215,000 | 215,000 |
| Transfer from Other Funds for City Share | 340,180 | 340,180 | 354,000 |
| Investment Income | 21,800 | 21,800 | 21,800 |
| Total Revenue | 3,078,980 | 3,078,980 | 3,482,800 |
| Expenditures | | | |
| Administration | | | |
| Positions | 1.18 | 1.18 | 1.30 |
| Salaries & Benefits | 154,227 | 154,227 | 189,541 |
| Contract Staffing | — | — | 182,248 |
| Parking Occupancy Services | — | — | 77,031 |
| Miscellaneous Supplies | 20,548 | 20,548 | 21,048 |
| Ticket Machine (bankcard services, transmission, maintenance) | 6,000 | 6,000 | 20,790 |
| Subtotal Administration | 180,775 | 180,775 | 490,658 |
| Maintenance | | | |
| Positions | 3.87 | 3.87 | 3.87 |
| Salaries & Benefits | 478,239 | 478,239 | 495,785 |
| Supplies | 60,090 | 60,090 | 60,090 |
| Twinkle/Tree Lights | 30,000 | 30,000 | 30,000 |
| Maintenance (garage, elevator, fire sprinkler, landscaping) | 88,751 | 88,751 | 88,751 |
| Custodial (janitorial services, power washing, sweeping) | 121,706 | 121,706 | 270,519 |
| Steam Cleaning | 94,660 | 94,660 | 94,660 |
| Subtotal Maintenance | 873,446 | 873,446 | 1,039,805 |
| Police Patrol | | | |
| Positions | 0.50 | 0.50 | 0.50 |
| Salaries & Benefits | 116,296 | 116,296 | 121,723 |
| Subtotal Patrols | 116,296 | 116,296 | 121,723 |

University Avenue Parking Permit Fund

| | FY 2018 Adopted | FY 2018 Adjusted | FY 2019 Proposed |
|--|------------------|------------------|--------------------|
| Other | | | |
| Valet Programs (Lots R, CC, CW, & S) | 289,972 | 289,972 | — |
| Valet Program (Downtown garage construction) | — | — | 150,000 |
| Downtown Streets Team | 118,744 | 118,744 | 118,744 |
| Transportation Management Authority (TMA) | 480,000 | 480,000 | 480,000 |
| Utilities/Indirect costs | 198,560 | 198,560 | 224,716 |
| Transfer to GF (PARS trust) | 10,802 | 10,802 | 5,621 |
| Transfer to CIP Fund | 953,084 | 953,084 | 2,337,015 |
| Subtotal Other | 2,051,162 | 2,051,162 | 3,316,096 |
| Total Operating Expenses | 3,221,679 | 3,221,679 | 4,968,282 |
| Income from Operations | (142,699) | (142,699) | (1,485,482) |

SPECIAL REVENUE FUNDS OVERVIEW

California Avenue Parking Permit Fund

| | FY 2018 Adopted | FY 2018 Adjusted | FY 2019 Proposed |
|---|-----------------|------------------|------------------|
| Revenues | | | |
| Permit Sales | 306,250 | 306,250 | 275,625 |
| Day Passes | 135,000 | 135,000 | 225,000 |
| Investment Income | 5,200 | 5,200 | 5,200 |
| Total Revenue | 446,450 | 446,450 | 505,825 |
| Expenditures | | | |
| Administration | | | |
| Positions | 0.62 | 0.62 | 0.80 |
| Salaries & Benefits | 85,259 | 85,259 | 119,941 |
| Miscellaneous Supplies | 8,453 | 8,453 | 35,620 |
| Contract Staffing | — | — | 41,400 |
| Parking Occupancy Services | — | — | 17,545 |
| Valet Program | — | — | 150,000 |
| Subtotal Administration | 93,712 | 93,712 | 364,506 |
| Maintenance | | | |
| Positions | 0.43 | 0.43 | 0.43 |
| Salaries & Benefits | 65,273 | 65,273 | 66,589 |
| 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 | 182,895 | 182,895 | 184,211 |
| Utilities/Indirect costs | 30,620 | 30,620 | 32,690 |
| Transfer to GF (PARS trust) | 2,499 | 2,499 | 1,515 |
| Transfer to CIP Fund | 150,000 | 150,000 | 138,000 |
| Subtotal Other | 183,119 | 183,119 | 172,205 |
| Total Operating Expenses | 459,726 | 459,726 | 720,922 |
| Income from Operations | (13,276) | (13,276) | (215,097) |

Stanford Development Agreement Fund

| | FY 2018 Estimated | FY 2019 Proposed | Change |
|--|----------------------|---------------------|---------------------|
| SOURCE OF FUNDS | | | |
| Unrestricted- Community Health and Safety | 2,652,673 | 2,682,708 | 30,034 |
| Unrestricted- Stanford Hospital Expansion Cost Mitigation | 2,735,817 | 2,755,161 | 19,343 |
| Unrestricted- Intermodal Transit | 1,693,514 | 1,157,572 | (535,942) |
| Unrestricted- Quarry Road Improvements | 4,966 | — | (4,966) |
| Unrestricted- Neighborhoods and Communities and Affordable Housing | 2,636,007 | 10,442,654 | 7,806,648 |
| Unrestricted- Climate Change | 3,845,757 | 2,673,655 | (1,172,102) |
| Total Beginning Fund Balance | 13,568,734 | 19,711,749 | 6,143,015 |
| Revenue | | | |
| Interest - Community Health and Safety | 30,034 | 40,241 | 10,206 |
| Interest - Stanford Hospital Expansion Cost Mitigation | 19,343 | 41,327 | 21,984 |
| Interest - Intermodal Transit | 9,092 | 17,364 | 8,271 |
| Interest - Neighborhoods/Communities/Affordable Housing and Affordable Housing | 73,315 | 156,640 | 83,325 |
| Interest - Climate Change | 27,898 | 40,105 | 12,207 |
| SUMC Agreement - Neighborhoods and Communities and Affordable Housing | 7,733,333 | — | (7,733,333) |
| SUMC Agreement - Climate Change | 4,000,000 | — | (4,000,000) |
| Total Revenue | 11,893,015 | 295,676 | (11,597,339) |
| TOTAL SOURCE OF FUNDS | 25,461,749 | 20,007,425 | (5,454,324) |
| | | | |
| USE OF FUNDS | | | |
| Transfers Out | | | |
| Community Health and Safety: Capital Improvement Fund | — | 11,200 | 11,200 |
| Intermodal Transit: Capital Improvement Fund | 545,034 | — | (545,034) |
| Quarry Road Improvements: Capital Improvement Fund | 4,966 | — | (4,966) |
| Neighborhood and Communities and Affordable Housing: Capital Improvement Fund | — | 9,072,000 | 9,072,000 |
| Climate Change: Capital Improvement Fund | 5,200,000 | 1,200,000 | (4,000,000) |
| Total Transfers | 5,750,000 | 10,283,200 | 4,533,200 |
| Total Expenditures | 5,750,000 | 10,283,200 | 4,533,200 |

SPECIAL REVENUE FUNDS OVERVIEW

Stanford Development Agreement Fund

| | FY 2018 Estimated | FY 2019 Proposed | Change |
|---|----------------------|---------------------|--------------------|
| Ending Fund Balance | | | |
| Unrestricted- Community Health and Safety | 2,682,708 | 2,711,748 | 29,041 |
| Unrestricted- Stanford Hospital Expansion Cost Mitigation | 2,755,161 | 2,796,488 | 41,327 |
| Unrestricted- Intermodal Transit | 1,157,572 | 1,174,935 | 17,364 |
| Unrestricted- Quarry Road Improvements | — | — | — |
| Unrestricted- Neighborhoods and Communities and Affordable Housing | 10,442,654 | 1,527,294 | (8,915,360) |
| Unrestricted- Climate Change | 2,673,655 | 1,513,759 | (1,159,895) |
| Total Ending Fund Balance | 19,711,749 | 9,724,255 | (9,987,524) |
| TOTAL USE OF FUNDS | 25,461,749 | 20,007,425 | (5,454,324) |

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 City Council. For all other City funds annual debt service shall not exceed 15 percent of annual operating expenses unless an exception is approved by City 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 Municipal Advisor (aka 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.
- Debt financing 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 refinancings 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 City Council.

In September 2016, the state legislature adopted Senate Bill (SB) 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 Debt Policy prior to this legislation and practice substantially complied with the new requirements, minor updates to the Debt Policy were approved by the City Council in April 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 \$32.0 billion for the fiscal year ending June 30, 2017, the City is limited to general obligation indebtedness of \$1.13 billion. As of June 30, 2017, the amount of debt applicable to the debt limit is \$63.7 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 2018 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, 2018, these bonds will be refinanced with expected present value saving of \$269,500 and \$0.6 million principal and \$29,800 interest as the remaining debt service on the bonds with final payment still 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, 2018, for the above 2010 and 2013 bonds, \$45.8 million and \$16.3 million principal and \$28.5 million and \$9.1 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 fourteen 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, 2018, there will be \$0.4 million in principal and \$5,302 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 systems. The bonds are special

DEBT SERVICE FUNDS OVERVIEW

obligations of the City payable solely from and secured by a pledge of and lien upon the revenues 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 \$1.3 million principal and \$118,438 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 \$8.3 million principal and \$1.7 million interest as the remaining debt service on the bonds as of June 30, 2018, 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 \$0.4 million as the remaining debt service on the bonds as of June 30, 2018 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 \$518,977, which represents 33 percent of the two interest payments due on June 1, 2016 and December 1, 2016.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$27.7 million principal and \$15.9 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 \$4.1 million principal and \$0.8 million in-substance interest as the remaining debt service on the bonds as of June 30, 2018 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, 2018 with final payment occurring in Fiscal Year 2031.

2011 Utility Revenue Bonds, Series A

On September 22, 2011 the City issued Utility Revenue Bonds to refinance the 2002 Utility revenue bonds, which were 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

DEBT SERVICE FUNDS OVERVIEW

Revenue 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, 2018 with final payment occurring in Fiscal Year 2026.

2018 Golf Course Certificates of Participation (COPs)

On June 5, 2018, the City plans to issue \$8.2 million of COPs to reimburse the Infrastructure Reserve for the City's complete reconfiguration of the municipal golf course (aka Baylands Golf Links). The lease is planned to be secured by the City's Fire Station 1. The expected lease proceeds are \$8.4 million; the additional proceeds are to cover the cost of issuance of the bonds. Principal payments will be due on November 1 and interest payments are due semi-annually on November 1 and May 1. The rate is yet to be determined but is expected in the low 4 percent, payable from General Fund revenues.

Credit Rating Agencies

Credit rating is 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, & 2011) that are rated also received S&P's 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2019 Proposed | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|--------------------|---------------------|----------------------|---------------------|
| Revenues | | | | | | |
| Property Tax | 4,582 | 4,572 | 4,433 | 4,427 | (6) | (0) |
| Return on Investments | 39 | 33 | | | | |
| Subtotal Revenues | 4,621 | 4,605 | 4,433 | 4,427 | (6) | (0) |
| Operating Transfers In | | | | | 0 | |
| Parking 2002B COPS Taxable - General Fund | 234 | 234 | 233 | 162 | (71) | (0) |
| Library GO Bonds - Capital | 3,018 | | | | | |
| Subtotal General Fund Operating Transfers | 3,252 | 234 | 233 | 162 | (71) | (0) |
| Total Source of Funds | 7,873 | 4,839 | 4,666 | 4,589 | (77) | (0) |
| | | | | | | |
| Expenses | | | | | | |
| Parking 2002B COPS Taxable Principal | 150 | 160 | 170 | 150 | (20) | (0) |
| Parking 2002B COPS Taxable Interest | 84 | 74 | 63 | 11 | (52) | (1) |
| Library GO Bonds Debt Service | 32 | (11) | | | | |
| Library GO Bonds Principal | 6,585 | 1,500 | 1,570 | 1,640 | 70 | 0 |
| Library GO Bonds Interest | 4,146 | 2,932 | 2,863 | 2,788 | (75) | (0) |
| Subtotal Expenses | 10,997 | 4,655 | 4,666 | 4,589 | (77) | (0) |
| Total Use of Funds | 10,997 | 4,655 | 4,666 | 4,589 | (77) | (0) |
| Net to (from) Reserves | (3,124) | 184 | 0 | 0 | 0 | |



CITY OF
**PALO
ALTO**

City Departments





CITY OF
**PALO
ALTO**

CITY ATTORNEY

Mission Statement

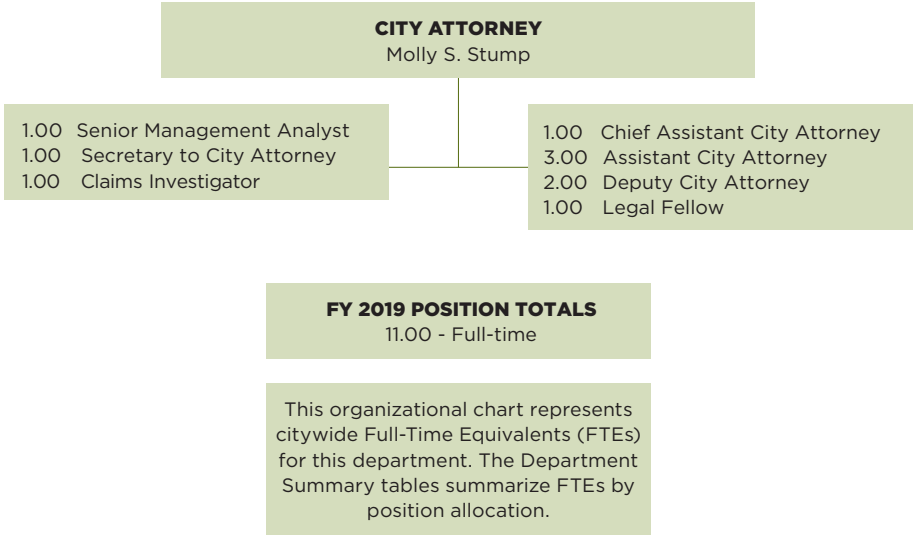


The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

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.





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

- Supported the completion of the Comprehensive Plan Update, including legal review of the Plan and Environmental Impact Report (EIR) and preparation of required resolutions for adoption.
- Prepared ordinances implementing Council's initiatives to protect and improve neighborhood quality of life, including anti-idling, cannabis regulation, and enhancements to dewatering requirements.
- Drafted loan and regulatory agreements, and resolved federal and state litigation, enabling acquisition of Buena Vista Mobile Home Park, protection of current residents, and long-term affordability of the Park.
- Supported development of utility rate changes and updates to financial management policies.
- Provided training on Public Records Act requirements to City departments.
- Drafted contracts and other transaction documents for major infrastructure projects, including new Junior Museum and Zoo and California Avenue parking garage.
- Drafted service contracts for City facilities such as the Baylands Golf Course and Palo Alto Animal Shelter.
- Updated standard contracts and competitive solicitation documents and revised the Purchasing Manual to enhance City-protective provisions and ensure compliance with current legal and regulatory requirements.
- Negotiated and drafted key inter-agency agreements, including Caltrain electrification and provision of fire services to Stanford University.

Initiatives

- Support implementation of the City's housing work plan and initiatives through preparation of zoning ordinances to facilitate housing production consistent with the Comprehensive Plan Update and Council direction.

- Prepare transaction documents for design and construction of infrastructure projects, including the City Council approved 2014 Infrastructure Plan and new public safety building.
- Support the implementation of traffic mitigation measures required under the Comprehensive Plan Update, including adoption of a traffic impact fee.
- Continue to advocate in administrative forums and state court to enforce City ordinances and requirements.
- Advise and assist completion of natural gas cost of service study and new rate design, and programs to support green gas initiatives.
- Support acquisition of human capital, finance, and customer information software systems.
- Provide legal support for key policy initiatives, including exploration of rail grade separation options and potential measures to protect and enhance City revenues.

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 resolve claims appropriately.
- Increase transparency by reporting claim filings and resolutions to the public.
- 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of claims resolved within 45 days of filing | 93.00% | 97.00% | 90.00% | 98.00% | 98.00% |
| 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of surveyed who agree/strongly agree that the training provided is useful and relevant | N/A | N/A | N/A | N/A | N/A |
| Description | This measure tracks the usefulness and relevance of the training provided by the Office of the City Attorney to City staff. | | | | |
| Purpose | Training assists in reducing errors thereby reducing the exposure of liability to the City. | | | | |
| Status | The Office of the City Attorney recommends the elimination of this metric as it is not an effective measure of the legal risks to the City. Performance measures will be re-evaluated as part of the citywide performance measure and management review. | | | | |

Workload Measures

| | | | | | |
|--------------------------|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of claims handled | 112 | 93 | 98 | 88 | 88 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 463,073 | 537,560 | 571,995 | 604,877 | 32,882 | 5.7% |
| Consultation and Advisory | 1,477,082 | 1,435,074 | 2,002,460 | 1,884,109 | (118,351) | (5.9)% |
| Litigation and Dispute Resolution | 771,956 | 1,107,646 | 661,247 | 685,143 | 23,896 | 3.6% |
| Official and Administration Duties | 84,335 | 77,725 | 120,198 | 114,086 | (6,112) | (5.1)% |
| Total | 2,796,446 | 3,158,005 | 3,355,900 | 3,288,215 | (67,685) | (2.0)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 134,723 | 127,806 | 256,190 | 176,846 | (79,345) | (31.0)% |
| Other Benefits | 74,900 | 62,267 | 73,020 | 69,176 | (3,844) | (5.3)% |
| Pension | 318,434 | 352,259 | 497,657 | 476,345 | (21,312) | (4.3)% |
| Retiree Medical | 132,445 | 144,937 | 152,481 | 115,560 | (36,921) | (24.2)% |
| Salary | 1,289,893 | 1,270,158 | 1,772,423 | 1,690,879 | (81,544) | (4.6)% |
| Workers' Compensation | 2,878 | — | 59,526 | 42,882 | (16,645) | (28.0)% |
| Total Salary & Benefits | 1,953,272 | 1,957,426 | 2,811,297 | 2,571,687 | (239,610) | (8.5)% |
| Allocated Charges | 162,490 | 109,805 | 121,178 | 137,246 | 16,068 | 13.3% |
| Contract Services | 626,943 | 1,066,351 | 340,301 | 472,301 | 132,000 | 38.8% |
| Facilities & Equipment | 10,538 | — | 1,000 | 1,000 | — | —% |
| General Expense | 23,881 | 12,878 | 53,642 | 52,642 | (1,000) | (1.9)% |
| Operating Transfers-Out | — | — | — | 24,857 | 24,857 | —% |
| Rents & Leases | 1,295 | 1,907 | 2,050 | 2,050 | — | —% |
| Supplies & Material | 18,026 | 9,638 | 26,432 | 26,432 | — | —% |
| Total Dollars by Expense Category | 2,796,446 | 3,158,005 | 3,355,900 | 3,288,215 | (67,685) | (2.0)% |
| Revenues | | | | | | |
| Charges for Services | 14,845 | — | 28,052 | 28,052 | — | —% |
| Charges to Other Funds | 584,882 | 1,108,575 | 577,833 | 392,700 | (185,134) | (32.0)% |
| Other Revenue | (2,191) | 8,000 | 10,789 | 10,789 | — | —% |
| Total Revenues | 597,536 | 1,116,575 | 616,675 | 431,541 | (185,134) | (30.0)% |

Budget Summary

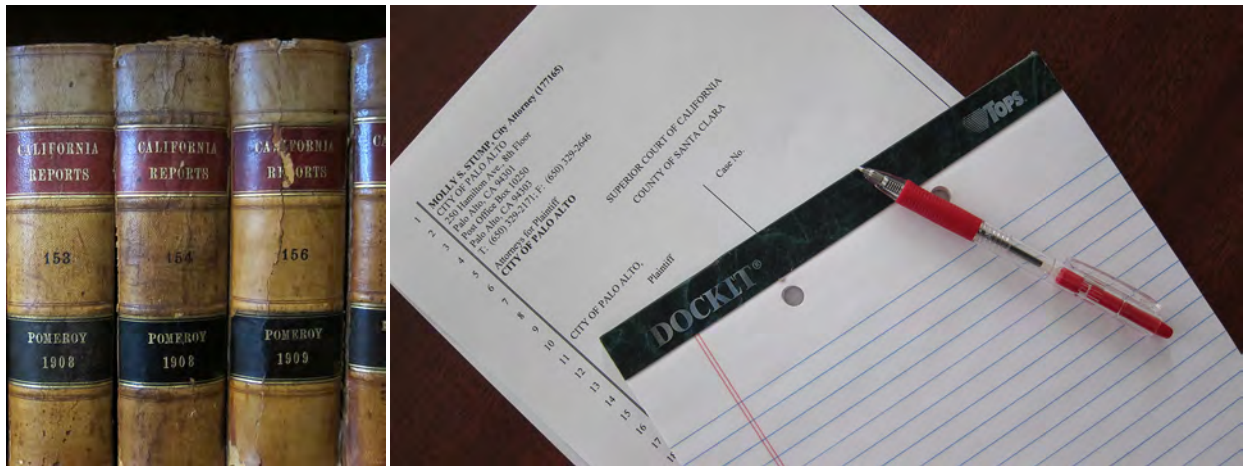
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Positions by Division | | | | | | |
| Administration | 1.47 | 1.47 | 1.47 | 1.47 | — | —% |
| Consultation and Advisory | 7.31 | 7.31 | 7.31 | 6.46 | (0.85) | (11.63)% |
| Litigation and Dispute Resolution | 1.86 | 1.86 | 1.86 | 1.71 | (0.15) | (8.06)% |
| Official and Administration Duties | 0.36 | 0.36 | 0.36 | 0.36 | — | —% |
| Total | 11.00 | 11.00 | 11.00 | 10.00 | (1.00) | (9.09)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Assistant City Attorney | 1.00 | 1.00 | 3.00 | 3.00 | — | 499,171 |
| Chief Assistant City Attorney | — | — | 1.00 | 1.00 | — | 231,566 |
| City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | 284,253 |
| Claims Investigator | 1.00 | 1.00 | 1.00 | 1.00 | — | 101,504 |
| Deputy City Attorney | — | — | 1.00 | 1.00 | — | 150,000 |
| Legal Fellow | 1.00 | 1.00 | 1.00 | 1.00 | — | 91,645 |
| Principal Attorney | 1.00 | 1.00 | — | — | — | — |
| Secretary to City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | 79,539 |
| Senior Assistant City Attorney | 2.00 | 2.00 | — | — | — | — |
| Senior Deputy City Attorney | 1.00 | 1.00 | — | — | — | — |
| Senior Legal Secretary | 1.00 | 1.00 | 1.00 | — | (1.00) | — |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 127,754 |
| Sub-total: Full-Time Equivalent Positions | 11.00 | 11.00 | 11.00 | 10.00 | (1.00) | 1,565,432 |
| Total Positions | 11.00 | 11.00 | 11.00 | 10.00 | (1.00) | 1,565,432 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|------------------|------------------|---------------------|
| Prior Year Budget | 11.00 | 3,355,900 | 616,675 | 2,739,225 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings: one-time) | — | 7,239 | — | 7,239 |
| One-Time Prior Year Budget Adjustments | — | 7,239 | — | 7,239 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | (89,055) | — | (89,055) |
| Contract Services Adjustments for Outside Counsel | — | 32,000 | — | 32,000 |
| General Liability Savings (One-time FY 2019 Savings) | — | (5,747) | — | (5,747) |
| Worker's Compensation Savings (One-Time FY 2019 Savings) | — | (17,089) | — | (17,089) |
| General Fund Cost Allocation Plan | — | — | (185,134) | 185,134 |
| General Liability Insurance Allocated Charges | — | 8,069 | — | 8,069 |
| Information Technology Allocated Charges | — | 5,969 | — | 5,969 |
| Print & Mail Allocated Charges | — | 539 | — | 539 |
| Adjustments to Costs of Ongoing Activities | — | (65,315) | (185,134) | 119,819 |
| Total FY 2019 Base Budget | 11.00 | 3,297,824 | 431,541 | 2,866,282 |
| Budget Adjustments | | | | |
| 1 Reduce Office of the City Attorney Administrative Staffing | (1.00) | (134,466) | — | (134,466) |
| 2 Supplemental Pension Trust Fund Contribution | — | 24,857 | — | 24,857 |
| 3 Outside Counsel Resources | — | 100,000 | — | 100,000 |
| Total Budget Adjustments | (1.00) | (9,609) | — | (9,609) |
| Total FY 2019 Proposed Budget | 10.00 | 3,288,215 | 431,541 | 2,856,674 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Reduce Office of the City Attorney Administrative Staffing | -1.00 | (134,466) | 0 | (134,466) |

This action eliminates a vacant 1.0 Senior Legal Secretary in the Office of the City Attorney. The Senior Legal Secretary position has been vacant since 2016. This action institutes this staffing model on a permanent basis and is anticipated to reduce the administrative capacity of the Office, resulting on an increased reliance of these duties on attorney staffing. (Ongoing savings: \$100,000).

Performance Results



There are no anticipated significant impact to operations.

| | | | | |
|--|------|--------|---|--------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 24,857 | 0 | 24,857 |
|--|------|--------|---|--------|

This action transfers \$24,857 from the Office of the City Attorney to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Office of the City Attorney's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|-----------------------------|------|---------|---|---------|
| 3 Outside Counsel Resources | 0.00 | 100,000 | 0 | 100,000 |
|-----------------------------|------|---------|---|---------|

This action adds \$100,000 in one-time funding for additional outside counsel resources to provide the office with additional capacity for addressing complex legal matters. (Ongoing costs: \$0).

Performance Results



Proactively setting aside resources for outside counsel will provide flexibility for the City Attorney's Office to address issues that require special attention.



CITY OF
**PALO
ALTO**

CITY AUDITOR

Mission Statement

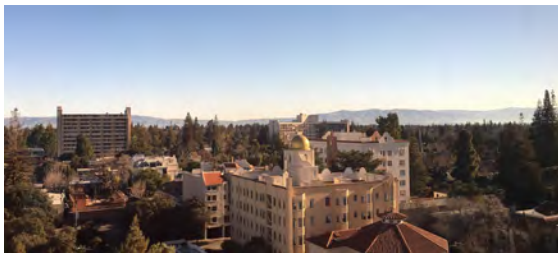


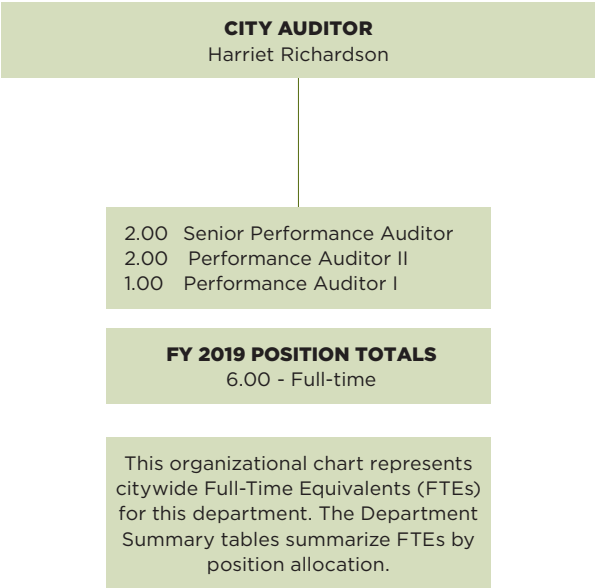
The mission of the Office of the City Auditor is to promote honest, efficient, effective, economical, and fully accountable and transparent City government.

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 (OCA) 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 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 OCA presents an annual audit work plan for City Council approval. The OCA will continue to report quarterly to the City Council on the status of audit projects.

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

Accomplishments

- Identified and confirmed the City's receipt of \$380,290 in sales and use tax recoveries through the end of Fiscal Year 2017 in coordination with the City's consultant.
- Published Fee Schedule Audit, which presented three recommendations related to updating the City's cost recovery policy and aligning the Community Services Department's cost recovery policy with the City's.
- Published the Cross Bore Inspection Contract Audit, which presented four recommendations to ensure that future inspections of sewer lines are completed in a more effective manner and to improve the accuracy of inspection data.
- Published the audit of Continuous Monitoring: Payments, which presented seven recommendations to improve the ability to identify duplicate payments and the accuracy of the vendor master file.
- Published the audit of Green Purchasing Practices, which presented eight recommendations to update policies to improve compliance with City requirements for green purchasing and to evaluate options for tracking and reporting green purchases.

- Compiled the results of the 2017 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.
- 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 Palo Alto Unified School District (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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of major work products per audit staff. | 1.00 | 1.67 | 1.20 | 1.50 | 1.75 |
| 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of Open audit recommendations implemented over the last five years. | 45.00% | 50.00% | 75.00% | 50.00% | 60.00% |
| 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 Office of the City Auditor 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Ratio of sales tax revenue recoveries to cost. | 3:1 | 5:1 | 2:1 | 9:1 | 3:1 |
| 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---------------------------------------|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of major work products issued. | 4 | 8 | 6 | 9 | 8 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Audit Services | 1,112,413 | 1,207,797 | 1,301,326 | 1,267,289 | (34,037) | (2.6)% |
| Total | 1,112,413 | 1,207,797 | 1,301,326 | 1,267,289 | (34,037) | (2.6)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 38,475 | 42,244 | 42,992 | 38,612 | (4,380) | (10.2)% |
| Other Benefits | 36,498 | 31,362 | 27,750 | 27,609 | (141) | (0.5)% |
| Pension | 157,746 | 172,942 | 184,894 | 180,734 | (4,159) | (2.2)% |
| Retiree Medical | 31,616 | 34,598 | 36,399 | 44,844 | 8,445 | 23.2% |
| Salary | 612,070 | 637,696 | 659,949 | 643,242 | (16,707) | (2.5)% |
| Workers' Compensation | — | — | 23,777 | 17,129 | (6,648) | (28.0)% |
| Total Salary & Benefits | 876,405 | 918,841 | 975,761 | 952,171 | (23,591) | (2.4)% |
| Allocated Charges | 55,053 | 45,079 | 53,306 | 59,355 | 6,049 | 11.3% |
| Contract Services | 157,381 | 221,220 | 254,000 | 228,000 | (26,000) | (10.2)% |
| General Expense | 17,004 | 19,895 | 15,279 | 15,279 | — | —% |
| Operating Transfers-Out | — | — | — | 9,505 | 9,505 | —% |
| Supplies & Material | 6,571 | 2,762 | 2,980 | 2,980 | — | —% |
| Total Dollars by Expense Category | 1,112,413 | 1,207,797 | 1,301,326 | 1,267,289 | (34,037) | (2.6)% |
| Revenues | | | | | | |
| Charges to Other Funds | 799,890 | 385,751 | 740,731 | 897,314 | 156,584 | 21.1% |
| Sales Taxes | 117,186 | 380,290 | 150,000 | 150,000 | — | —% |
| Total Revenues | 917,076 | 766,041 | 890,731 | 1,047,314 | 156,584 | 17.6% |
| Positions by Division | | | | | | |
| Audit Services | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Total | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| City Auditor | 1.00 | 1.00 | 1.00 | 1.00 | — | 187,533 |
| Performance Auditor I | 1.00 | 1.00 | 1.00 | 1.00 | — | 70,013 |
| Performance Auditor II | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | 205,594 |
| Senior Performance Auditor | 2.00 | 2.00 | 2.00 | 1.00 | (1.00) | 132,434 |
| Sub-total: Full-Time Equivalent Positions | 5.00 | 5.00 | 5.00 | 5.00 | — | 595,573 |
| Total Positions | 5.00 | 5.00 | 5.00 | 5.00 | — | 595,573 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|-------------|------------------|------------------|---------------------|
| Prior Year Budget | 5.00 | 1,301,326 | 890,731 | 410,595 |
| One-Time Prior Year Budget Adjustments | | | | |
| Citizen's Survey on Code Enforcement | — | (20,000) | — | (20,000) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 2,780 | — | 2,780 |
| Triennial Peer Review | — | (4,000) | — | (4,000) |
| One-Time Prior Year Budget Adjustments | — | (21,220) | — | (21,220) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 19,226 | — | 19,226 |
| General Liability Savings (One-time FY 2019 Savings) | — | (2,311) | — | (2,311) |
| Worker's Compensation Savings (One-Time FY 2019 Savings) | — | (6,826) | — | (6,826) |
| Contract Services | — | (2,000) | — | (2,000) |
| General Fund Cost Allocation Plan | — | — | 156,584 | (156,584) |
| General Liability Insurance Allocated Charges | — | 3,245 | — | 3,245 |
| Information Technology Allocated Charges | — | 2,854 | — | 2,854 |
| Print & Mail Allocated Charges | — | (519) | — | (519) |
| Adjustments to Costs of Ongoing Activities | — | 13,669 | 156,584 | (142,914) |
| Total FY 2019 Base Budget | 5.00 | 1,293,775 | 1,047,315 | 246,461 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 9,505 | — | 9,505 |
| 2 Realign Office of the City Auditor Staffing | — | (35,991) | — | (35,991) |
| Total Budget Adjustments | — | (26,486) | — | (26,486) |
| Total FY 2019 Proposed Budget | 5.00 | 1,267,289 | 1,047,315 | 219,975 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 9,505 | 0 | 9,505 |

This action transfers \$9,505 from the Office of the City Auditor to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Office of the City Auditor's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|------|----------|---|----------|
| 2 Realign Office of the City Auditor Staffing | 0.00 | (35,991) | 0 | (35,991) |
|---|------|----------|---|----------|

This action eliminates 1.0 Senior Program Performance Auditor and adds 1.0 Program Performance Auditor II in the Office of the City Auditor. Although the Office of the City Auditor has authorized staffing levels at the Senior Program Performance Auditor level, the Office has been underfilling their staffing. This action aligns authorized staffing with actual staffing levels and is therefore not anticipated to have immediate impacts on service delivery for the City Auditor's Office. (Ongoing savings: \$36,000)

Performance Results



Permanently reducing the staffing levels will reduce the overall cost for the Office of the City Auditor to deliver current services without impacting quality of services.

CITY CLERK

Mission Statement



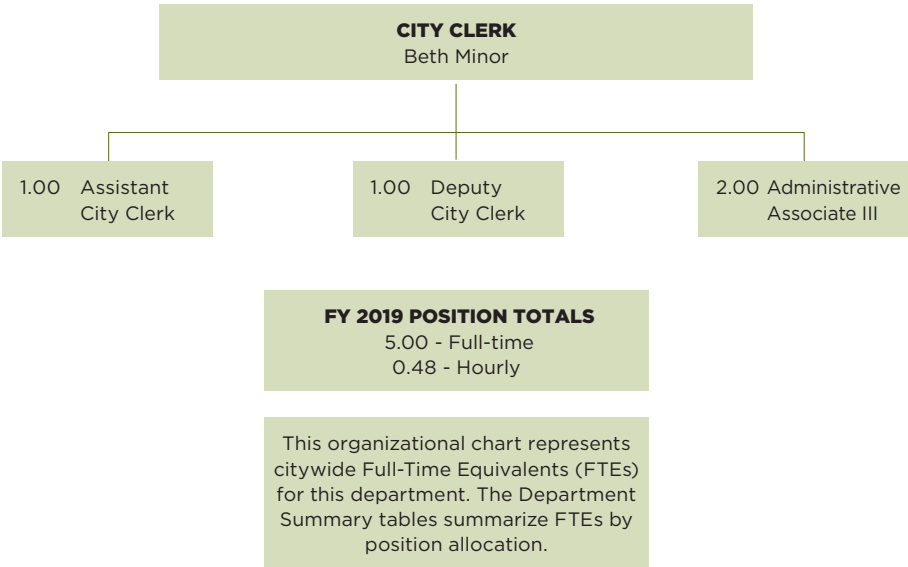
The City Clerk's Office promotes transparency and public engagement through coordinating the legislative process, records management, elections, public records requests, supporting the Mayor and City Council, and acting as a liaison between the City Council and the public.



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 action 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: supporting 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

- Held the fifth annual Board and Commission recognition event at the Mitchell Park Bowl.
- Successfully managed the Mayor's State of the City address at the Oshman Family Jewish Community Center.
- Received applications for Board and Commission vacancies resulting in 72 interviews totaling 13 hours of interviews in calendar year 2017.
- Prepared and published 52 City Council meeting agenda packets, and 19 Finance and Policy and Services Committees agenda packets in calendar year 2017.
- Supported 311 plus hours of Council and Council Standing Committee meetings in calendar year 2017.
- Scheduled and supported 315 administrative and citation hearings in calendar year 2017.
- Worked 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.
- Added additional public meeting supplementary information to the Council and Council Standing Committee agendas and webpages (staff responses to Council Member questions, staff memorandum, and presentations).

Initiatives

- Run a successful Council election and a potential ballot measure election in November 2018.
- Facilitate voter-approved transition from nine Council Members to seven Council Members.
- Assist with upgrades 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.
- Update citywide records management and training program.
- Explore an online records portal.
- Transition from verbatim transcript minutes to synopsis Sense minutes for City Council and Standing Committee meeting records.
- Update the Conflict of Interest Code with the assistance of every department.
- Explore various online board and commission application solutions.

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. 11 days prior to the Council meeting.
- 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, recordings, Ordinances, Resolutions, and Minutes on the City Council and City Clerk webpages.
- 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of action minutes posted within one week after the Council meeting | 97.00% | 95.00% | 95.00% | 98.00% | 98.00% |
| 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 | The City Clerk's Office has maintained a high performance level with 95% to 97% of action minutes posted online within one week after each Council meeting and anticipates maintaining the 98% level of performance estimated for FY 2018 into FY 2019. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of Council agenda packet materials posted 11 days prior to the Council meeting | 98.00% | 99.00% | 98.00% | 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 98% of packets posted 11 days prior to the Council meeting and anticipates maintaining a level of 98% for FY 2019. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of public records requests responded to within the ten days required by law | 98.00% | 96.00% | 99.00% | 99.46% | 99.50% |
| 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 99.00% goal adopted for FY 2018 and anticipates exceeding this target in FY 2019. | | | | |

Workload Measures

| | | | | | |
|--|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of City Council Meeting Action Minutes posted annually | 57 | 53 | 50 | 46 | 47 |
| Number of weekly agenda packets produced annually | 46 | 37 | 45 | 40 | 42 |
| Number of public records requests received annually | 299 | 340 | 315 | 370 | 400 |
| Number of applications processed for open board and commission seats | 40 | 66 | 50 | 52 | 55 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 128,736 | 142,416 | 118,721 | 807,080 | 688,360 | 579.8% |
| Administrative Citations | 58,830 | 30,009 | 206,481 | 119,399 | (87,082) | (42.2)% |
| Council Support Services | 573,092 | 585,353 | 746,322 | 326,007 | (420,315) | (56.3)% |
| Election/Conflict of Interest | 92,478 | 124,787 | 126,857 | 94,324 | (32,533) | (25.6)% |
| Legislative Records Management | 72,085 | 86,787 | 86,080 | 27,143 | (58,937) | (68.5)% |
| Public Information | 75,920 | 79,175 | 89,407 | (83,529) | (172,936) | (193.4)% |
| Total | 1,001,140 | 1,048,526 | 1,373,867 | 1,290,424 | (83,443) | (6.1)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 52,139 | 34,447 | 66,350 | 39,983 | (26,367) | (39.7)% |
| Other Benefits | 15,909 | 19,078 | 25,875 | 21,687 | (4,188) | (16.2)% |
| Overtime | 5,237 | 1,201 | 6,696 | 6,870 | 174 | 2.6% |
| Pension | 104,007 | 129,902 | 165,848 | 140,685 | (25,163) | (15.2)% |
| Retiree Medical | 73,486 | 80,417 | 84,602 | 40,532 | (44,070) | (52.1)% |
| Salary | 425,956 | 451,658 | 616,225 | 521,892 | (94,332) | (15.3)% |
| Workers' Compensation | — | (369) | 22,469 | 16,186 | (6,283) | (28.0)% |
| Total Salary & Benefits | 676,733 | 716,334 | 988,064 | 787,835 | (200,229) | (20.3)% |
| Allocated Charges | 129,850 | 136,466 | 145,096 | 167,649 | 22,553 | 15.5% |
| Contract Services | 118,362 | 142,835 | 177,320 | 255,320 | 78,000 | 44.0% |
| General Expense | 56,737 | 42,636 | 52,591 | 51,591 | (1,000) | (1.9)% |
| Operating Transfers-Out | — | — | — | 8,510 | 8,510 | —% |
| Supplies & Material | 19,458 | 10,255 | 10,796 | 19,519 | 8,723 | 80.8% |
| Total Dollars by Expense Category | 1,001,140 | 1,048,526 | 1,373,867 | 1,290,424 | (83,443) | (6.1)% |
| Revenues | | | | | | |
| Charges for Services | 1 | 138 | 2,043 | 2,043 | — | —% |
| Charges to Other Funds | 513,239 | 324,795 | 487,528 | 658,196 | 170,668 | 35.0% |
| Other Revenue | 493 | 649 | 3,143 | 3,143 | — | —% |
| Total Revenues | 513,733 | 325,582 | 492,714 | 663,382 | 170,668 | 34.6% |

Budget Summary

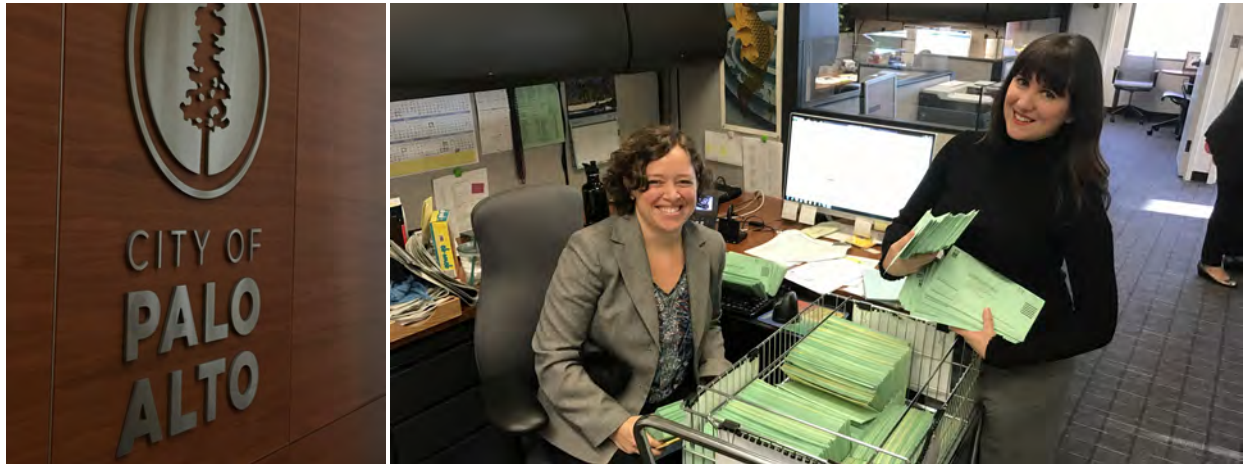
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Positions by Division | | | | | | |
| Administration | 0.35 | 0.35 | 0.35 | 2.85 | 2.50 | 714.29% |
| Administrative Citations | 1.23 | 1.23 | 1.23 | 0.48 | (0.75) | (60.98)% |
| Council Support Services | 2.85 | 2.85 | 2.85 | 1.30 | (1.55) | (54.39)% |
| Election/Conflict of Interest | 0.65 | 0.65 | 0.65 | 0.55 | (0.10) | (15.38)% |
| Legislative Records Management | 0.50 | 0.50 | 0.50 | 0.30 | (0.20) | (40.00)% |
| Public Information | 0.65 | 0.65 | 0.65 | — | (0.65) | (100.00)% |
| Total | 6.23 | 6.23 | 6.23 | 5.48 | (0.75) | (12.04)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Associate III | 2.00 | 2.00 | 2.00 | 2.00 | — | 166,646 |
| Assistant City Clerk | 1.00 | 1.00 | 1.00 | 1.00 | — | 97,947 |
| City Clerk | 1.00 | 1.00 | 1.00 | 1.00 | — | 146,806 |
| Deputy City Clerk | 1.00 | 1.00 | 1.00 | 1.00 | — | 82,451 |
| Hearing Officer | 0.75 | 0.75 | 0.75 | — | (0.75) | — |
| Sub-total: Full-Time Equivalent Positions | 5.75 | 5.75 | 5.75 | 5.00 | (0.75) | 493,851 |
| Temporary/Hourly | 0.48 | 0.48 | 0.48 | 0.48 | — | 30,701 |
| Total Positions | 6.23 | 6.23 | 6.23 | 5.48 | (0.75) | 524,552 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|------------------|----------------|---------------------|
| Prior Year Budget | 6.23 | 1,373,867 | 492,714 | 881,153 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 3,120 | — | 3,120 |
| One-Time Prior Year Budget Adjustments | — | 3,120 | — | 3,120 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | (41,325) | — | (41,325) |
| Supplies & Material | — | 6,723 | — | 6,723 |
| General Liability Savings (one-time FY 2019 Savings) | — | (2,184) | — | (2,184) |
| Worker's Compensation Savings (one-Time FY 2019 Savings) | — | (6,450) | — | (6,450) |
| General Fund Cost Allocation Plan | — | — | 170,668 | (170,668) |
| General Liability Insurance Allocated Charges | — | 3,067 | — | 3,067 |
| Information Technology Allocated Charges | — | 1,548 | — | 1,548 |
| Print & Mail Allocated Charges | — | 17,003 | — | — |
| Adjustments to Costs of Ongoing Activities | — | (21,619) | 170,668 | (209,290) |
| Total FY 2019 Base Budget | 6.23 | 1,355,368 | 663,382 | 674,983 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 8,510 | — | 8,510 |
| 2 Administrative Hearing Service Delivery Change | (0.75) | (73,454) | — | (73,454) |
| Total Budget Adjustments | (0.75) | (64,944) | — | (64,944) |
| Total FY 2019 Proposed Budget | 5.48 | 1,290,424 | 663,382 | 610,039 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 8,510 | 0 | 8,510 |

This action transfers \$8,510 from the City Clerk's Office to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the City Clerk's Office's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|--|-------|----------|---|----------|
| 2 Administrative Hearing Service Delivery Change | -0.75 | (73,454) | 0 | (73,454) |
|--|-------|----------|---|----------|

This action eliminates a vacant 0.75 FTE Hearing Officer position in the Office of the City Clerk, partially offset by the addition of contract dollars to align with current service delivery. The City Clerk is required to provide a hearing officer to adjudicate various required administrative hearings. For the past two years, the City Clerk has piloted the use of outside contractors as the hearing officer for such hearings. This pilot has resulted in comparable levels of quality in services as well as provided increased flexibility to draw on services only on an as needed basis, ultimately resulting in a reduction in the cost to provide this required service. (Ongoing Savings: \$73,454)

Performance Results



Transitioning from a Hearing Officer position to using outside contractors as the hearing officers will reduce the overall cost for the Office of the City Clerk to deliver current services without impacting quality of services and satisfaction of customers.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| City Council Operations | 429,737 | 452,223 | 499,824 | 489,510 | (10,314) | (2.1)% |
| Total | 429,737 | 452,223 | 499,824 | 489,510 | (10,314) | (2.1)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 107,922 | 119,386 | 77,303 | 114,888 | 37,585 | 48.6% |
| Other Benefits | 13,328 | 4,326 | 5,614 | 5,640 | 26 | 0.5% |
| Pension | 15,081 | 16,991 | 32,827 | 33,459 | 632 | 1.9% |
| Retiree Medical | 76,049 | 83,222 | 87,553 | 49,156 | (38,397) | (43.9)% |
| Salary | 69,965 | 88,111 | 108,000 | 96,000 | (12,000) | (11.1)% |
| Workers' Compensation | — | — | 4,270 | 3,076 | (1,194) | (28.0)% |
| Total Salary & Benefits | 282,346 | 312,034 | 315,568 | 302,220 | (13,349) | (4.2)% |
| Allocated Charges | 2,285 | 15,949 | 15,871 | 17,220 | 1,349 | 8.5% |
| Contract Services | 111,373 | 76,609 | 108,000 | 108,000 | — | —% |
| General Expense | 31,251 | 45,748 | 57,455 | 57,455 | — | —% |
| Operating Transfers-Out | — | — | — | 1,686 | 1,686 | —% |
| Supplies & Material | 2,483 | 1,883 | 2,930 | 2,930 | — | —% |
| Total Dollars by Expense Category | 429,737 | 452,223 | 499,824 | 489,510 | (10,314) | (2.1)% |
| Revenues | | | | | | |
| Charges to Other Funds | 99,396 | 136,295 | 95,624 | 91,738 | (3,886) | (4.1)% |
| Total Revenues | 99,396 | 136,295 | 95,624 | 91,738 | (3,886) | (4.1)% |
| Positions by Division | | | | | | |
| City Council Operations | 9.00 | 9.00 | 9.00 | 7.00 | (2.00) | (22.22)% |
| Total | 9.00 | 9.00 | 9.00 | 7.00 | (2.00) | (22.22)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| City Council | 9.00 | 9.00 | 9.00 | 7.00 | (2.00) | 84,000 |
| Sub-total: Full-Time Equivalent Positions | 9.00 | 9.00 | 9.00 | 7.00 | (2.00) | 84,000 |
| Total Positions | 9.00 | 9.00 | 9.00 | 7.00 | (2.00) | 84,000 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|-----------------|----------------|---------------------|
| Prior Year Budget | 9.00 | 499,824 | 95,624 | 404,200 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 1,141 | — | 1,141 |
| One-Time Prior Year Budget Adjustments | — | 1,141 | — | 1,141 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | (2.00) | (12,123) | — | (12,123) |
| General Liability Savings (One-time FY 2019 Savings) | — | (415) | — | (415) |
| Worker's Compensation Savings (One-Time FY 2019 Savings) | — | (1,226) | — | (1,226) |
| General Fund Cost Allocation Plan | — | — | (3,886) | 3,886 |
| General Liability Insurance Allocated Charges | — | 583 | — | 583 |
| Information Technology Allocated Charges | — | 40 | — | 40 |
| Adjustments to Costs of Ongoing Activities | (2.00) | (13,141) | (3,886) | (9,255) |
| Total FY 2019 Base Budget | 7.00 | 487,824 | 91,738 | 396,086 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 1,686 | — | 1,686 |
| Total Budget Adjustments | — | 1,686 | — | 1,686 |
| Total FY 2019 Proposed Budget | 7.00 | 489,510 | 91,738 | 397,772 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 1,686 | 0 | 1,686 |

This action transfers \$1,686 from the City Council to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the City Council's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).



CITY OF
**PALO
ALTO**

CITY MANAGER

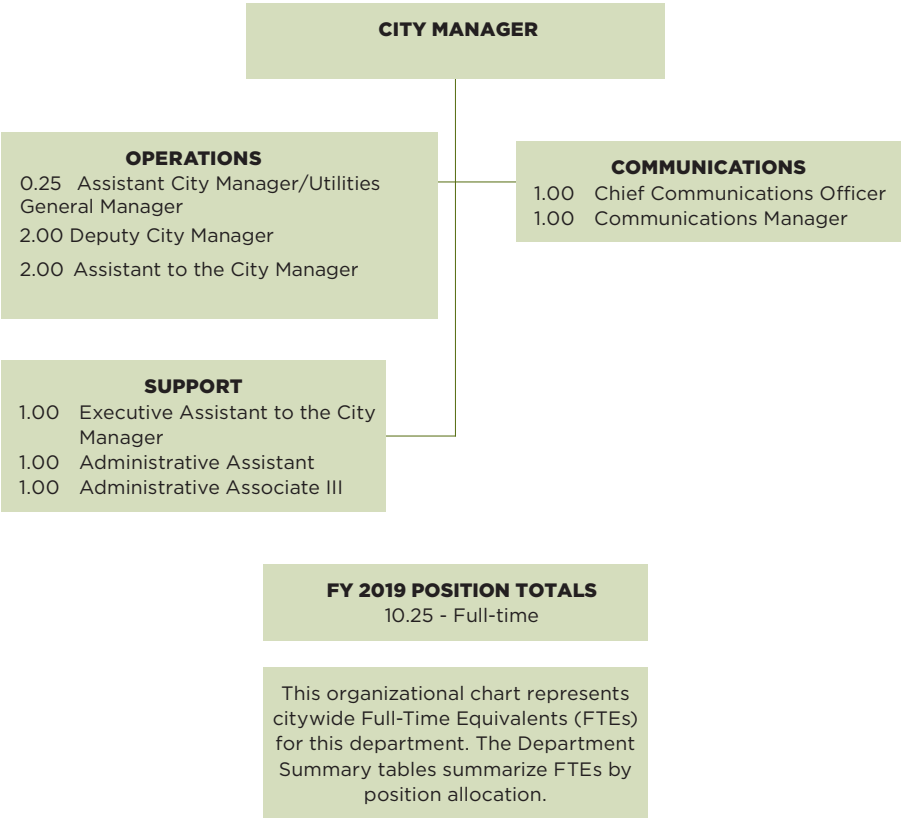


The City Manager's Office provides leadership and professional management to the City government organization and works with the City Council to develop and implement its policies to maintain and enhance Palo Alto's quality of life.



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 completed a series of key projects and activities through its general administration, public communication and economic development duties:

- Supported City Council priority setting and agenda planning while providing leadership and guidance to the organization.
- Advanced organizational excellence through work plans, support for professional development and work/life balance, and performance management through the Executive Leadership Team.
- Transitioned essential leadership and staff positions, restructuring the office to ensure the execution of key City Council priorities.
- Supported the Police Department following the retirement of the Police Chief and Assistant Police Chief, and successfully recruited a new Police Chief.

CITY MANAGER

- Managed the City's state and federal legislative program to advance City Council and City department goals.
- Hosted several international delegations from China and the European Union, including representatives from Sister Cities in Heidelberg, Germany and Linköping, Sweden.
- 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.
- Negotiated extension of Stanford University fire/emergency services agreement, and restarted negotiations on a new long-term agreement.
- Supported emergency preparedness throughout winter storm season.
- Coordinated strategic planning for Caltrain grade separation visioning, technical analysis and financial planning.
- Continued ongoing interdepartmental focus on Caltrain safety.
- Assisted with efforts to resolve key land use issues including Buena Vista, Edgewood Plaza, Palo Alto Square and Castilleja School.
- Coordinated with the Planning and Community Environment Department to support the adoption of a new Comprehensive Plan.
- Led the effort to develop the Council adopted 3-year Sustainability Implementation Plan.
- Provided communications advice and support for issue-specific efforts ranging from small cell towers to Code Art Festival.
- Supported multiple community outreach efforts on a 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.
- Organized "On the Table" day of regional conversation about housing issues in partnership with local coffee houses as gathering venues.
- Led Veterans Day Recognition Event to honor the armed services and hosted the United States Army's 63rd Regional Support Command Color Guard, as well as other members of the Armed Forces.
- 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.
- Administered the Know Your Neighbor Grant Program encouraging neighborhood activities that foster a sense of place and community and successfully transitioned it to the Community Services Department.

- Continued to advance the Animal Services Assessment leading to a nonbinding exclusive negotiation with Pets In Need, a local nonprofit animal rescue.
- Advanced efforts to address impacts of air traffic by advocating for and responding to initiatives by the Federal Aviation Administration (FAA) and regional efforts to expand and create new community roundtables.
- 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.
- Held a Business Development Summit in 2017 in partnership with the Palo Alto Chamber of Commerce hosting a panel that included the U.S. Commercial Service, U.S. Small Business Administration, U.S. Export-Import Bank, and U.S. Patent and Trademark Office.
- Santa Clara County Healthy City Awards named the City of Palo Alto as the Best Overall, 2017 and the Exemplary City for Reduced Exposure to Secondhand Smoke.

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 cool cities initiatives.
- Work with Rail Committee, citizens, and stakeholders to achieve agreement on a grade separation alternative for rail crossings.
- 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.
- Enhance and advance international programs through the partnership with Neighbors Abroad to create smart city relationships with existing 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 work collaboratively with the Department of Veterans Affairs regarding impacts from their development activity at their Palo Alto location.
- Continue to lead the Animal Shelter assessment in partnership with the Community Services Department for City Council consideration of a possible new service model.

- Further implement the Cool Block Community Engagement program to develop and strengthen the citizen/local government relationships, and enable authentic partnerships in building community.
- Conduct a usability assessment of current website with internal/external stakeholders in anticipation of website redesign and platform migration.
- 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 grade separation, planning and transportation issues, as well as infrastructure projects including major downtown construction projects.
- Continue partnership with businesses to advance the City's economic development goals and meet business owners' needs regarding concerns such as transportation, parking, and development.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent" | 81.00% | 86.00% | 87.00% | 86.00% | 87.00% |
| Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent" | 58.00% | 61.00% | 67.00% | 65.00% | 67.00% |
| Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent" | 86.00% | 86.00% | 92.00% | 88.00% | 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Overall quality of business and service establishments rated as "Good" or "Excellent" | 72.00% | 72.00% | 81.00% | 75.00% | 81.00% |
| Percent of surveyed rating economic development as "Good" or "Excellent" | 61.00% | 66.00% | 71.00% | 66.00% | 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of surveyed rating the City's public info services as "Good" or "Excellent" | 78.00% | 82.00% | 84.00% | 83.00% | 84.00% |
| Percent of surveyed attending a local public meeting | 21.00% | 24.00% | 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of City Council and City Council Committee meetings | 86 | 60 | 96 | 70 | 70 |
| Total Hours of City Council and City Council Committee meetings | 372 | 281 | 412 | 325 | 325 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration and City Management | 2,462,341 | 1,955,938 | 2,876,223 | 2,998,094 | 121,870 | 4.2% |
| Economic Development | 305,249 | 251,849 | 48,877 | 47,033 | (1,845) | (3.8)% |
| Public Communication | 331,769 | 193,511 | 234,528 | 241,613 | 7,085 | 3.0% |
| Total | 3,099,359 | 2,401,298 | 3,159,629 | 3,286,740 | 127,111 | 4.0% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 147,338 | 91,811 | 182,959 | 171,580 | (11,379) | (6.2)% |
| Other Benefits | 125,036 | 96,777 | 60,696 | 66,204 | 5,509 | 9.1% |
| Overtime | — | 118 | — | — | — | —% |
| Pension | 384,662 | 289,220 | 481,227 | 511,062 | 29,836 | 6.2% |
| Retiree Medical | 108,257 | 112,770 | 118,640 | 114,094 | (4,546) | (3.8)% |
| Salary | 1,436,369 | 1,099,415 | 1,715,490 | 1,809,924 | 94,434 | 5.5% |
| Workers' Compensation | 6,708 | 6,844 | 53,288 | 38,388 | (14,900) | (28.0)% |
| Total Salary & Benefits | 2,208,371 | 1,696,957 | 2,612,298 | 2,711,252 | 98,953 | 3.8% |
| Allocated Charges | 172,614 | 119,300 | 135,673 | 163,069 | 27,396 | 20.2% |
| Contract Services | 506,711 | 420,113 | 311,185 | 311,185 | — | —% |
| Facilities & Equipment | 21,870 | — | — | — | — | —% |
| General Expense | 171,623 | 153,802 | 88,641 | 63,641 | (25,000) | (28.2)% |
| Operating Transfers-Out | 2,039 | 2,039 | 2,039 | 27,800 | 25,761 | 1,263.4% |
| Rents & Leases | 75 | 63 | 154 | 154 | — | —% |
| Supplies & Material | 16,055 | 9,024 | 9,639 | 9,639 | — | —% |
| Total Dollars by Expense Category | 3,099,359 | 2,401,298 | 3,159,629 | 3,286,740 | 127,111 | 4.0% |
| Revenues | | | | | | |
| Charges to Other Funds | 881,211 | 843,860 | 1,455,335 | 1,311,682 | (143,653) | (9.9)% |
| Other Revenue | 207 | — | — | — | — | —% |
| Rental Income | — | 403 | — | — | — | —% |
| Total Revenues | 881,418 | 844,263 | 1,455,335 | 1,311,682 | (143,653) | (9.9)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Positions by Division | | | | | | |
| Administration and City Management | 7.10 | 7.10 | 9.35 | 9.35 | — | —% |
| Economic Development | 1.00 | 1.00 | — | — | — | —% |
| Public Communication | 0.90 | 0.90 | 0.90 | 0.90 | — | —% |
| Total | 9.00 | 9.00 | 10.25 | 10.25 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 90,730 |
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | — | 83,323 |
| Assistant City Manager | 2.00 | 2.00 | — | — | — | — |
| Assistant City Manager/Utilities General Manager | — | — | 0.25 | 0.25 | — | 77,096 |
| Assistant to the City Manager | — | — | 2.00 | 2.00 | — | 302,235 |
| Chief Communications Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 201,136 |
| City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 313,477 |
| Deputy City Manager | — | — | 2.00 | 2.00 | — | 403,853 |
| Executive Assistant to the City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 102,648 |
| Manager Communications | 1.00 | 1.00 | 1.00 | 1.00 | — | 115,586 |
| Manager Economic Development | 1.00 | 1.00 | — | — | — | — |
| Sub-total: Full-Time Equivalent Positions | 9.00 | 9.00 | 10.25 | 10.25 | — | 1,690,083 |
| Total Positions | 9.00 | 9.00 | 10.25 | 10.25 | — | 1,690,083 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|--------------|------------------|------------------|---------------------|
| Prior Year Budget | 10.25 | 3,159,629 | 1,455,335 | 1,710,857 |
| Base Adjustments | | | | |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 6,563 | — | 6,563 |
| One-Time Prior Year Budget Adjustments | — | 6,563 | — | 6,563 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustments | — | 114,251 | — | 114,251 |
| Know Your Neighbor Grant Funding (CMR #7176), approved on August 22, 2016 (Transfer to CSD) | — | (25,000) | — | (25,000) |
| General Fund Cost Allocation Plan | — | — | (143,653) | 143,653 |
| General Liability Insurance Allocated Charges | — | 7,273 | — | 7,273 |
| Information Technology Department Allocated Charges | — | 15,797 | — | 15,797 |
| Print and Mail Allocated Charges | — | 2,944 | — | — |
| General Liability Savings (one-time FY 2019 savings) | — | (5,180) | — | (5,180) |
| Workers' Compensation Savings (one-time FY 2019 savings) | — | (15,298) | — | (15,298) |
| Adjustments to Costs of Ongoing Activities | — | 94,787 | (143,653) | 255,974 |
| Total FY 2019 Base Budget | 10.25 | 3,260,979 | 1,311,682 | 1,973,394 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 25,761 | — | — |
| Total Budget Adjustments | — | 25,761 | — | — |
| Total FY 2019 Proposed Budget | 10.25 | 3,286,740 | 1,311,682 | 1,973,394 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 25,761 | 0 | 0 |

This action transfers \$25,761 from the City Manager's Office to the General Benefits Fund on a one-time basis to contribute to the City's supplemental Pension Trust Fund. This amount represents approximately 5% of the City Manager's Office's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental Pension Trust Fund will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).



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, build resilience, and provide leadership in

the region and to other communities.



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 the City's sustainability efforts.

Accomplishments

- Developed and received City Council acceptance of the 2018-2020 Sustainability Implementation Plan (SIP) to achieve goals of the Sustainability/Climate Action Plan (S/CAP).
- Formed four interdepartmental working groups in Energy, Water, Mobility, and Electric Vehicles to shape and guide SIP implementation.
- Reestablished the Electric Vehicle (EV) Task Force and assisted with work on draft policies for EV charging stations such as potential pricing options.
- 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 international study on Open Data, Mobility, and Sustainability.
- Supported Utilities Department in updating its strategic plan.
- Managed City and community Greenhouse Gas (GHG) emissions reporting to the Climate Registry and the Carbon Disclosure Project.
- Palo Alto recognized as the first city in California to achieve a Platinum Level Beacon Award, the highest level possible for its efforts and leadership in addressing climate change.
- Palo Alto received the Green California Summit Leadership Award for Sustainable Communities.
- Represented the City in the Compact of Mayors and the U.S. Mayors' National Climate Action Agenda (MNCAA).

Initiatives

- Embed S/CAP goals and SIP actions into department work plans, program goals, objectives and operations, and support interdepartmental SIP implementation teams.
- Implement OOS-specific SIP elements focused on mobility and climate finance.
- Advance various EV initiatives, including pricing, additional charging infrastructure, and appropriate policies and permitting.
- Explore opportunities to accelerate efficiency upgrades of existing building stock.
- Initiate update, development, and approval of full "qualified" Sustainability and Climate Action Plan (S/CAP) for 2020; explore incorporating UN Sustainable Development Goals.
- Work with Office of Management and Budget to integrate sustainability policy goals through the Capital Improvement Program, and embed the goals in financial analysis and budget processes.
- Partner with Utilities Department in advancing efficiency, electrification, and Distributed Energy Resources (DER) strategies.
- Coordinate with Administrative Services Department to develop internal carbon pricing strategy and protocols, and to improve effectiveness of City's Environmentally Preferred Purchasing (EPP) program.
- Work with Public Works Department to develop zero emissions fleet strategy and facilities master plan.
- Partner with City teams to develop commute alternative pilots for City staff and possibly for local businesses and citizens.
- Implement and refine sustainability dashboards to drive better management and stronger community engagement with easily- obtained data.
- Develop and maintain a sustainability resource library.
- Engage staff and community around S/CAP and 2018-2020 SIP.

Goals and Objectives

GOAL 1:

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

Objectives:

- Initiate update, development, and approval of full "qualified" Sustainability and Climate Action Plan (S/CAP) for 2020
- Work with City Departments to develop and activate 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 EPP initiatives to 'default to green' wherever feasible.
- Support departments in assessing and improving 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.
- Explore divestment of City portfolios from fossil fuels.

GOAL 3:

Foster experimentation, alliances, and big leaps.

Objectives:

- Develop local and regional Mobility as a Service (MaaS) initiatives and pilot programs.
- Develop electrification/fuel switching strategies.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Sustainability | 495,345 | 490,988 | 523,762 | 421,116 | (102,646) | (19.6)% |
| Total | 495,345 | 490,988 | 523,762 | 421,116 | (102,646) | (19.6)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 18,360 | 23,725 | 20,723 | 42,408 | 21,685 | 104.6% |
| Other Benefits | 7,789 | 6,806 | 8,084 | 10,944 | 2,860 | 35.4% |
| Pension | 38,619 | 41,167 | 51,685 | 82,048 | 30,363 | 58.7% |
| Retiree Medical | 6,244 | 12,530 | 13,182 | 12,677 | (505) | (3.8)% |
| Salary | 300,642 | 267,769 | 296,681 | 146,017 | (150,664) | (50.8)% |
| Workers' Compensation | — | — | 5,921 | 4,265 | (1,656) | (28.0)% |
| Total Salary & Benefits | 371,652 | 351,997 | 396,276 | 298,360 | (97,916) | (24.7)% |
| Allocated Charges | 560 | 48,752 | 50,987 | 21,058 | (29,929) | (58.7)% |
| Contract Services | 101,797 | 77,650 | 61,750 | 81,750 | 20,000 | 32.4% |
| General Expense | 19,899 | 12,640 | 13,500 | 14,500 | 1,000 | 7.4% |
| Operating Transfers-Out | — | — | — | 4,198 | 4,198 | —% |
| Supplies & Material | 1,436 | (51) | 1,250 | 1,250 | — | —% |
| Total Dollars by Expense Category | 495,345 | 490,988 | 523,762 | 421,116 | (102,646) | (19.6)% |
| Revenues | | | | | | |
| Charges to Other Funds | 144,142 | 150,148 | 130,234 | 141,266 | 11,033 | 8.5% |
| Other Revenue | 1,819 | 31,576 | — | — | — | —% |
| Total Revenues | 145,960 | 181,724 | 130,234 | 141,266 | 11,033 | 8.5% |
| Positions by Division | | | | | | |
| Sustainability | 2.00 | 1.00 | 1.96 | 1.75 | (0.21) | (10.71)% |
| Total | 2.00 | 1.00 | 1.96 | 1.75 | (0.21) | (10.71)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Chief Sustainability Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 182,098 |
| Management Analyst | — | — | — | 0.75 | 0.75 | 85,800 |
| Sub-total: Full-Time Equivalent Positions | 1.00 | 1.00 | 1.00 | 1.75 | 0.75 | 267,898 |
| Temporary/Hourly | 1.00 | — | 0.96 | — | (0.96) | — |
| Total Positions | 2.00 | 1.00 | 1.96 | 1.75 | (0.21) | 267,898 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|------------------|----------------|------------------|
| Prior Year Budget | 1.96 | 523,762 | 130,234 | 393,528 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 1,136 | — | — |
| Sustainability Initiatives Contract Funding | (0.96) | (110,000) | — | (110,000) |
| One-Time Prior Year Budget Adjustments | (0.96) | (108,864) | — | (110,000) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | (2,429) | — | (2,429) |
| General Fund Cost Allocation Plan | — | — | 11,032 | (11,032) |
| General Liability Insurance Allocation | — | 808 | — | — |
| Information Technology Allocated Charges | — | (31,808) | — | (31,808) |
| Print and Mail Allocated Charges | — | 511 | — | 511 |
| General Liability Savings (one-time FY 2019 savings) | — | (575) | — | (575) |
| Workers' Compensation Savings (one-time FY 2019 savings) | — | (1,700) | — | (1,700) |
| Adjustments to Costs of Ongoing Activities | — | (35,193) | 11,032 | (45,269) |
| Total FY 2019 Base Budget | 1.00 | 379,705 | 141,266 | 238,259 |
| Budget Adjustments | | | | |
| 1 City Manager's Office of Sustainability Staffing | 0.75 | 37,213 | — | 37,213 |
| 2 Supplemental Pension Trust Fund Contribution | — | 4,198 | — | 4,198 |
| Total Budget Adjustments | 0.75 | 41,411 | — | 41,411 |
| Total FY 2019 Proposed Budget | 1.75 | 421,116 | 141,266 | 279,670 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 City Manager's Office of Sustainability Staffing | 0.75 | 37,213 | 0 | 37,213 |

This action realizes \$150,000 in ongoing salary savings partially offset by the addition of 0.75 Management Analyst and additional contract services funding in the City Manager's Office of Sustainability to align with anticipated needs for FY 2019 and beyond. With the City Council approval of the Sustainability & Climate Action Plan (S/CAP) and Sustainability Implementation Plans (SIPs), it is anticipated that the Office of Sustainability will shift away from the current staffing model. It is recommended that the SIP goals and initiatives be matriculated into the routine business processes and various City initiatives throughout the organization. This diffused implementation will uphold the goals of the Office of Sustainability and the Sustainability Action Plan as part of the core values within the organization. This reduction recognizes this transition through anticipated savings from the Chief Sustainability Officer position. Remaining resources associated with this position will be evaluated through FY 2019 and a recommendation will be brought forward for City Council consideration in the future. (Ongoing savings: \$75,000).

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.

| | | | | |
|--|------|-------|---|-------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 4,198 | 0 | 4,198 |
|--|------|-------|---|-------|

This action transfers \$4,198 from the Office of Sustainability to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Office of Sustainability's annual pension contribution. Contributing to the pension trust fund will further 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 contributing to the supplemental pension trust fund will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).



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.

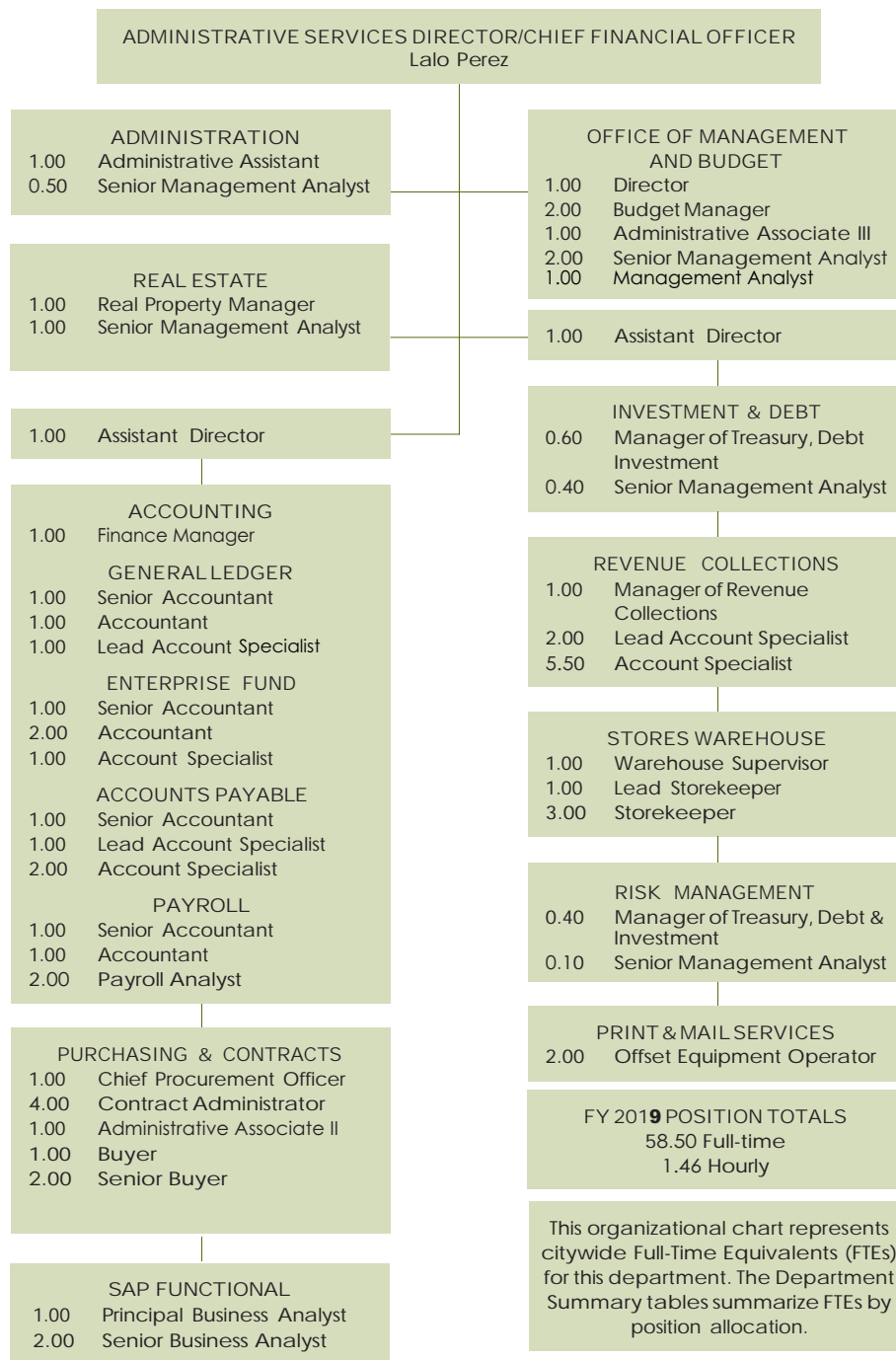
Purpose



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

Facilitates negotiations, 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. In addition, prepare the long range financial forecast.

PROPERTY MANAGEMENT AND ACQUISITION

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

TREASURY

Collects, safeguards, forecasts, and invests revenue; issues and manages debt; and provides print shop and warehouse services. Warehouse services includes handling logistics for the City's Electric, Water, Gas, and Wastewater Utilities, as well as for Public Works and the Water Quality Control Plant.

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 \$4.0 million.
- Issued an RFP for 40,000 square feet of space at Cubberley and successfully rented all the vacant spaces as a result of the Foothill College departure.
- Executed 12 office space leases, 63 hangars and 468 tie downs spots including club tie downs. The projected annual revenue from the Airport real estate assets is \$2.1 million.
- Identified and replaced expired lease at 285 Hamilton second floor space for Development Services Department with a new lease for an office suite negotiated at below market rate.

ADMINISTRATIVE SERVICES

- Implemented online self-paced training platform and expanded upon the application of eProcurement capability (PlanetBids).
- 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 calculate the long-term unfunded liabilities for pension based on updated assumptions. In addition, the Pension Section 115 Trust will have approximately \$5 million in deposits by end of FY 2018.
- Completed 20 easements and easement vacations.
- Completed the transition to a paper-free workflow in Purchasing and continued to expand scanning and electronic archiving in ASD and other city departments.
- Continued to uphold the City's policy effort in using recycled paper. Consolidated bulk of paper and toner costs 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 an award in the Accounting Division for the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2017 from the Government Finance Officers Associations of United States and Canada (GFOA) for "excellence in financial reporting".
- Issued the 2018 Golf Course Certificate of Participation (COP) bonds to reimburse the General Fund Infrastructure Reserve for a full golf course renovation, practice area, and driving range expansion. The par issuance size is approximately \$8 million.
- Received CSMFO and GFOA awards in the Office of Management and Budget (OMB) for the FY 2018 Adopted CIP and Operating budgets.
- Increased P-card activity along with the bank card rebate revenue in Purchasing.

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.
- Reduce paper and office supply consumption of the City and generate operational efficiency by implementing a citywide Multi-functional Printer and Managed Print Services networked program (MFP/MPS) along with an Electronic Document Management System (EDMS).
- Maintain employee excellence by focusing on employee rating form, training plans, and specific goals improving customer service and responsiveness.

- Continue implementing 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.
- 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 such as identifying funding sources and investment options for Council to consider.
- Continue to build out the financial support for emergency preparation for federal financial reporting after a disaster in conjunction with the Office of Emergency Services.
- Continue implementation of the paperless office program for the Accounting and Real Estate divisions.
- Develop best practices for accounts payable Automated Clearing House (ACH) implementation and Treasury wires.
- Prepare business blueprint and identify business process improvement for the next generation Enterprise Resource Planning (ERP) System.
- Support sound environmental, social, and governance investing. Over \$9 million in the City's portfolio has been invested in highly rated municipal "green" or clean renewable energy bonds; these bonds funded photovoltaic energy systems installation, mass transportation including electrification of trains, and clean water projects. The City has also suspended new investments in the Tennessee Valley Authority (TVA) over concern for their use of fossil fuels.
- Support the citywide effort to replace aging enterprise resource planning system and implement a new system.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|----------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Fund | | | | | | |
| General Fund-Operating | 7,497,404 | 7,378,820 | 7,982,836 | 8,028,509 | 45,673 | 0.6% |
| Printing & Mailing Services Fund | 1,289,499 | 1,364,905 | 1,453,146 | 1,487,979 | 34,832 | 2.4% |
| Total | 8,786,902 | 8,743,725 | 9,435,982 | 9,516,487 | 80,505 | 0.9% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Revenues | | | | | | |
| Charges for Services | 28,124 | 4,647 | 12,570 | 12,570 | — | —% |
| Charges to Other Funds | 5,248,028 | 3,742,337 | 4,454,246 | 3,335,030 | (1,119,217) | (25.1)% |
| Net Sales | 300 | — | — | — | — | —% |
| Other Revenue | 264,307 | 144,894 | 161,500 | 171,400 | 9,900 | 6.1% |
| Property Taxes | 3,720 | — | — | — | — | —% |
| Return on Investments | (1,441) | (140) | 400 | 400 | — | —% |
| Total Revenues | 5,543,038 | 3,891,737 | 4,628,716 | 3,519,400 | (1,109,317) | (24.0)% |
| Positions by Fund | | | | | | |
| General Fund | 41.04 | 41.50 | 40.06 | 39.61 | (0.45) | (1.12)% |
| Printing and Mailing Services | 1.62 | 2.10 | 2.10 | 2.10 | — | —% |
| Total | 42.66 | 43.60 | 42.16 | 41.71 | (0.45) | (1.07)% |

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.
- Look for opportunities to improve financial reporting as part of the new enterprise resource planning system.

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.

ADMINISTRATIVE SERVICES

- Invest in green and sustainable bonds, when available and appropriate.

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 to continuously update and enhance.
- 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Annual percentage yield on investments | 1.82% | 1.82% | 2.05% | 2.05% | 2.15% |
| 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 rising interest rate environment, the City's adopted goal of 2.05 percent is estimated to be achieved in FY 2019. In comparison, as of January 2018, the State Investment Pool average yield is 1.16%. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Track the average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days) | 15.00 | 22.00 | 23.00 | 22.00 | 22.00 |
| 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. Additionally, to date Purchasing is still working with City stakeholders to onboard technology for process improvements that will further reduce turnaround times on PR and PO processing. Until then little change or improvement is realized beyond what has been achieved over the last year. | | | | |

Workload Measures

| | | | | | |
|---|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of P-card (City credit card) transactions | 20,349 | 19,087 | 19,000 | 19,100 | 19,100 |
| Number of purchase orders and purchase requisitions processed | 3,496 | 2,400 | 2,300 | 2,624 | 2,400 |
| Total amount of cash and investments - as of June 30 (Millions) | \$539.70 | \$532.10 | \$532.00 | \$532.00 | \$540.00 |

ADMINISTRATIVE SERVICES

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Accounting | 2,031,310 | 2,043,348 | 2,273,096 | 2,313,999 | 40,903 | 1.8% |
| Administration | 797,339 | 700,131 | 452,517 | 478,573 | 26,055 | 5.8% |
| Office of Management and Budget | 1,154,119 | 1,019,241 | 1,559,404 | 1,427,663 | (131,742) | (8.4)% |
| Purchasing | 1,543,130 | 1,439,096 | 1,503,022 | 1,613,270 | 110,248 | 7.3% |
| Real Estate | 556,027 | 862,337 | 641,373 | 659,416 | 18,043 | 2.8% |
| Treasury | 1,415,478 | 1,314,666 | 1,553,424 | 1,535,588 | (17,836) | (1.1)% |
| Total | 7,497,404 | 7,378,820 | 7,982,836 | 8,028,509 | 45,673 | 0.6% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 566,126 | 613,176 | 729,465 | 720,469 | (8,996) | (1.2)% |
| Other Benefits | 177,754 | 121,110 | 164,266 | 163,209 | (1,057) | (0.6)% |
| Overtime | 45,516 | 21,488 | 33,723 | 34,599 | 877 | 2.6% |
| Pension | 979,873 | 1,019,697 | 1,238,194 | 1,266,442 | 28,248 | 2.3% |
| Retiree Medical | 490,474 | 536,733 | 564,670 | 473,449 | (91,221) | (16.2)% |
| Salary | 4,120,344 | 3,841,677 | 4,212,658 | 4,257,849 | 45,190 | 1.1% |
| Workers' Compensation | 13,346 | 20,338 | 150,294 | 108,269 | (42,025) | (28.0)% |
| Total Salary & Benefits | 6,393,433 | 6,174,219 | 7,093,269 | 7,024,287 | (68,983) | (1.0)% |
| Allocated Charges | 451,507 | 364,415 | 367,541 | 443,050 | 75,510 | 20.5% |
| Contract Services | 395,562 | 323,681 | 255,648 | 253,648 | (2,000) | (0.8)% |
| Facilities & Equipment | 10,071 | 270,979 | 4,200 | 4,200 | — | —% |
| General Expense | 199,071 | 198,066 | 214,924 | 189,924 | (25,000) | (11.6)% |
| Operating Transfers-Out | — | — | — | 65,146 | 65,146 | —% |
| Rents & Leases | 12,363 | 11,856 | 12,856 | 12,856 | — | —% |
| Supplies & Material | 35,396 | 35,602 | 34,398 | 35,398 | 1,000 | 2.9% |
| Total Dollars by Expense Category | 7,497,404 | 7,378,820 | 7,982,836 | 8,028,509 | 45,673 | 0.6% |
| Revenues | | | | | | |
| Charges for Services | 28,124 | 4,647 | 12,570 | 12,570 | — | —% |
| Charges to Other Funds | 3,952,406 | 2,403,540 | 3,001,500 | 1,768,909 | (1,232,591) | (41.1)% |
| Net Sales | 300 | — | — | — | — | —% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | 264,307 | 142,894 | 161,500 | 171,400 | 9,900 | 6.1% |
| Property Taxes | 3,720 | — | — | — | — | —% |
| Total Revenues | 4,248,857 | 2,551,080 | 3,175,570 | 1,952,879 | (1,222,691) | (38.5)% |

Positions by Division

| | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|----------------|
| Accounting | 12.90 | 13.60 | 13.60 | 13.52 | (0.08) | (0.59)% |
| Administration | 1.60 | 2.08 | 1.60 | 1.60 | — | —% |
| Office of Management and Budget | 6.62 | 6.02 | 6.62 | 6.02 | (0.60) | (9.06)% |
| Purchasing | 9.35 | 9.53 | 8.57 | 9.05 | 0.48 | 5.60% |
| Real Estate | 2.80 | 2.32 | 2.32 | 2.32 | — | —% |
| Treasury | 7.77 | 7.95 | 7.35 | 7.10 | (0.25) | (3.40)% |
| Total | 41.04 | 41.50 | 40.06 | 39.61 | (0.45) | (1.12)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 4.95 | 5.88 | 4.88 | 4.63 | (0.25) | 335,681 |
| Account Specialist-Lead | 4.59 | 4.05 | 3.05 | 3.45 | 0.40 | 267,749 |
| Accountant | 3.00 | 3.00 | 3.00 | 3.00 | — | 278,741 |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 90,730 |
| Administrative Associate II | — | — | 1.00 | 1.00 | — | 77,734 |
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | — | 83,323 |
| Assistant Director Administrative Services | 1.75 | 1.65 | 1.65 | 1.65 | — | 330,564 |
| Buyer | 2.00 | 1.00 | 1.00 | 1.00 | — | 102,344 |
| Chief Procurement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 148,512 |
| Contracts Administrator | 1.70 | 1.70 | 2.70 | 2.70 | — | 293,232 |
| Director Administrative Services/ CFO | 0.70 | 0.80 | 0.80 | 0.80 | — | 199,845 |
| Director Office of Management and Budget | 1.00 | 1.00 | 1.00 | 1.00 | — | 187,614 |
| Management Analyst | — | — | — | 1.00 | 1.00 | 105,000 |
| Manager Accounting | 1.00 | 1.00 | 1.00 | — | (1.00) | — |

ADMINISTRATIVE SERVICES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Manager Budget | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | 301,309 |
| Manager Real Property | 1.00 | 1.00 | 1.00 | 1.00 | — | 151,133 |
| Manager Revenue Collections | 0.70 | 0.62 | 0.62 | 0.62 | — | 91,484 |
| Manager Treasury, Debt & Investments | 1.00 | 0.60 | 0.60 | 0.60 | — | 86,362 |
| Manager, Finance | — | — | — | 1.00 | 1.00 | 145,476 |
| Payroll Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | 172,927 |
| Senior Accountant | 3.00 | 3.00 | 3.00 | 3.00 | — | 352,560 |
| Senior Buyer | — | 1.00 | 1.00 | 1.00 | — | 103,384 |
| Senior Management Analyst | 4.20 | 4.90 | 4.90 | 2.30 | (2.60) | 313,565 |
| Storekeeper | — | 1.00 | 1.00 | 1.00 | — | 75,472 |
| Storekeeper-Lead | 1.00 | 0.20 | 0.20 | 0.20 | — | 16,154 |
| Warehouse Supervisor | 0.50 | 0.20 | 0.20 | 0.20 | — | 17,767 |
| Sub-total: Full-Time Equivalent Positions | 38.09 | 38.60 | 38.60 | 38.15 | (0.45) | 4,328,663 |
| Temporary/Hourly | 2.95 | 2.90 | 1.46 | 1.46 | — | 98,375 |
| Total Positions | 41.04 | 41.50 | 40.06 | 39.61 | (0.45) | 4,427,038 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|---------------|------------------|--------------------|------------------|
| Prior Year Budget | 40.06 | 7,982,836 | 3,175,570 | 4,807,266 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (One-time FY 2016 Salary Savings) | — | 17,757 | — | 17,757 |
| One-Time Prior Year Budget Adjustments | — | 17,757 | — | 17,757 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 141,226 | — | 141,226 |
| Accounting Division Funding Realignment (inadvertent allocation error in prior year) | 0.40 | 42,448 | — | — |
| Purchase Card Rebate Increase | — | — | 9,900 | (9,900) |
| General Liability Savings (One-time FY 2019 Savings) | — | (12,236) | — | (12,236) |
| Worker's Compensation Savings (One-Time FY 2019 Savings) | — | (43,147) | — | (43,147) |
| General Fund Cost Allocation Plan | — | — | (1,232,591) | 1,232,591 |
| General Liability Insurance Allocated Charges | — | 17,179 | — | 17,179 |
| Information Technology Allocated Charges | — | 12,928 | — | 12,928 |
| Print & Mail Allocated Charges | — | (11,131) | — | (11,131) |
| Vehicle Replacement Allocated Charges | — | 51,012 | — | 51,012 |
| Adjustments to Costs of Ongoing Activities | 0.40 | 198,280 | (1,222,691) | 1,378,523 |
| Total FY 2019 Base Budget | 40.46 | 8,198,873 | 1,952,879 | 6,203,546 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 65,146 | — | 65,146 |
| 2 Office of Management and Budget Restructure | — | 936 | — | 936 |
| 3 Reduction in Office of Management and Budget Analytical Staffing | (0.60) | (140,469) | — | (140,469) |
| 4 Elimination of Accounting Division Contractual Staffing | — | (40,000) | — | (40,000) |
| 5 Revenue Collections Staffing Funding Realignment | (0.25) | (30,978) | — | (30,978) |
| 6 Reduction in Administrative Services Department Non-Salary Expenses | — | (25,000) | — | (25,000) |
| Total Budget Adjustments | (0.85) | (170,365) | — | (170,365) |
| Total FY 2019 Proposed Budget | 39.61 | 8,028,509 | 1,952,879 | 6,033,182 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 65,146 | 0 | 65,146 |

This action transfers \$65,146 from the Administrative Services Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Administrative Services Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|------|-----|---|-----|
| 2 Office of Management and Budget Restructure | 0.00 | 936 | 0 | 936 |
|---|------|-----|---|-----|

This action realigns the structure of the Office of Management and Budget resulting in funding source realignment and the following position changes: eliminate 2.0 Senior Management Analyst positions and add 1.0 Budget Manager and 1.0 Management Analyst position. In a team of 7.6 full time positions (recommended 0.60 position reduction included in this budget), the current staffing model requires a high degree of experience for positions with the most typical path for professional advancement to be through opportunities outside of the office, creating a high turnover environment. This action ensures technical and managerial expertise as well as opportunities for advancement within the office through the addition of a Budget Manager and allows for a more journey level entry point to the office through the addition of a Management Analyst. OMB has been piloting this for the last 18 months. The pilot has resulted in a more stable team, reducing the turnover and maintaining the professional analytical support required by the Office. This strategic shift of positions ensures OMB can provide citywide analysis that enables data-driven decisions to be made cohesively among departments while embedding a succession planning structure. This action results in overall savings across all funds of \$37,700. (Ongoing Savings: \$39,602 all funds, \$1,000 in the General Fund)

Performance Results



The addition of a Budget Manager from a vacant Senior Management Analyst enables the Office of Management and Budget team to help support the City through its Executive Leadership management changes.

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 3 Reduction in Office of Management and Budget Analytical Staffing | -0.60 | (140,469) | 0 | (140,469) |

This action eliminates a vacant 0.6 Senior Management Analyst in the Office of Management and Budget (OMB). OMB has operated with this position vacant or filled by graduate student fellowship participants for a year as it underwent an internal evaluation and subsequently reorganized (as recommended in this FY 2019 Proposed Budget). This position historically supported all labor negotiations by providing the financial costing of proposals throughout the process. In coordination with the Human Resources Department, these tasks have been absorbed by the remaining staff in OMB as well as the Employee Relations team in HR. In addition to labor costing, this position provided the capacity for ad hoc special project analytical support to both OMB and ASD for various projects such as representation on the Utilities ROCC Committee, which will be absorbed by the remaining management staff in OMB and ASD. Additional responsibilities, such as the transition of performance measures and the annual SEA from the City Auditor's Office to OMB will require an evaluation of resource needs. (Ongoing Savings: \$140,000)

Performance Results



Reduction in professional analytical capacity in the Office of Management and Budget (OMB) will result in increased cycle time to assist in citywide initiatives outside of the budget process such as labor negotiations and ad hoc special projects. Support on such project will require planning and a reprioritization of resources among annual business needs. However, it will reduce to overall cost of the Office and cost to analyze, develop and monitor the annual budget process.

| | | | | |
|---|------|----------|---|----------|
| 4 Elimination of Accounting Division Contractual Staffing | 0.00 | (40,000) | 0 | (40,000) |
|---|------|----------|---|----------|

This ongoing action reduces part-time staffing resources in the accounting division of the Administrative Services Department. Contractual funding has been used in the past couple of years to supplement the work of the accounting division and provide additional capacity while the division had a vacant Accounting Manager. As part of the mid-year actions for FY 2018, that Accounting Manager was reclassified to a Finance Manager. It is anticipated that this supplemental contract funding will no longer be necessary as the recruitment for the Finance Manager concludes. (Ongoing Savings: \$40,000).

Performance Results



Reduction in this temporary staffing will reduce the overall cost for the Accounting Division to deliver current services without impacting quality of services and satisfaction of customers. It is anticipated that once fully staffed, performance will remain consistent.

| | | | | |
|--|-------|----------|---|----------|
| 5 Revenue Collections Staffing Funding Realignment | -0.25 | (30,978) | 0 | (30,978) |
|--|-------|----------|---|----------|

This action reallocates the staffing in the Revenue Collections team from the General Fund to various Parking Funds. Overall these actions are net-zero across all funds, however do reflect a 0.25 position reduction in the General Fund. Realignment of staff in the RPP fund results from the expansion of this program and increased levels of customer inquiries (front counter and over the phone) and citation collections (including scheduling protests and hearings). (Ongoing savings: \$32,335, \$0 all funds)

Performance Results



Realignment of funding is not anticipated to impact performance measure results as it simply reflects where current resources are dedicated.

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 6 Revenue Collections Staffing Funding Realignment | 0.00 | (25,000) | 0 | (25,000) |

This action reduces \$25,000 in various non-salary expenses across the Administrative Services Department to align with anticipated needs for FY 2019. The reductions are in resources for contractual services typically used for ad hoc analysis, such as additional audit service associated with the preparation of the CAFR as well as other contractual services throughout the department. These reductions are anticipated to have minimal impacts on day-to-day service levels, however it is anticipated that they will reduce flexibility for unanticipated initiatives that may arise and require a reprioritization of resources. (Ongoing Savings \$25,000)

Performance Results



Realignment of funding is not anticipated to impact performance measure results as it simply reflects where current resources are dedicated.

PRINTING AND MAILING SERVICES

Accomplishments

- Processed 300,000 utility bills.
- Maintained timelines for producing council packets.
- In December 2017, the print shop updated their production equipment to offer better color print quality along with a variety of paper size options.

Initiatives

- Maintain a high level of customer service for Printing and Mailing by listening to their customers and, when appropriate, making relevant changes to their operations.
- Provide quality printing products that meet the needs of their customers.
- Adopt new technology that improves efficiency for mass print jobs such as utilizing spray technology for envelope addresses.

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.

ADMINISTRATIVE SERVICES

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Printing and Mailing | 1,289,499 | 1,364,905 | 1,453,146 | 1,487,979 | 34,832 | 2.4% |
| Total | 1,289,499 | 1,364,905 | 1,453,146 | 1,487,979 | 34,832 | 2.4% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 32,606 | 24,790 | 25,455 | 27,305 | 1,850 | 7.3% |
| Other Benefits | 3,742 | 2,253 | 3,099 | 3,135 | 37 | 1.2% |
| Overtime | 2,832 | 6,145 | — | — | — | —% |
| Pension | 26,657 | 24,003 | 31,537 | 31,636 | 99 | 0.3% |
| Retiree Medical | 54,687 | 59,845 | 62,960 | 14,663 | (48,296) | (76.7)% |
| Salary | 122,022 | 106,323 | 132,598 | 133,571 | 973 | 0.7% |
| Workers' Compensation | 409 | 239 | 4,566 | 3,289 | (1,277) | (28.0)% |
| Total Salary & Benefits | 242,956 | 223,597 | 260,214 | 213,600 | (46,614) | (17.9)% |
| Allocated Charges | 183,441 | 177,496 | 204,255 | 276,747 | 72,492 | 35.5% |
| Contract Services | 34,411 | 10,607 | 249,642 | 114,711 | (134,931) | (54.0)% |
| Facilities & Equipment | — | 31,711 | — | — | — | —% |
| General Expense | 347,081 | 271,603 | 286,975 | 286,975 | — | —% |
| Operating Transfers-Out | — | — | 3,154 | 7,993 | 4,840 | 153.5% |
| Rents & Leases | 376,213 | 494,718 | 368,649 | 507,695 | 139,046 | 37.7% |
| Supplies & Material | 105,397 | 155,174 | 80,258 | 80,258 | — | —% |
| Total Dollars by Expense Category | 1,289,499 | 1,364,905 | 1,453,146 | 1,487,979 | 34,832 | 2.4% |
| Revenues | | | | | | |
| Charges to Other Funds | 1,295,623 | 1,338,798 | 1,452,747 | 1,566,121 | 113,374 | 7.8% |
| Other Revenue | — | 2,000 | — | — | — | —% |
| Return on Investments | (1,441) | (140) | 400 | 400 | — | —% |
| Total Revenues | 1,294,182 | 1,340,657 | 1,453,147 | 1,566,521 | 113,374 | 7.8% |
| Positions by Division | | | | | | |
| Printing and Mailing | 1.62 | 2.10 | 2.10 | 2.10 | — | —% |
| Total | 1.62 | 2.10 | 2.10 | 2.10 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Manager Revenue Collections | 0.10 | 0.10 | 0.10 | 0.10 | — | 14,756 |
| Offset Equipment Operator | 1.52 | 1.52 | 1.52 | 1.52 | — | 104,944 |
| Sub-total: Full-Time Equivalent Positions | 1.62 | 1.62 | 1.62 | 1.62 | — | 119,699 |
| Temporary/Hourly | — | 0.48 | 0.48 | 0.48 | — | 27,777 |
| Total Positions | 1.62 | 2.10 | 2.10 | 2.10 | — | 147,476 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Printing and Mailing Services |
|---|-------------|------------------|------------------|--|
| Prior Year Budget | 2.10 | 1,453,146 | 1,453,147 | (1) |
| One-Time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (3,154) | — | (3,154) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 2,953 | — | — |
| One-Time Prior Year Budget Adjustments | — | (201) | — | (3,154) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | (46,242) | — | (46,242) |
| Rents & Leases Expenditure Alignment | — | 4,115 | — | 4,115 |
| General Liability Savings (One-time FY 2019 Savings) | — | (372) | — | (372) |
| Worker's Compensation Savings (One-Time FY 2019 Savings) | — | (1,311) | — | (1,311) |
| Transfers to Technology Fund (Citywide technology CIP's) | — | 6,395 | — | 6,395 |
| General Fund Cost Allocation Plan | — | 66,074 | — | 66,074 |
| General Liability Insurance Allocated Charges | — | 1,461 | — | 1,461 |
| Information Technology Allocated Charges | — | 3,315 | — | 3,315 |
| Print & Mail Fund Allocated Charges | — | — | 113,374 | (113,374) |
| Adjustments to Costs of Ongoing Activities | — | 33,435 | 113,374 | (79,939) |
| Total FY 2019 Base Budget | 2.10 | 1,486,380 | 1,566,521 | (83,094) |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 1,598 | — | 1,598 |
| Total FY 2019 Proposed Budget | 2.10 | 1,487,978 | 1,566,521 | (81,496) |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Printing and Mailing Services |
|--|-----------|--------------|----------|-----------------------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 1,598 | 0 | 1,598 |

This action transfers \$1,598 from the Print & Mailing Services Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Print and Mailing Services Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).



CITY OF
**PALO
ALTO**

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.

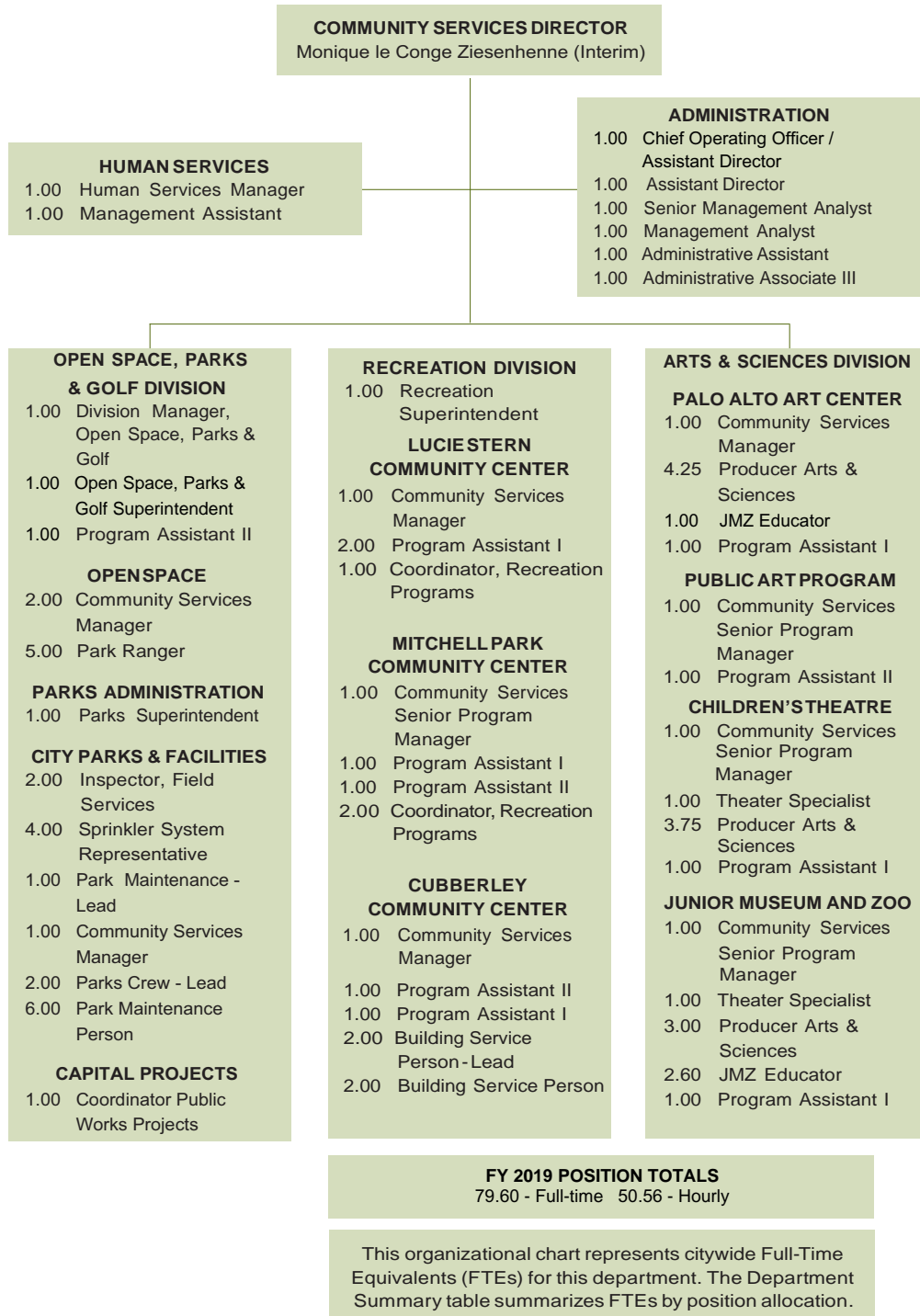
Purpose



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 the City's carbon footprint; and develops and maintains mutually beneficial partnerships and collaborations with local organizations, businesses, individuals and foundations to achieve its 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, dance, and science programs to youth and adults, with a focus on family programs. The division manages the Art Center, Junior Museum and Zoo (Jmz), 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, a teen center, 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 afterschool child care program, the 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

- Golf Course Reconfiguration Project was completed, featuring an improved 18-hole links-style course, putting green and scenic views of the Baylands. The renovated course uses significantly less water due to the use of more native and salt tolerant vegetation and a 40% reduction in irrigated turf grass. The course is expected to reopen under a new management contract in Spring 2018.
- City Council adopted the Parks, Trails, Natural Open Space and Recreation Master Plan in September 2017.
- The Buckeye Creek Hydrology Study was completed, providing recommendations to reduce erosion, sediment deposition, and flooding of parkland located in the northern boundary of Foothills Park.

COMMUNITY SERVICES

- The Rinconada pool season expanded through the end of October.
- Hosted special events that drew over 25,000 people including: Cubberley Day, May Fete Parade, July 4th Chili Cook-off, Summer Twilight Concert Series, Holiday Tree Lighting and Senior New Year's Eve Brunch. Co-hosted a community health fair with the YMCA; hosted the 2nd annual Teen Buoyancy Festival; and introduced a new event, the October Harvest Festival at Lucie Stern Community Center.
- ThinkFund (formerly Bryant Street Garage Fund) funded 20 teen inspired and led projects totaling \$23,000 and serving over 1,500 teens.
- Continued to offer numerous Teen Leadership Programs including: Art Center's Teen Leadership Program; ClickPA; Learning Enrichment Afterschool Program (LEAP); MakeX; Palo Alto Youth Council; Teen Advisory Board, and the Teen Arts Council.
- Human Services: Provided \$960,000 in financial support for senior services and childcare subsidies; \$500,000 in human service grants awarded to 16 agencies; hosted four community forums on Implicit Bias called "Being Different Together", which was attended by 275 community members; and developed a three-year strategic plan for Project Safety Net and its over 50 partner organizations.
- Arts & Sciences: Art Center served a record 130,000 people through a diverse range of programs with the support of over 800 active volunteers that contributed over 8,000 hours of time and support. Opened a printmaking studio at Cubberley Community Center, which was made possible by a gift from the Kirkeby family. Received three Awards for Best Public Art from the Americans for the Arts.
- Children's Theatre: 2017 was an exceptional year with a record breaking 52,000 attendees. Children's Theatre offers free tickets for under-served families and Ronald McDonald House residents.
- Children's Theatre added a Summer Teen Academy and Design Tech Camps allowing teens to gain professional-level training in performance and production design.
- The City formalized its agreement with the Friends of the JMZ to begin construction of a new Junior Museum and Zoo (JMZ) after the Friends made a donation of \$25 million. The new JMZ is expected to open in Summer 2020. The JMZ will temporarily relocate to Cubberley Community Center Auditorium during construction.
- JMZ hosted more than 184,000 visitors and reached 19,000 elementary school students through school program and field trips.
- A new dog park was built at Peers Park in Summer 2018.

Initiatives

- The Baylands Comprehensive Conservation Plan will be completed in FY 2019 to provide guidance and best practices for managing the habitat, wildlife, and recreational uses at the Baylands Nature Preserve. Conservation plans for Foothills Park, Pearson Arastradero Preserve, and Esther Clark Park began in FY 2018 to provide management guidance for these open space preserves.

- Community Services will explore funding strategies for implementation of the Parks, Trails, Natural Open Space and Recreation Master Plan.
- The Parks, Open Space and Golf Division will begin evaluating best future uses of the Baylands 10.5 acres with community input.
- Staff will work with a design consultant on 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 the Palo Alto Unified School District during the master planning process.
- The Arts and Sciences Division is working on two major initiatives: a strategic plan for the division and an assessment and implementation plan for the Stern Theatre.
- 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, 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 facility will begin, in partnership with the Friends of the JMZ who raised \$25 million, and is expected to re-open in FY 2020.
- Cubberley Artist's Studio Program (CASP) has many programs planned for the year, including open studios and hands on workshops at Cubberley Community Day.
- In FY 2019 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.

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.

COMMUNITY SERVICES

Objectives:

- Increase and diversify community involvement and volunteerism.
- Monitor cost recovery to facilitate sustainability of programs and services with a goal to maintain or increase cost recovery levels.
- 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of class registrations occurring online | 51.00% | 62.00% | 60.00% | 60.00% | 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 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent" | 78.00% | 82.00% | 81.00% | 81.00% | 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 over 4,000 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 provided. | | | | |
| Status | Palo Alto ranked 7th out of 246 jurisdictions in the 2017 National Citizen Survey 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent" | 84.00% | 87.00% | 88.00% | 88.00% | 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 provided. | | | | |
| Status | Palo Alto's ratings were higher than other cities in the survey benchmark (average ratings in all other cities). Residents' ratings ranked Palo Alto 44th of 315 jurisdictions in the 2017 National Citizen Survey . | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|--|--------------------|--------------------|--------------------|----------------------|---------------------|
| Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs | 14,494 | 14,213 | 15,500 | 15,500 | 15,500 |
| Average Enrollment in classes/camps in arts, sciences, recreation, and open space programs | 23 | 18 | 22 | 22 | 22 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration and Human Services | 3,938,106 | 4,172,215 | 3,987,583 | 4,213,867 | 226,284 | 5.7% |
| Arts and Sciences | 5,440,712 | 5,759,602 | 6,213,537 | 6,366,554 | 153,017 | 2.5% |
| Open Space, Parks and Golf | 9,004,816 | 8,942,719 | 10,479,195 | 11,775,381 | 1,296,187 | 12.4% |
| Recreation and Cubberley | 5,894,212 | 6,332,283 | 6,886,620 | 6,668,795 | (217,825) | (3.2)% |
| Total | 24,277,846 | 25,206,818 | 27,566,935 | 29,024,597 | 1,457,662 | 5.3% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 1,484,629 | 1,796,045 | 1,851,818 | 1,891,933 | 40,115 | 2.2% |
| Other Benefits | 229,568 | 201,464 | 259,224 | 255,421 | (3,802) | (1.5)% |
| Overtime | 178,845 | 200,984 | 101,795 | 104,441 | 2,647 | 2.6% |
| Pension | 1,555,993 | 1,849,667 | 1,986,661 | 2,056,481 | 69,820 | 3.5% |
| Retiree Medical | 867,301 | 949,102 | 998,502 | 909,816 | (88,685) | (8.9)% |
| Salary | 8,036,627 | 8,717,180 | 9,289,484 | 8,970,057 | (319,428) | (3.4)% |
| Workers' Compensation | 90,352 | 57,906 | 333,881 | 240,516 | (93,365) | (28.0)% |
| Total Salary & Benefits | 12,443,315 | 13,772,347 | 14,821,364 | 14,428,666 | (392,698) | (2.6)% |
| Allocated Charges | 4,451,750 | 4,660,976 | 4,765,565 | 5,207,348 | 441,783 | 9.3% |
| Contract Services | 4,748,754 | 4,109,550 | 5,173,296 | 7,497,407 | 2,324,111 | 44.9% |
| Facilities & Equipment | 85,831 | 39,646 | 63,700 | 53,700 | (10,000) | (15.7)% |
| General Expense | 1,822,763 | 1,903,230 | 2,000,802 | 1,027,451 | (973,351) | (48.6)% |
| Operating Transfers-Out | 6,990 | 6,990 | 6,990 | 110,605 | 103,615 | 1,482.3% |
| Rents & Leases | 24,176 | 11,930 | 25,505 | 25,505 | — | —% |
| Supplies & Material | 694,268 | 702,148 | 709,713 | 673,916 | (35,797) | (5.0)% |
| Total Dollars by Expense Category | 24,277,846 | 25,206,818 | 27,566,935 | 29,024,597 | 1,457,662 | 5.3% |
| Revenues | | | | | | |
| Charges for Services | 5,154,476 | 3,925,023 | 6,332,884 | 7,442,751 | 1,109,867 | 17.5% |
| Charges to Other Funds | 55,513 | 55,686 | 59,230 | 60,715 | 1,485 | 2.5% |
| From Other Agencies | 52,641 | 61,545 | — | — | — | —% |
| Other Revenue | 718,116 | 682,485 | 566,220 | 585,220 | 19,000 | 3.4% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Taxes and Fines | (5,942) | 2,521 | 1,026 | 1,026 | — | — % |
| Rental Income | 1,099,522 | 1,201,908 | 1,049,386 | 984,370 | (65,016) | (6.2)% |
| Total Revenues | 7,074,326 | 5,929,168 | 8,008,746 | 9,074,082 | 1,065,336 | 13.3% |
| Positions by Division | | | | | | |
| Administration and Human Services | 5.96 | 5.79 | 6.24 | 6.24 | — | — % |
| Arts and Sciences | 44.64 | 45.89 | 46.28 | 44.42 | (1.86) | (4.02)% |
| Open Space, Parks and Golf | 31.93 | 32.87 | 32.87 | 30.59 | (2.28) | (6.94)% |
| Recreation and Cubberley | 59.51 | 59.71 | 59.65 | 47.08 | (12.57) | (21.07)% |
| Total | 142.04 | 144.26 | 145.04 | 128.33 | (16.71) | (11.52)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 90,730 |
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | — | 83,323 |
| Assistant Director Community Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 364,853 |
| Building Serviceperson | 2.00 | 2.00 | 2.00 | 2.00 | — | 128,006 |
| Building Serviceperson-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 137,033 |
| Coordinator Recreation Programs | 4.00 | 4.00 | 4.00 | 3.00 | (1.00) | 270,565 |
| Director Community Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 206,759 |
| Division Manager Open Space, Parks and Golf | 1.00 | 1.00 | 1.00 | 1.00 | — | 157,872 |
| Heavy Equipment Operator | 0.07 | 0.07 | 0.07 | 0.07 | — | 6,877 |
| Inspector, Field Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 210,887 |
| Junior Museum & Zoo Educator | 2.75 | 2.75 | 3.60 | 3.60 | — | 290,405 |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 109,262 |
| Management Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 84,778 |
| Manager Community Services | 5.00 | 5.00 | 5.00 | 5.00 | — | 484,016 |
| Manager Community Services Senior Program | 4.00 | 4.00 | 4.00 | 4.00 | — | 475,280 |
| Manager Human Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 128,814 |

COMMUNITY SERVICES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Park Maintenance Person | 6.00 | 6.00 | 6.00 | 6.00 | — | 460,069 |
| Park Maintenance-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 88,906 |
| Park Ranger | 5.00 | 5.00 | 5.00 | 5.00 | — | 426,908 |
| Parks/Golf Crew-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 166,874 |
| Producer Arts/Science Program | 12.50 | 12.50 | 11.00 | 11.00 | — | 1,045,366 |
| Program Assistant I | 7.00 | 8.00 | 8.00 | 8.00 | — | 630,932 |
| Program Assistant II | 4.00 | 4.00 | 4.00 | 4.00 | — | 339,112 |
| Project Manager | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,126 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 137,322 |
| Sprinkler System Representative | 4.00 | 4.00 | 4.00 | 4.00 | — | 311,985 |
| Superintendent Community Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 248,976 |
| Superintendent Recreation | 1.00 | 1.00 | 1.00 | 1.00 | — | 117,790 |
| Theater Specialist | 1.00 | 1.00 | 2.00 | 2.00 | — | 209,239 |
| Sub-total: Full-Time Equivalent Positions | 77.42 | 78.42 | 78.77 | 77.77 | (1.00) | 7,424,066 |
| Temporary/Hourly | 64.62 | 65.84 | 66.27 | 50.56 | (15.71) | 2,521,592 |
| Total Positions | 142.04 | 144.26 | 145.04 | 128.33 | (16.71) | 9,945,658 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|-------------------|------------------|-------------------|
| Prior Year Budget | 145.04 | 27,566,935 | 8,008,746 | 19,558,189 |
| One-Time Prior Year Budget Adjustments | | | | |
| Aquatics Program Pilot | — | 142,617 | — | 142,617 |
| Open Space, Parks and Golf Division Maintenance | — | 80,000 | — | 80,000 |
| One-Time Prior Year Budget Adjustments | — | 222,617 | — | 222,617 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustment | — | 312,734 | — | 312,734 |
| Golf Course Revenue and Expense (CMR #8848, approved by the City Council on April 6, 2018) | — | 1,122,533 | 1,511,472 | (388,939) |
| Know Your Neighbor Grant Program (transfer from City Manager's Office, additional \$25,000) | — | 50,000 | — | 50,000 |
| Friends of the Palo Alto Children's Theatre (FOPACT) Donation to the Children's Theatre | — | 45,000 | 45,000 | — |
| Human Services Resource Allocation Program / Avenidas / PACC (consumer price index) | — | 38,227 | — | 38,227 |
| Children's Fine Arts Program and Lucie Stern Community Center Facility Rental Revenues | — | — | 34,000 | (34,000) |
| City Facilities and Parks Maintenance Service to Enterprise Funds Allocated Charges | — | — | 1,485 | (1,485) |
| General Liability Insurance Allocated Charges | — | 12,176 | — | 12,176 |
| General Liability Savings (One-time FY 2019 Savings) | — | (30,138) | — | (30,138) |
| Information Technology Allocated Charges | — | 132,836 | — | 132,836 |
| Print & Mail Allocated Charges | — | 24,815 | — | 24,815 |
| Storm Drain Allocated Charges | — | 7,289 | — | 7,289 |
| Utilities Allocated Charges | — | 254,187 | — | 254,187 |
| Vehicle Replacement & Maintenance Allocated Charges | — | 10,480 | — | 10,480 |
| Workers' Compensation Savings (One-time FY 2019 Savings) | — | (95,849) | — | (95,849) |
| Adjustments to Costs of Ongoing Activities | — | 1,884,290 | 1,591,957 | 292,333 |
| Total FY 2019 Base Budget | 145.04 | 29,673,842 | 9,600,703 | 20,073,139 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 103,615 | — | 103,615 |
| 2 Art Center Exhibition Staffing | (1.65) | 4,548 | — | 4,548 |
| 3 Reduction in Golf Course Part-Time Staffing | (0.47) | (29,300) | — | (29,300) |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|----------------|-------------------|------------------|-------------------|
| 4 Reduction in Building Operations and Parks Maintenance Part-Time Staffing | (3.27) | (147,630) | — | (147,630) |
| 5 Reduction in Community Services Administrative Operations | (0.21) | (88,240) | — | (88,240) |
| 6 Aquatics Program Adjustments | (11.11) | (492,238) | (526,621) | 34,382 |
| Total FY 2019 Budget Adjustments | (16.71) | (649,245) | (526,621) | (122,624) |
| Total FY 2019 Proposed Budget | 128.33 | 29,024,597 | 9,074,082 | 19,950,515 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 103,615 | 0 | 103,615 |

This action transfers \$103,615 from the department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the department's annual pension contribution. Contributing to the Pension Trust Fund will further 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



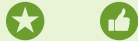
Proactively contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|----------------------------------|-----------|--------------|----------|------------------|
| 2 Art Center Exhibition Staffing | -1.65 | 4,548 | 0 | 4,548 |

This action restructures the staffing model for the Art Center's exhibition program by eliminating 1.65 Arts & Science Professional part-time positions and adding contract services funding. These positions provide assistance in the set up and removal of art exhibits. The Art Center typically hosts several exhibits annually. The artwork requires careful handling during this process, and the department has struggled to maintain staffing consistently to complete this work. It is anticipated that contract services funding will provide increased flexibility and consistent on-call resources as needed in order to meet the demands. (Ongoing costs: \$4,548)

Performance Results



This action will provide more flexibility for the Art Center staff to hire qualified contractors to handle exhibits-related tasks on time.

| | | | | |
|---|-------|----------|---|----------|
| 3 Reduction in Golf Course Part-Time Staffing | -0.47 | (29,300) | 0 | (29,300) |
|---|-------|----------|---|----------|

This action eliminates a vacant 0.47 part-time Management Specialist that operated a backhoe to fix water line breaks at the golf course. With the brand new irrigation system, the department does not anticipate needing this type of work going forward. Additionally, in April 2018, the City Council approved contract terms for a service management model with OB Sports. Through this contract all services at the golf course including management and maintenance will be addressed by the contractor. This elimination should not have an impact on the service delivery of the golf course and aligns with this new service delivery model. (Ongoing savings: \$29,300)

Performance Results



This adjustment ensures unnecessary golf course operating costs are removed without affecting the customer experience.

| | | | | |
|---|-------|-----------|---|-----------|
| 4 Reduction in Building Operations and Parks Maintenance Part-Time Staffing | -3.27 | (147,630) | 0 | (147,630) |
|---|-------|-----------|---|-----------|

This action eliminates four part-time Custodial Assistant positions (equivalent of 1.08 positions) and two part-time Building Serviceperson positions (equivalent of 0.38 positions) and four part-time Parks Maintenance Assistant positions (equivalent of 1.81 positions). These positions are assigned to various maintenance and support roles throughout the Recreation and Parks and Open Space Divisions. The Recreation Division has adjusted its service delivery model to rely more on full-time custodial staff rather than utilize all the custodial assistant positions. The reduction in part-time parks maintenance positions will result in reduced capacity to address non-urgent requests for services and increased reliance on parks maintenance contractual staff to address non-urgent maintenance needs. This is the recommended reduction in departmental resources at this time; however, the department will continue to evaluate operations and should these reductions prove detrimental, the department will re-evaluate spending priorities and bring forward alternative adjustments at that time. (Ongoing savings: \$147,630)

Performance Results



Reduction in this temporary staffing will reduce the overall cost for the Recreation and Parks and Open Space Division to deliver current services without impacting quality of services and satisfaction of customers.

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|---|-----------|--------------|----------|------------------|
| 5 Reduction in Community Services Administrative Operations | -0.21 | (88,240) | 0 | (88,240) |

This action reduces various non-salary and three part-time Recreation Leader positions (equivalent of 0.21 positions) expenses across the Community Services Department to achieve ongoing savings in operating expenses. Reductions will result in more constrained resources for general CSD administration including recreation programs administration and housekeeping funds. These reductions do not eliminate available funding for any program. Although they are not anticipated to have significant impact on service delivery, these adjustments will require a prioritization of expenses in the department. This is the recommended reduction in departmental resources at this time; however, the department will continue to evaluate options and should these reductions prove detrimental, the Department will re-evaluate spending priorities and bring forward alternative adjustments at that time. (Ongoing savings: \$88,240)

Performance Results



No significant implications to the performance of the Community Services Department are anticipated as a result of this reduction other than cost savings to deliver current services without impacting quality of services and satisfaction of customers.

| | | | | |
|--------------------------------|--------|-----------|-----------|--------|
| 6 Aquatics Program Adjustments | -11.11 | (492,238) | (526,621) | 34,382 |
|--------------------------------|--------|-----------|-----------|--------|

This action eliminates 1.0 vacant Recreation Programs Coordinator and 10.11 Swim Instructor/Lifeguard and Recreation Leader part-time positions, as well as program revenues and expenses associated with the Aquatic Program to align with the current service-delivery model. In January 2017, the City began a public-private partnership with Team Sheeper LLC (Team Sheeper) to manage the year-round Learn to Swim program. In June 2017, the City Council approved an amendment to the contract to include operational management of lap and open swim programs, as well as oversight of Rinconada Masters and Palo Alto Stanford Aquatics programs. As a result of this partnership with Team Sheeper, in-house staffing is no longer necessary. (Ongoing net costs: \$34,382)

Performance Results



These adjustments enable a more financially feasible and sustainable Aquatics program that also improves customer experience.

GOLF COURSE FINANCIALS

| | FY 2015 Actuals | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Projected | FY 2019 Proposed |
|------------------------------------|--------------------|--------------------|--------------------|----------------------|---------------------|
| REVENUES | | | | | |
| Tournament Fees | 212 | 0 | 40 | 0 | 0 |
| Green Fees | 859,660 | 0 | 0 | 569,908 | 2,281,497 |
| Monthly Play Cards | 59,250 | 0 | 0 | 0 | 0 |
| Driving Range | 292,092 | 154,322 | 227,072 | 217,168 | 393,588 |
| Cart/club Rentals | 234,556 | 0 | 1,236 | 0 | 370,781 |
| Proshop Lease | 24,601 | 18,000 | 13,175 | 10,481 | 12 |
| Restaurant Lease | 44,592 | 18,000 | 32,657 | 2,779 | 12 |
| Restaurant Utilities | 18,000 | 18,000 | 16,500 | 1,877 | 0 |
| Other Fee | 16,116 | 24,000 | 4,039 | 6,697 | 609,134 |
| Total Revenue | 1,549,080 | 232,322 | 294,719 | 808,910 | 3,655,024 |
| EXPENDITURES | | | | | |
| Operating Expenses | | | | | |
| Salaries & Benefits | 74,978 | 129,915 | 119,906 | 112,653 | 117,341 |
| Advertising & Publishing | 6,473 | 15,000 | 1,126 | 0 | 0 |
| Supplies and Materials | 1,477 | 10,000 | 27,008 | 44,309 | 0 |
| General Expense | 72 | 1,450 | 52 | 1,587,255 | 2,498,465 |
| Facilities and Equipment Purchases | 250 | 5,000 | 6,434 | 7,563 | 0 |
| Allocated Charges | 315,812 | 157,750 | 156,748 | 178,976 | 237,835 |
| Subtotal | 399,061 | 319,115 | 303,274 | 1,930,756 | 2,853,641 |
| Contract Services | | | | | |
| Golf Maintenance | 807,230 | 217,896 | 364,666 | 0 | 0 |
| Miscellaneous | 38,067 | 0 | 49,068 | 0 | 0 |
| Range Fees | 110,995 | 31,710 | 195,631 | 153,686 | 0 |
| Cart Rentals | 88,906 | 0 | 0 | 0 | 0 |
| Club Rentals | 4,804 | 0 | 0 | 0 | 0 |
| Fixed Management Fees | 349,116 | 30,500 | 30,500 | 83,669 | 108,000 |
| Contract Contingency | 0 | 4,166 | 0 | 5,412 | 26,044 |
| Subtotal | 1,399,118 | 284,272 | 639,865 | 242,767 | 134,044 |
| Total Operating Expenses | 1,798,179 | 603,387 | 943,139 | 2,173,523 | 2,987,685 |
| Income From Operations | (249,099) | (371,065) | (648,420) | (1,364,613) | 667,339 |

GOLF COURSE FINANCIALS

| | FY 2015 Actuals | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Projected | FY 2019 Proposed |
|--------------------------|--------------------|--------------------|--------------------|----------------------|---------------------|
| | | | | | |
| Debt Expenses | | | | | |
| Debt Service (Refunded) | 429,000 | 429,020 | 432,150 | 432,271 | 431,154 |
| Debt Service (New) | 0 | 0 | 0 | 0 | 181,794 |
| Subtotal | 429,000 | 429,020 | 432,150 | 432,271 | 612,948 |
| | | | | | |
| Net Income (Loss) | (678,119) | (800,085) | (1,080,570) | (1,796,884) | 54,391 |

*The Golf Course was closed during FY2017 due to renovation.

**The renovated Golf Course is scheduled to open in May 2018 under new management.

HUMAN SERVICE CONTRACTS

| Human Services Contracts | FY 2018 Adopted | FY 2018 Agency Award | FY 2019 Base Budget | FY 2019 Agency Requests | FY 2019 Proposed Budget |
|---|--------------------|----------------------------|------------------------|-------------------------------|-------------------------------|
| EXPENDITURE CATEGORY | | | | | |
| Avenidas - Senior Services ¹ | 477,341 | 477,341 | 477,341 | 477,341 | 489,274 |
| PACCC - Child Care Subsidy and Outreach ¹ | 483,592 | 483,592 | 483,592 | 483,592 | 495,682 |
| Sole Source Contractors Subtotal | 960,933 | 960,933 | 960,933 | 960,933 | 984,956 |
| HUMAN SERVICES RESOURCE ALLOCATION PROCESS² | | | | | |
| Abilities United | 44,691 | 44,691 | 44,691 | 51,725 | 45,808 |
| Adolescent Counseling Services (Outlet Program) | 10,250 | 10,250 | 10,250 | 22,183 | 10,506 |
| Community Working Group | 0 | 30,000 | 30,000 | 84,000 | 30,750 |
| Counseling and Support Services for Youth (CASSY) | 0 | 35,000 | 35,000 | 50,000 | 35,875 |
| Downtown Streets Team | 39,972 | 74,572 | 74,572 | 74,572 | 76,436 |
| DreamCatchers | 13,609 | 23,609 | 23,609 | 25,000 | 24,199 |
| KARA | 8,565 | 18,565 | 18,565 | 30,000 | 19,029 |
| LifeMoves (formerly InnVision Shelter Network) | 35,257 | 35,257 | 35,257 | 35,000 | 36,138 |
| La Comida de California | 36,372 | 36,372 | 36,372 | 36,533 | 37,281 |
| MayView Community Health Center | 26,990 | 26,990 | 26,990 | 32,000 | 27,665 |
| Momentum for Mental Health | 34,724 | 44,724 | 44,724 | 76,932 | 45,842 |
| Palo Alto Housing Corporation | 20,001 | 20,001 | 20,001 | 41,600 | 20,501 |
| Partners & Advocates for Remarkable Children & Adults (PARCA) | 0 | 10,959 | 10,959 | 13,000 | 11,233 |
| Peninsula HealthCare Connection Inc | 29,684 | 29,684 | 29,684 | 31,000 | 30,426 |
| Senior Adults Legal Assistance | 14,401 | 14,401 | 14,401 | 15,400 | 14,761 |
| Vista Center for the Blind & Visually Impaired | 11,475 | 26,475 | 26,475 | 31,500 | 27,137 |
| Youth Community Service | 21,663 | 21,663 | 21,663 | 30,000 | 22,205 |
| Two-Year Contractors Subtotal | 347,654 | 503,213 | 503,213 | 680,445 | 515,793 |
| Amount Yet to Be Allocated ³ | 155,559 | 0 | 0 | 0 | 0 |
| TOTAL | 1,464,146 | 1,464,146 | 1,464,146 | 1,641,378 | 1,500,749 |
| HSRAP Emerging Needs Fund⁴ | 50,000 | 0 | 0 | 0 | 50,000 |

Human Service Contracts Notes:

1. Not part of the Human Services Resource Allocation Process.
2. Human Services Resource Allocation Process (HSRAP) contracts are requested as part of a two-year cycle, and once approved, the agencies receive the same level of funding across each year of the cycle. The Agency Request amounts reflect the request made for each year.
3. Council approved the allocation of remaining \$155,559 from the FY2018 Adopted Budget at the November 7, 2017 meeting. For details, refer to CMR 8581.
4. Funding is displayed as part of the Non-Departmental section of this document.

DEVELOPMENT SERVICES

Mission Statement



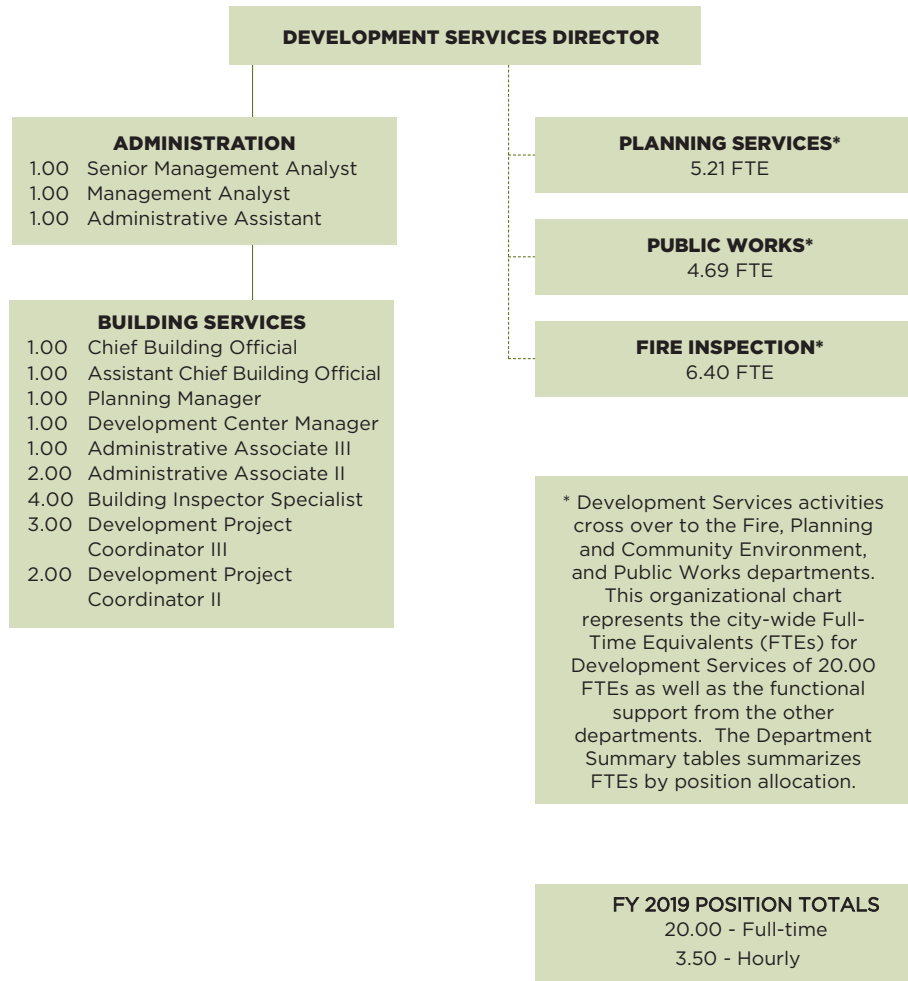
The mission of the Development Services Department is to work collaboratively with other departments to provide citizens, business owners, developers, and applicants reliable and predictable expectations in the review, permitting, and inspection of development projects that meet the minimum municipal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



Purpose

The Development Services Department ensures all private construction complies with a set of requirements 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

Provides priority setting, strategic planning, personnel, contract, budget, and project management support; liaises with other departments and outside stakeholders; and manages and monitors performance metrics to measure progress.

PROJECT COORDINATION

Serve as primary point of contact for customers and staff members of subsequent divisions from project inception to completion by providing administration, assembling multi-disciplinary teams, providing early project assistance, project completeness checks, project review and project approval.

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, the building division ensures that construction complies with the approved plans and adopted codes.

PLANNING

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

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 of 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 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. Staff performs 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 applicable laws.

Accomplishments

- Launched a new Energy Reach Code demonstrating leadership in the energy efficiency space for new construction.
- Received approval from City Council to refer the Seismic Risk Study to Policy and Services Committee to review the scope of structures that are at seismic risk and whether to require mandatory or voluntary retrofit.
- Partnered with Utilities department to expedite Electric Hot Water Heat Pump permitting process to advance City's sustainability goals.
- Received City Council approval on a new fee study schedule to base building permit fees on the International Code Council Building Valuation Tables instead of the project valuation received from the applicant and implemented a new reserve fund.
- Obtained City Council approved for new Electric Vehicle Charging Station ordinance for expedited residential permits in compliance with Assembly Bill 1236 and developed new submittal guidelines for residential permits to comply with ordinance.
- Generated Energy Storage Systems permit submittal guidelines for new generation of ion lithium battery back-up power systems, e.g. Tesla Powerwall 2, through a collaborative effort of meetings with the battery power system vendors.
- Developed an Electronic Plan Review (EPR) task force to review possible vendors for the selection of EPR software to be used for department and future city-wide submittal of plans electronically thereby reducing paper production and further streamlining the plan review process.
- Implemented Right of Way notification system which allows residents to monitor construction activity in city streets.
- Launched the automated expired permit notification system in Accela to inform applicants when the building permit expires.
- Continued 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.

- Continued enforcement of the Green Building and Energy Ordinance reflecting building code changes for the 2019 code cycle.
- Finalized American with Disabilities (ADA) Transition Plan with interdepartmental stakeholders to advance implementation plan.
- Completed solicitation for new Green Building Special Inspectors contractors to ensure City's enforcement of ordinances and regulations are resourced adequately.

Initiatives

- Implement the City's sustainability goals by codifying the Green Building Summit's recommendations into 2019 Building Code cycle update and continue to support the Office of Sustainability with the Sustainability Implementation Plan.
- Advance the City's resiliency goals by advancing the seismic risk management study to Policy and Service Committee and collaborate with Office of Emergency Services on emergency preparedness plans related to building safety.
- Further budget and administration goals by monitoring the impacts of the Fiscal Year 2018 fee study implementation and continue to provide predictable and timely service to customers by reducing reliance on the General Fund through creating an Enterprise Fund.
- Advance the technology and innovation goals by continue to monitor and advance the performance metrics dashboard; implementing the electronic plan submittal project; and supporting the Right of Way notification system; while maintaining ongoing daily system and process enhancements to the department's software system, Accela.
- Accelerate transparency and predictability by standardizing customer forms, ensure website has current materials and is easy to navigate, and evaluate customer queuing and appointment reservation software for the Development Center.
- Promote department's operational excellence goal through the matrix management structure by increasing workforce development training focused on soft and technical skills; securing the Insurance Services Office top rating, and updating policy and procedures for financial and operational management.

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.

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 collaborate with 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Average number of days between permit issuance and temporary occupancy or final inspection | 135.00 | 161.00 | 130.00 | 165.00 | 148.00 |
| 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 | This measure is impacted by fluctuations in staffing levels, training of new staff with the City's unique codes and the implementation of additional Green Building and Energy requirements. In Fiscal Year 2017 management predicted a lower number of days for Fiscal Year 2018 due to anticipated implementation of Electronic Plan Check (EPC) and forecasts associated with staffing. However EPC did not launch and recruitment and retention of staff continue to be a challenge. Based on current data, management is estimating 165 days for Fiscal Year 2018. This is a 4 days increase compared to Fiscal Year 2017. For Fiscal Year 2019 management obtained 148 days using the average from Fiscal Year 2014 through 2017. Management believes aiming toward 150 days or less is an important target for the department. Additionally, key vacancies have been filled and management anticipates that EPC will be launched in Fiscal Year 2019. | | | | |

DEVELOPMENT SERVICES

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 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 | Development Services Department currently holds a Class 1 rating. 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. In the first quarter of calendar year 2018 the application for renewal with the Insurance Service Office (ISO) was initiated and at the time of publication of this document the findings are under review. Development Services Department continues to implement staff training, certifications, public awareness and outreach programs. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of permits initiated within a given period where all department reviews are completed | 77.00% | 69.00% | 80.00% | 70.00% | 71.00% |
| 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 | This performance measure is dependent on department plan review staff and contractors and implementation of process improvement technologies. In FY17 staffing level predictions for FY18 were positive and therefore management projected an increase in plan review completed on time. Additionally, management thought that the Electronic Plan Check (EPC) project would be implemented. As the Department looks to FY19, given the turnover in staff and contractors as well as the delayed roll out of EPC, management is realigning the projection. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of permits that are reviewed and approved by all necessary departments over-the-counter. | 65.00% | 61.00% | 69.00% | 64.00% | 64.00% |
| 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 | While the department continues to make improvements, the ability to issue permits over the counter is a function of every division and supporting department being able to review and approve (with or without corrections). Maintaining staffing levels continues to impact the ability to improve this measure. Until departments come to full staffing, Development Services anticipates slower progress in the ability to process permits OTC. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of building permit applications | 3,978 | 3,709 | 3,600 | 3,934 | 3,895 |
| Number of building permits issued | 3,137 | 2,970 | 3,100 | 3,004 | 3,394 |
| Fire permit inspections | 2,815 | 2,873 | 2,500 | 2,424 | 2,179 |
| Number of walk-in customer interactions | 23,457 | 22,107 | 21,860 | 21,402 | 22,782 |
| Number of building inspections | 31,158 | 25,206 | 29,550 | 30,606 | 28,182 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|----------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 2,398,193 | 2,122,416 | 2,593,471 | 3,003,908 | 410,436 | 15.8% |
| Building | 4,513,057 | 5,013,066 | 5,524,855 | 5,036,724 | (488,131) | (8.8)% |
| Fire | 1,935,955 | 2,103,697 | 2,196,300 | 2,295,830 | 99,530 | 4.5% |
| GIS | (2,029) | — | — | — | — | —% |
| Green Building | 346,302 | 398,807 | 304,000 | 304,000 | — | —% |
| Planning | 616,486 | 673,351 | 758,018 | 761,947 | 3,929 | 0.5% |
| Public Works | 856,944 | 702,207 | 1,162,966 | 1,227,354 | 64,388 | 5.5% |
| Total | 10,664,909 | 11,013,544 | 12,539,610 | 12,629,763 | 90,152 | 0.7% |

Dollars by Category

Salary & Benefits

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|----------------|-------------|
| Healthcare | 525,922 | 617,830 | 723,352 | 731,326 | 7,974 | 1.1% |
| Other Benefits | 90,467 | 94,323 | 114,257 | 118,943 | 4,686 | 4.1% |
| Overtime | 317,769 | 301,415 | 47,500 | 48,735 | 1,235 | 2.6% |
| Pension | 1,004,236 | 1,161,183 | 1,273,390 | 1,366,318 | 92,928 | 7.3% |
| Retiree Medical | 353,758 | 387,121 | 407,271 | 316,495 | (90,775) | (22.3)% |
| Salary | 3,299,985 | 3,654,628 | 4,293,217 | 4,477,827 | 184,610 | 4.3% |
| Workers' Compensation | 398 | 1,666 | 142,533 | 102,678 | (39,855) | (28.0)% |
| Total Salary & Benefits | 5,592,534 | 6,218,166 | 7,001,520 | 7,162,323 | 160,803 | 2.3% |
| Allocated Charges | 813,783 | 824,903 | 1,014,339 | 1,310,208 | 295,870 | 29.2% |
| Contract Services | 2,812,040 | 2,779,956 | 2,989,039 | 2,439,039 | (550,000) | (18.4)% |
| Facilities & Equipment | 28,638 | 3,269 | 3,800 | 3,800 | — | —% |
| General Expense | 353,934 | 255,136 | 419,210 | 410,730 | (8,480) | (2.0)% |
| Operating Transfers-Out | — | — | — | 68,313 | 68,313 | —% |
| Rents & Leases | 1,028,212 | 905,229 | 1,081,577 | 1,205,224 | 123,647 | 11.4% |
| Supplies & Material | 35,768 | 26,885 | 30,126 | 30,126 | — | —% |
| Total Dollars by Expense Category | 10,664,909 | 11,013,544 | 12,539,610 | 12,629,763 | 90,152 | 0.7% |

Revenues

| | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|--------|------|
| Charges for Services | 6,339,627 | 6,359,213 | 7,498,861 | 7,538,797 | 39,936 | 0.5% |
| Charges to Other Funds | 43,567 | 126,868 | 21,797 | 21,797 | — | —% |

DEVELOPMENT SERVICES

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | 1,636 | 1,597 | — | — | — | —% |
| Other Taxes and Fines | 8,500 | 7,500 | 4,247 | 5,247 | 1,000 | 23.5% |
| Permits and Licenses | 6,222,505 | 5,399,230 | 6,896,341 | 6,917,514 | 21,173 | 0.3% |
| Utility Users Tax | — | 2 | — | — | — | —% |
| Total Revenues | 12,615,834 | 11,894,410 | 14,421,246 | 14,483,355 | 62,109 | 0.4% |

Positions by Division

| | | | | | | |
|----------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Administration | 4.25 | 5.21 | 5.21 | 5.26 | 0.05 | 0.96% |
| Building | 18.17 | 17.21 | 17.81 | 17.28 | (0.53) | (2.98)% |
| Fire | 9.23 | 7.08 | 7.08 | 6.88 | (0.20) | (2.82)% |
| Planning | 5.69 | 5.69 | 5.09 | 5.09 | — | —% |
| Public Works | 5.36 | 4.72 | 4.81 | 5.50 | 0.69 | 14.35% |
| Total | 42.70 | 39.91 | 40.00 | 40.01 | 0.01 | 0.03% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 80,870 |
| Administrative Associate II | 3.02 | 3.00 | 3.00 | 2.80 | (0.20) | 211,450 |
| Administrative Associate III | 1.01 | 1.00 | 1.00 | 1.00 | — | 83,323 |
| Assistant Chief Building Official | 1.00 | 1.00 | 1.00 | 1.00 | — | 119,413 |
| Assistant Director Public Works | 0.02 | — | — | — | — | — |
| Associate Engineer | 0.16 | 0.02 | 0.02 | 0.02 | — | 2,321 |
| Associate Planner | 0.90 | 0.90 | 0.90 | 0.90 | — | 97,302 |
| Building Inspector Specialist | 4.00 | 4.00 | 4.00 | 4.00 | — | 466,150 |
| Building/Planning Technician | 1.80 | 2.30 | 2.30 | 2.30 | — | 201,670 |
| Chief Building Official | 1.00 | 1.00 | 1.00 | 1.00 | — | 170,830 |
| Chief Planning Official | 0.20 | — | — | 0.01 | 0.01 | 1,542 |
| Code Enforcement Officer | 0.40 | 0.40 | 0.40 | 0.40 | — | 41,941 |
| Code Enforcement-Lead | 0.20 | 0.20 | 0.20 | 0.20 | — | 22,440 |
| Deputy Chief/Fire Marshal | 0.85 | 0.80 | 0.80 | 0.80 | — | 154,220 |
| Development Project Coordinator II | 2.00 | 2.00 | 2.00 | 2.00 | — | 190,600 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Development Project Coordinator III | 3.00 | 3.00 | 3.00 | 3.00 | — | 315,252 |
| Development Services Director | 1.00 | 1.00 | 1.00 | 1.00 | — | 216,969 |
| Engineer | 0.62 | 0.64 | 0.64 | 0.64 | — | 83,632 |
| Engineering Technician III | 2.10 | 1.78 | 1.78 | 1.78 | — | 173,926 |
| Fire Fighter | 1.00 | — | — | — | — | — |
| Fire Inspector | 4.00 | 3.20 | 3.20 | 3.20 | — | 518,835 |
| Hazardous Materials Inspector | 1.90 | 1.60 | 1.60 | 1.60 | — | 259,418 |
| Industrial Waste Inspector | 0.01 | 0.01 | 0.01 | 0.01 | — | 966 |
| Industrial Waste Investigator | 0.21 | 0.35 | 0.35 | 0.35 | — | 37,980 |
| Inspector, Field Services | 0.70 | 0.68 | 0.68 | 0.68 | — | 71,702 |
| Landscape Architect Park Planner | — | — | — | 0.50 | 0.50 | 58,947 |
| Management Analyst | 1.01 | 1.01 | 1.01 | 1.01 | — | 102,026 |
| Manager Development Center | 1.00 | 1.00 | 1.00 | 1.00 | — | 129,230 |
| Manager Environmental Control Program | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,251 |
| Manager Planning | 2.00 | 2.00 | 2.00 | 2.00 | — | 278,034 |
| Manager Urban Forestry | 0.04 | 0.04 | 0.04 | 0.04 | — | 5,821 |
| Manager Watershed Protection | 0.05 | — | — | — | — | — |
| Planner | 0.25 | 0.17 | 0.17 | 0.15 | (0.02) | 16,889 |
| Planning Arborist | 0.25 | 0.25 | 0.29 | — | (0.29) | — |
| Project Engineer | 0.13 | 0.03 | 0.03 | 0.03 | — | 4,219 |
| Project Manager | 0.07 | 0.07 | — | — | — | — |
| Senior Engineer | 0.68 | 0.46 | 0.46 | 0.46 | — | 72,915 |
| Senior Industrial Waste Investigator | 0.01 | 0.01 | 0.01 | 0.01 | — | 1,160 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 146,390 |
| Senior Planner | 0.36 | 0.24 | 0.24 | 0.25 | 0.01 | 31,857 |
| Supervisor Inspection and Surveying | 0.27 | 0.27 | 0.27 | 0.27 | — | 33,881 |
| Sub-total: Full-Time Equivalent Positions | 39.32 | 36.53 | 36.50 | 36.51 | 0.01 | 4,415,372 |
| Temporary/Hourly | 3.38 | 3.38 | 3.50 | 3.50 | — | 226,496 |
| Total Positions | 42.70 | 39.91 | 40.00 | 40.01 | 0.01 | 4,641,868 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|--------------|-------------------|-------------------|--------------------|
| Prior Year Budget | 40.00 | 12,539,610 | 14,421,246 | (1,881,636) |
| Base Adjustments | | | | |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 172,239 | — | 172,239 |
| Rents & Leases Expenditure (New office space lease at 526 Bryant St) | — | 123,647 | — | 123,647 |
| Fire Division Technical Adjustments (Phone service expenses; fire permit and penalty revenues) | — | 2,700 | 16,713 | (14,013) |
| Muni Fee for Private Development Right of Way Software App Maintenance | — | — | 5,460 | (5,460) |
| Custodial Contract Funding (Removal of old custodial contract funding) | — | (11,690) | — | (11,690) |
| Permitting System Technical Support Contract Reallocation | — | (250,000) | — | (250,000) |
| Expenditure Alignment with Revenues | — | (300,000) | — | (300,000) |
| General Liability Insurance Allocated Charges | — | 19,454 | — | 19,454 |
| General Liability Savings (One-time FY 2019 Savings) | — | (13,856) | — | (13,856) |
| Information Technology Allocated Charges | — | 268,292 | — | 268,292 |
| Print & Mail Allocated Charges | — | 18,543 | — | 18,543 |
| Vehicle Replacement & Maintenance Allocated Charges | — | 3,436 | — | 3,436 |
| Workers' Compensation Savings (One-time FY 2019 Savings) | — | (40,919) | — | (40,919) |
| Adjustments to Costs of Ongoing Activities | — | (8,153) | 22,173 | (30,326) |
| Total FY 2019 Base Budget | 40.00 | 12,531,457 | 14,443,419 | (1,911,962) |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 68,313 | — | 68,313 |
| 2 Landscape Architectural Review Fee and Staffing | 0.21 | 51,644 | 39,936 | 11,708 |
| 3 Planning Division Staffing Realignment | — | (1,518) | — | (1,518) |
| 4 Fire Division Staffing Realignment | (0.20) | (20,132) | — | (20,132) |
| Total Budget Adjustments | 0.01 | 98,307 | 39,936 | 58,371 |
| Total FY 2019 Adopted Budget | 40.01 | 12,629,763 | 14,483,355 | (1,853,592) |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 68,313 | 0 | 68,313 |

This action transfers \$68,313 from the department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|------|--------|--------|--------|
| 2 Landscape Architectural Review Fee and Staffing | 0.21 | 51,644 | 39,936 | 11,708 |
|---|------|--------|--------|--------|

This action establishes a new landscape architectural review fee to meet the state landscape review requirements, as detailed in the Staff Report 6452 approved by the City Council on January 19, 2016. An interdepartmental review found that performing reviews for this new fee requires staff at the Landscape Architect classification. As such, the requested actions also include adding 0.5 Landscape Architect and deleting 0.29 Planning Arborist within the Public Works Division of the Development Services Department. (Ongoing net costs: \$11,708)

Performance Results



This action will ensure new state requirements for landscape architecture reviews are implemented.

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 3 Planning Division Staffing Realignment | 0.00 | (1,518) | 0 | (1,518) |

This net-zero action aligns the Planning and Community Environment staffing and funding based on activities in the Planning Division within the Development Services Department. Realignment consists of an increase of 0.01 FTE each for a Chief Planning Official and Senior Planner, offset by a decrease of 0.02 FTE for a Planner position that is being shifted to the Planning and Community Environment Department. (Ongoing net savings: \$1,517)

Performance Results



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

| | | | | |
|--------------------------------------|-------|----------|---|----------|
| 4 Fire Division Staffing Realignment | -0.20 | (20,132) | 0 | (20,132) |
|--------------------------------------|-------|----------|---|----------|

This net-zero action aligns staffing, funding, and revenues associated with Fire permitting activity based on activities in both the Fire Department (Fire) and the Fire Prevention Division within the Development Services Department (DSD) by reallocating 0.20 Administrative Assistant from DSD to Fire. (Ongoing net savings: \$20,131)

Performance Results



This action will ensure that costs for Fire activities are aligned with the work being performed.

FIRE

Mission Statement

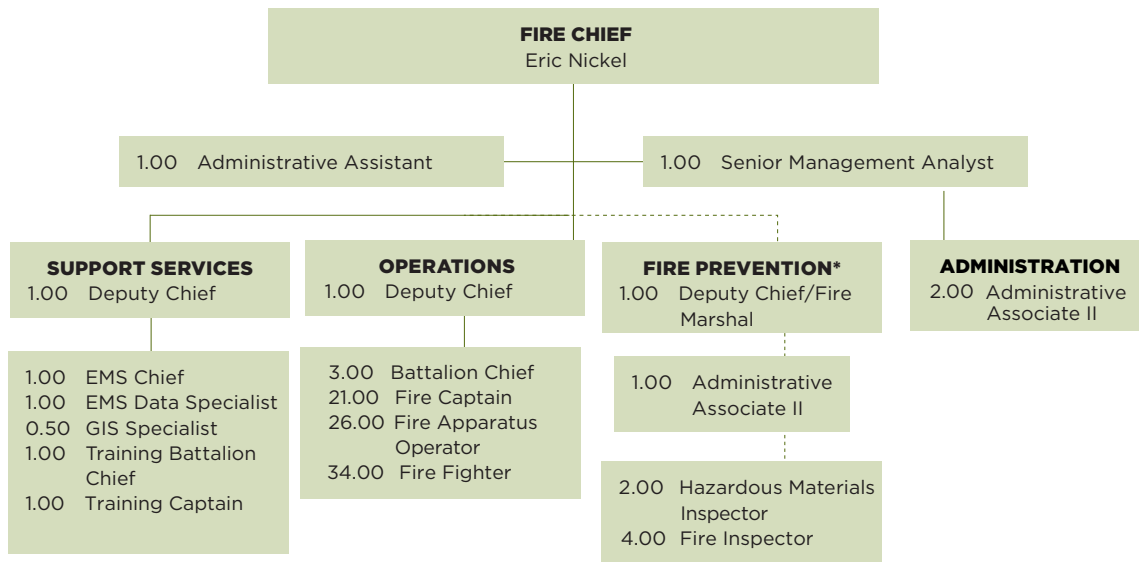


We are a professional team of men and women dedicated to safeguarding and enriching the lives of anyone, anytime, anywhere with compassion and pride.

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 2019 POSITION TOTALS

103.70 - 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 155 fire incidents in Fiscal Year 2017 with 89% of responses in 8 minutes.
- Responded to 5,567 medical/rescue calls in Fiscal Year 2017; 99% of paramedic calls for service were responded to within 12 minutes and 94% of emergency medical calls within 8 minutes.
- Began a more detailed data collection method for tracking Fire Inspection and conducted 5,476 Fire Inspections in Fiscal Year 2017.
- EMS revenue totaled approximately \$3.1 million in Fiscal Year 2017.
- Sustained public outreach efforts, providing a total of 105 events in Fiscal Year 2017.
- Completed second phase of the accreditation self-assessment process; the Department is on track to become accredited in calendar year 2018.
- Successfully completed 18 months meet and confer process reaching agreement with local International Association of Firefighters (IAFF) labor group on deployment changes.
- Implemented new deployment model designed to more efficiently meet the needs of the community by shifting resources to meet the daily demands on the system.

- Reached tentative agreement with Stanford University on Fire Services Contract and continue to finalize the terms of a long term contract.
- Hired and successfully graduated 4 firefighters in the Santa Clara Joint Fire Academy.
- Collected Community Health Needs Assessment data, completed focus groups, and reviewed draft report.
- Secured reserve ladder truck with significant savings through collaborative regional partnerships.
- Upgraded important software systems allowing for more reliance on electronic records and processes, increasing efficiency, and improving record keeping.

Initiatives

- Create a comprehensive department succession program as more than half of the Department will be eligible to retire within the next five years. This will include regularly scheduled promotional and acting exams, creation of a career development guide, and increased training.
- Present self-assessment and peer evaluation results at the Public Safety Excellence Conference in order to obtain certification as an Accredited Fire Agency.
- Support efforts to modernize and replace essential public safety facilities and equipment.
- Evaluate community and public health risks and explore evidence-based prevention programs to reduce those risks.

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 per 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of responses to EMS calls within 8 minutes | 92.00% | 94.00% | 90.00% | 92.00% | 92.00% |
| 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 | 89.00% | 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 FY 2017, the Fire Department responded to 99 percent of paramedic calls for service within 12 minutes and responded to 94 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. The Department is in the process of completing International Accreditation and is actively exploring ways to reduce 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of fires contained to the room or area of origin. | 71.00% | 85.00% | 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 FY 2017, the Department limited 85 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. In the cases where the fires were not contained, 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 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% | 87.00% | 85.00% | 85.00% | 85.00% |
| Percent of surveyed residents rating ambulance/EMS services good or excellent | 96.00% | 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of ambulance transports | 3,842 | 3,735 | 3,800 | 3,800 | 3,800 |
| Fire calls average response time (Target: 6:00 Minutes) | 5:06 | 5:32 | 5:25 | 5:25 | 5:25 |
| Medical/rescue calls average response time (Target: 6:00 Minutes) | 6:37 | 4:50 | 5:30 | 5:30 | 5:00 |
| Number of fire calls for service | 150 | 155 | 150 | 150 | 150 |
| Number of medical/rescue calls for service | 5,356 | 5,567 | 5,400 | 5,400 | 5,400 |
| Number of all other calls for service | 3,376 | 3,586 | 3,350 | 3,550 | 3,550 |
| Total number of calls for service | 8,882 | 9,153 | 8,900 | 9,200 | 9,200 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 2,081,753 | 1,845,573 | 1,606,088 | 2,505,528 | 899,440 | 56.0% |
| Emergency Response | 23,895,813 | 27,640,110 | 28,064,815 | 28,295,304 | 230,489 | 0.8% |
| Environmental Safety Management | 168,475 | 151,643 | 181,549 | 542,730 | 361,182 | 198.9% |
| Records and Information Management | 399,836 | 319,621 | 348,496 | — | (348,496) | (100.0)% |
| Training and Personnel | 1,006,042 | 1,573,207 | 1,573,198 | 787,802 | (785,396) | (49.9)% |
| Total | 27,551,919 | 31,530,153 | 31,774,145 | 32,131,365 | 357,220 | 1.1% |

Dollars by Category

Salary & Benefits

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|----------------|-------------|
| Healthcare | 1,900,382 | 1,953,781 | 2,250,001 | 2,212,683 | (37,318) | (1.7)% |
| Other Benefits | 315,685 | 273,687 | 295,753 | 294,432 | (1,321) | (0.4)% |
| Overtime | 2,595,138 | 3,247,813 | 1,396,436 | 1,911,761 | 515,325 | 36.9% |
| Pension | 4,276,724 | 5,561,510 | 5,856,769 | 6,130,579 | 273,809 | 4.7% |
| Retiree Medical | 2,034,464 | 2,433,065 | 2,559,706 | 2,223,229 | (336,477) | (13.1)% |
| Salary | 11,197,348 | 13,058,645 | 13,745,200 | 13,749,644 | 4,445 | —% |
| Workers' Compensation | 852,598 | 628,234 | 1,046,143 | 753,623 | (292,520) | (28.0)% |
| Total Salary & Benefits | 23,172,338 | 27,156,736 | 27,150,008 | 27,275,951 | 125,943 | 0.5% |
| Allocated Charges | 3,132,327 | 2,911,801 | 2,903,714 | 3,067,841 | 164,127 | 5.7% |
| Contract Services | 453,343 | 456,381 | 645,325 | 472,000 | (173,325) | (26.9)% |
| Facilities & Equipment | 162,882 | 122,332 | 196,700 | 246,523 | 49,823 | 25.3% |
| General Expense | 197,479 | 447,164 | 426,722 | 289,800 | (136,922) | (32.1)% |
| Operating Transfers-Out | — | — | — | 306,850 | 306,850 | —% |
| Rents & Leases | — | 144 | — | — | — | —% |
| Supplies & Material | 433,549 | 435,596 | 451,676 | 472,400 | 20,724 | 4.6% |
| Total Dollars by Expense Category | 27,551,919 | 31,530,153 | 31,774,145 | 32,131,365 | 357,220 | 1.1% |

Revenues

| | | | | | | |
|------------------------|-----------|-----------|-----------|------------|-----------|---------|
| Charges for Services | 9,888,335 | 9,277,851 | 9,970,718 | 10,170,642 | 199,924 | 2.0% |
| Charges to Other Funds | 168,222 | 163,386 | 161,322 | 163,605 | 2,283 | 1.4% |
| From Other Agencies | 155,857 | 547,601 | 397,000 | 70,000 | (327,000) | (82.4)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | 569,022 | (52,082) | 57,000 | 282,000 | 225,000 | 394.7% |
| Other Taxes and Fines | — | — | 1,000 | — | (1,000) | (100.0)% |
| Permits and Licenses | 1,436 | — | 15,713 | — | (15,713) | (100.0)% |
| Total Revenues | 10,782,872 | 9,936,756 | 10,602,753 | 10,686,247 | 83,494 | 0.8% |

Positions by Division

| | | | | | | |
|---------------------------------------|---------------|---------------|---------------|--------------|----------------|----------------|
| Administration | 3.00 | 3.00 | 3.00 | 5.68 | 2.68 | 89.33% |
| Emergency Response | 99.07 | 99.07 | 99.07 | 89.57 | (9.50) | (9.59)% |
| Environmental Safety Management | 0.48 | 0.48 | 0.48 | 1.15 | 0.67 | 139.58% |
| Records and Information Management | 1.50 | 1.50 | 1.50 | — | (1.50) | (100.00)% |
| Training and Personnel | 3.00 | 5.15 | 5.15 | 2.00 | (3.15) | (61.17)% |
| Total | 107.05 | 109.20 | 109.20 | 98.40 | (10.80) | (9.89)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| 40-Hour Training Battalion Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 182,270 |
| 40-Hour Training Captain | 1.00 | 1.00 | 1.00 | 1.00 | — | 162,136 |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 81,141 |
| Administrative Associate II | 2.00 | 2.00 | 2.00 | 2.20 | 0.20 | 171,015 |
| Battalion Chief | 3.00 | 3.00 | 3.00 | 3.00 | — | 515,861 |
| Business Analyst | 0.80 | 0.80 | 0.80 | 0.80 | — | 122,187 |
| Deputy Chief/Fire Marshal | — | 0.05 | 0.05 | 0.05 | — | 9,639 |
| Deputy Director Technical Services Division | 0.20 | 0.20 | 0.20 | 0.20 | — | 39,924 |
| Deputy Fire Chief | 2.00 | 2.00 | 2.00 | 2.00 | — | 418,288 |
| Emergency Medical Service Director | 1.00 | 1.00 | 1.00 | 1.00 | — | 155,043 |
| Emergency Medical Services Data Specialist | 1.00 | 1.00 | 1.00 | 1.00 | — | 83,323 |
| Fire Apparatus Operator | 30.00 | 30.00 | 30.00 | 26.00 | (4.00) | 3,684,210 |
| Fire Captain | 21.00 | 21.00 | 21.00 | 21.00 | — | 3,295,685 |
| Fire Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 253,592 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Fire Fighter | 40.00 | 41.00 | 41.00 | 34.00 | (7.00) | 4,451,381 |
| Fire Inspector | — | 0.80 | 0.80 | 0.80 | — | 129,709 |
| Geographic Information System Specialist | 0.50 | 0.50 | 0.50 | 0.50 | — | 64,109 |
| Hazardous Materials Inspector | — | 0.30 | 0.30 | 0.30 | — | 48,641 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 143,915 |
| Sub-total: Full-Time Equivalent Positions | 106.50 | 108.65 | 108.65 | 97.85 | (10.80) | 14,012,067 |
| Temporary/Hourly | 0.55 | 0.55 | 0.55 | 0.55 | — | 54,031 |
| Total Positions | 107.05 | 109.20 | 109.20 | 98.40 | (10.80) | 14,066,098 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|----------------|-------------------|-------------------|-------------------|
| Prior Year Budget | 109.20 | 31,774,145 | 10,602,753 | 21,171,392 |
| One-Time Prior Year Budget Adjustments | | | | |
| Medical Gurney Replacement and Cardiac Monitor Warranty | — | (126,000) | — | (126,000) |
| Fire Hydrant Maintenance Program (reassign to Public Works) | — | (125,000) | — | (125,000) |
| International Accreditation Phase III | — | (50,000) | — | (50,000) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 63,298 | — | 63,298 |
| One-Time Prior Year Budget Adjustments | — | (237,702) | — | (237,702) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 2,075,624 | — | 2,075,624 |
| Stanford Fire Deployment Changes (CMR #8530) | (11.00) | (1,668,484) | — | (1,668,484) |
| Stanford Emergency Fire Services Revenue Adjustment (align with current negotiations, net \$6.5 million) | — | — | 270,924 | (270,924) |
| Fire Hydrant Maintenance Program (transfer from Public Works) | — | 79,000 | — | 79,000 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 33,000 | — | 33,000 |
| Medical Transport Reimbursement/Revenue from Other Agencies | — | (115,000) | (173,000) | 58,000 |
| Revenue Alignment | — | — | 2,283 | (2,283) |
| General Liability Insurance Allocated Charges | — | 41,888 | — | 41,888 |
| Information Technology Allocated Charges | — | 112,652 | — | 112,652 |
| Information Technology Allocated Charges Reallocation (Fire to OES) | — | (46,960) | — | (46,960) |
| Print & Mail Allocated Charges | — | (1,266) | — | (1,266) |
| Utilities Allocated Charges | — | 6,905 | — | 6,905 |
| Vehicle Equipment Maintenance Allocated Charges | — | 17,445 | — | 17,445 |
| General Liability Savings (one-time FY 2019 Savings) | — | (29,835) | — | (29,835) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (300,329) | — | (300,329) |
| Adjustments to Costs of Ongoing Activities | (11.00) | 204,641 | 100,207 | 104,433 |
| Total FY 2019 Base Budget | 98.20 | 31,741,084 | 10,702,960 | 21,038,123 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|--------------|-------------------|-------------------|-------------------|
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 306,850 | — | 306,850 |
| 2 Firefighter New Hire Costs | — | 46,000 | — | 46,000 |
| 3 Firefighter Promotional Exams | — | 20,000 | — | 20,000 |
| 4 Reallocation from Development Services | 0.20 | 17,431 | (16,713) | 34,144 |
| Total Budget Adjustments | 0.20 | 390,281 | (16,713) | 406,994 |
| Total FY 2019 Proposed Budget | 98.40 | 32,131,365 | 10,686,247 | 21,445,117 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 306,850 | 0 | 306,850 |

This action transfers \$306,850 from the Fire Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Fire Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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

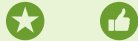
Proactively contributing to a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|------------------------------|-----------|--------------|----------|------------------|
| 2 Firefighter New Hire Costs | 0.00 | 46,000 | 0 | 46,000 |

This action adds \$46,000 in one-time funding for the anticipated recruitment and on-boarding of five (5) Firefighter personnel. Funding will be used for background checks, uniforms including full personal protective equipment, and Joint Fire Academy (JFA) fees. During FY 2018 the department hired four entry level Firefighters and anticipates further retirements during FY 2019 resulting in the need for these resources. The Department will continue to evaluate recruitment needs in future budget cycles as part of succession planning efforts to address the fifty percent of shift staff that will become eligible for retirement over the next five years. (Ongoing Costs: \$0)

Performance Results



This action provides the training and equipment necessary for new hires to transition to sworn Firefighters.

| | | | | |
|---------------------------------|------|--------|---|--------|
| 3 Firefighter Promotional Exams | 0.00 | 20,000 | 0 | 20,000 |
|---------------------------------|------|--------|---|--------|

This action increases contract service funding to establish an annual promotional process. This funding will enable the department to hire a consultant to perform a promotional exam on an annual basis, alternating between Captain and Apparatus Operator promotions. The establishment of an annual process will ensure that regularly scheduled hiring practices are in place to proactively address staff attrition that is expected to continue over the next ten years as more employees become eligible for retirement. Currently the department conducts these on an as needed basis. (Ongoing Costs: \$20,000)

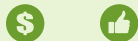
Performance Results

This action supports succession planning efforts to provide continuity in staffing.

| | | | | |
|--|------|--------|----------|--------|
| 4 Reallocation from Development Services | 0.20 | 17,431 | (16,713) | 34,144 |
|--|------|--------|----------|--------|

This net-zero action technically aligns staffing, funding, and revenues with activities in both the Fire Department and the Fire Prevention Division within the Development Services Department. This reallocates 0.20 Administrative Assistant to align with workloads and shifts revenues and expenses associated with Fire permitting activity. A corresponding action is included in the Development Services Department to offset this action. (Ongoing Costs: \$34,144)

Performance Results



This action will ensure that costs for Fire activities are aligned with the work being performed.



CITY OF
**PALO
ALTO**

HUMAN RESOURCES

Mission Statement



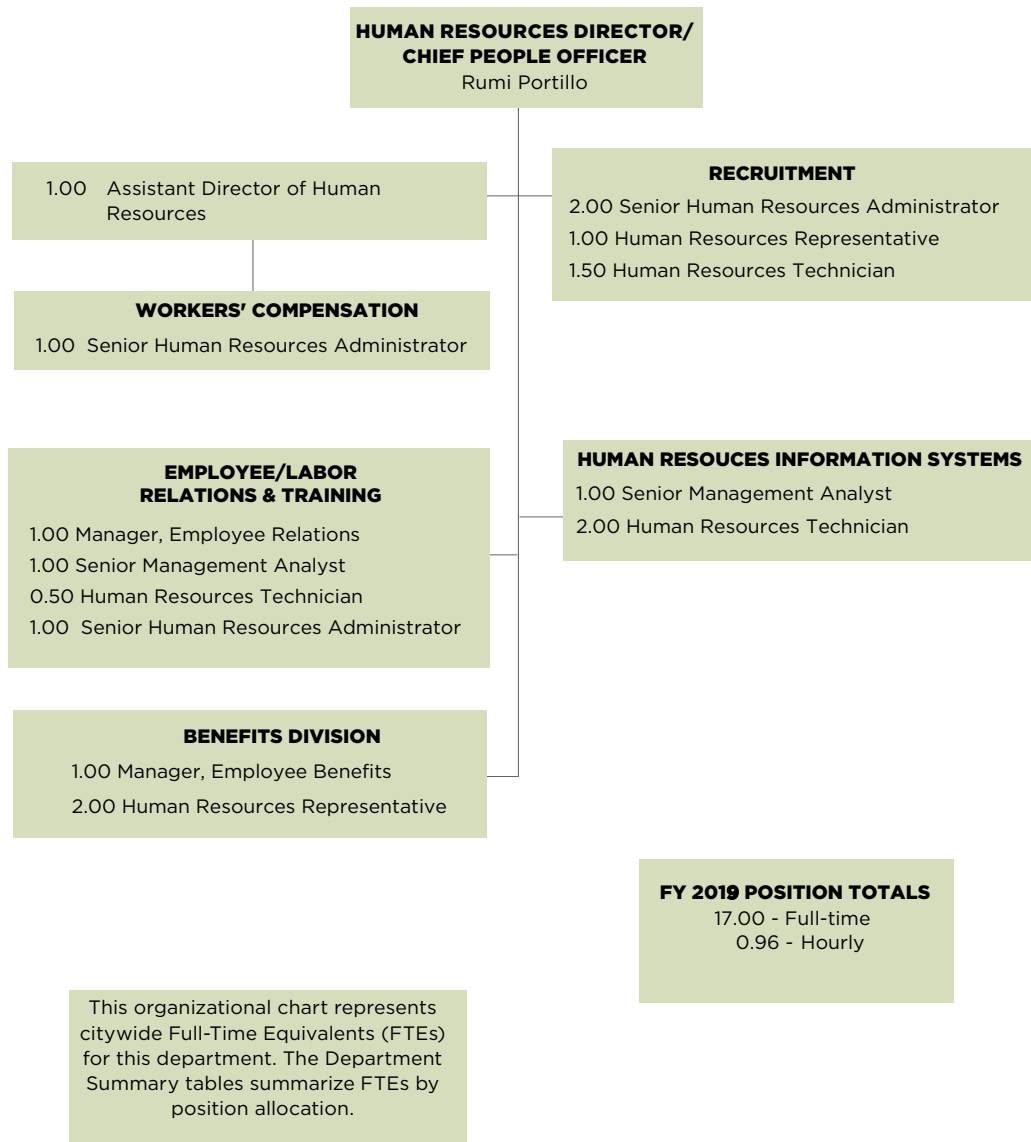
The Human Resources Department's mission is to recruit, develop, and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve, and to lead City departments in positive employee relations, talent management, succession planning, and employee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

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

- Amended the City's Retirement Contract with CalPERS implementing an employee pension cost share for the Police, Fire, Service Employees International Union (SEIU), and Management Groups as approved in the 2016 contracts.
- Successfully launched a Leadership Academy, training more than 30 managers and supervisors over a four-month timeframe.
- Implemented the HR Advice line as a forum for employees to get answers, make suggestions, and nominate employees for recognition, accessible 24/7.
- Ratified Memorandum of Agreement with the SEIU Hourly Group and successfully negotiated a one-year extension with the Palo Alto Police Manager's Association.
- Utilized technology to implement paperless recruitments and interviews as part of departmental efforts to modernize, contributing to a 35% reduction in paper consumption year-over-year.
- Enhanced the process for personnel actions by leveraging electronic submissions and signatures.

HUMAN RESOURCES

- Launched a new eLearning Management System, beginning with new hires, that is anticipated to reach across the organization by the end of Fiscal Year 2018.
- Implemented a new background check process significantly reducing the time needed to collect data in the recruitment process, especially for out-of-state candidates.
- Recruited for, and filled, 220 positions including: Police Chief, Deputy City Managers, Assistant to the City Manager, Assistant City Attorney, Firefighters, and Police Officers.
- Conducted a Request for Proposal and transitioned to a new retiree medical benefit administrator.
- Enhanced the Open Enrollment portal and Employee Self Service capabilities to better assist employees to make informative benefits decisions.
- Converted all employees' benefits records to electronically searchable files to reduce paper and increase the availability of information.

Initiatives

- Implement a customer service tracking and case management system enabling the department to account and track incoming requests.
- Participate in the ERP selection process to provide subject matter expertise and help design the Human Resources modules for the ERP.
- Continue expanding the paperless interview process to all recruitments by further leveraging technology.
- Integrate the job applicant tracking system with the Human Resources Information System (SAP) to reduce the number of manual entries.
- Develop and launch a comprehensive program to provide training plans for City employees.
- Explore benchmarking to measure the effectiveness of the return-to-work program.
- Research Risk Management self-assessment tool in support of continuous loss control improvement.
- Digitize all Workers' Compensation records into the City's ePersonnel file system.
- Explore a new web-based leave tracking system for all protected leaves, such as Family Medical Leave, California Family Rights Act, Pregnancy Disability Leave and Leave related to Reasonable Accommodation.
- Integrate an interface between CalPERS and with the Human Resources Information System (SAP) to enhance productivity, efficiency, and accuracy.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Fund | | | | | | |
| General Fund-Operating | 3,559,492 | 3,314,457 | 3,757,228 | 3,662,383 | (94,845) | (2.5)% |
| Liability Insurance | 1,848,428 | 1,491,957 | 3,328,535 | 2,984,622 | (343,913) | (10.3)% |
| Worker's Compensation | 2,180,302 | 2,737,309 | 5,787,596 | 6,103,345 | 315,749 | 5.5% |
| Total | 7,588,222 | 7,543,723 | 12,873,359 | 12,750,350 | (123,009) | (1.0)% |
| Revenues | | | | | | |
| Charges to Other Funds | 4,041,870 | 1,076,120 | 3,631,044 | 3,774,302 | 143,258 | 3.9% |
| Operating Transfers-In | — | 5,000 | 5,000 | 5,000 | — | —% |
| Other Revenue | 2,255,360 | 3,072,882 | 5,265,000 | 3,805,045 | (1,459,955) | (27.7)% |
| Return on Investments | 528,725 | 526,823 | 38,230 | 39,310 | 1,080 | 2.8% |
| Total Revenues | 6,825,955 | 4,680,825 | 8,939,274 | 7,623,657 | (1,315,617) | (14.7)% |
| Positions by Fund | | | | | | |
| General Fund | 16.70 | 17.44 | 17.20 | 16.96 | (0.24) | (1.40)% |
| Workers' Compensation Program Fund | — | 1.00 | 1.00 | 1.00 | — | —% |
| Total | 16.70 | 18.44 | 18.20 | 17.96 | (0.24) | (1.32)% |

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 champion 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Attendance | 96.16% | 95.00% | 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 2017 of 95% was a slight dip compared to Fiscal Year 2017 estimate of 96.00%. Future attendance rates are expected to remain steady at approx 95-96% 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Recruitment - Days to fill a position | 94.55 | 95.00 | 95.00 | 104.00 | 100.00 |
| 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 saw a slight increase in Fiscal Year 2017 to 95.00 days from 94.55 days in Fiscal Year 2016. As the City competes for talent to recruit for hard-to-fill positions, it is estimated that there will be a slight increase in days to fill a position. | | | | |

HUMAN RESOURCES

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Turnover - Voluntary Turnover | 6.48% | 5.20% | 7.00% | 4.00% | 6.00% |
| Turnover - Involuntary Turnover | 0.21% | 1.00% | 0.50% | 0.60% | 0.50% |
| Turnover - Retirement Turnover | 3.45% | 2.50% | 2.70% | 2.40% | 2.50% |
| Turnover - Total Turnover | 10.14% | 8.60% | 10.00% | 7.00% | 9.00% |
| 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 2017 saw an 8.6% total turnover which is in line with expectations but does show signs of competition for talent and an increase in retirements. The department is expecting to see a slight decrease in turnover in Fiscal Year 2018, however, expect the total turnover rate to stay steady at 9 - 10%. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|--|--------------------|--------------------|--------------------|----------------------|---------------------|
| Employee personnel transactions* | 5,376 | 4,820 | 4,500 | 5,150 | 4,500 |
| Percentage of employees participating in citywide training program** | 0.00% | 89.00% | 87.50% | 87.50% | 90.00% |

*The department has experienced an increase in transaction volume, driven by the number of updates need to employees' records associated with MOA-based changes and transactions necessary to integrate records with third party applications. The number of transactions is expected to normalize in FY 2019.

**This is a new performance measure that started in FY 2017. Staff will focus on developing and enhancing use of eLearning system and diverse citywide training program during FY 2019 in collaboration with other City Departments.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration, Employee Org Development and HR Systems | 1,550,612 | 1,095,303 | 1,166,851 | 1,150,626 | (16,225) | (1.4)% |
| Benefits and Compensation | 418,712 | 471,475 | 526,447 | 502,594 | (23,853) | (4.5)% |
| Employee and Labor Relations | 980,800 | 1,028,237 | 1,284,146 | 1,192,714 | (91,432) | (7.1)% |
| Recruitment | 407,623 | 412,336 | 444,005 | 471,174 | 27,170 | 6.1% |
| Risk Mgmt, Safety, Workers' Compensation | 201,745 | 307,106 | 335,779 | 345,274 | 9,495 | 2.8% |
| Total | 3,559,492 | 3,314,457 | 3,757,228 | 3,662,383 | (94,845) | (2.5)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 190,212 | 225,177 | 322,912 | 319,103 | (3,809) | (1.2)% |
| Other Benefits | 83,324 | 67,751 | 91,351 | 92,609 | 1,258 | 1.4% |
| Overtime | 1,451 | 1,202 | — | — | — | —% |
| Pension | 370,224 | 432,129 | 534,887 | 559,732 | 24,845 | 4.6% |
| Retiree Medical | 175,169 | 191,691 | 201,668 | 190,587 | (11,081) | (5.5)% |
| Salary | 1,667,000 | 1,631,246 | 1,857,392 | 1,917,423 | 60,032 | 3.2% |
| Workers' Compensation | 73 | — | 77,358 | 55,727 | (21,631) | (28.0)% |
| Total Salary & Benefits | 2,487,452 | 2,549,194 | 3,085,568 | 3,135,183 | 49,615 | 1.6% |
| Allocated Charges | 192,008 | 137,789 | 159,481 | 187,042 | 27,561 | 17.3% |
| Contract Services | 607,404 | 448,795 | 249,309 | 205,309 | (44,000) | (17.6)% |
| Facilities & Equipment | 26,121 | 5,535 | 4,150 | 4,150 | — | —% |
| General Expense | 179,334 | 112,633 | 198,348 | 43,098 | (155,250) | (78.3)% |
| Operating Transfers-Out | — | — | — | 28,209 | 28,209 | —% |
| Rents & Leases | 43,000 | 44,088 | 43,000 | 43,000 | — | —% |
| Supplies & Material | 24,171 | 16,423 | 17,372 | 16,392 | (980) | (5.6)% |
| Total Dollars by Expense Category | 3,559,492 | 3,314,457 | 3,757,228 | 3,662,383 | (94,845) | (2.5)% |
| Revenues | | | | | | |
| Charges to Other Funds | 1,673,028 | 1,076,120 | 1,856,044 | 1,797,302 | (58,742) | (3.2)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | 15 | 10 | — | — | — | —% |
| Total Revenues | 1,673,043 | 1,076,130 | 1,856,044 | 1,797,302 | (58,742) | (3.2)% |

Positions by Division

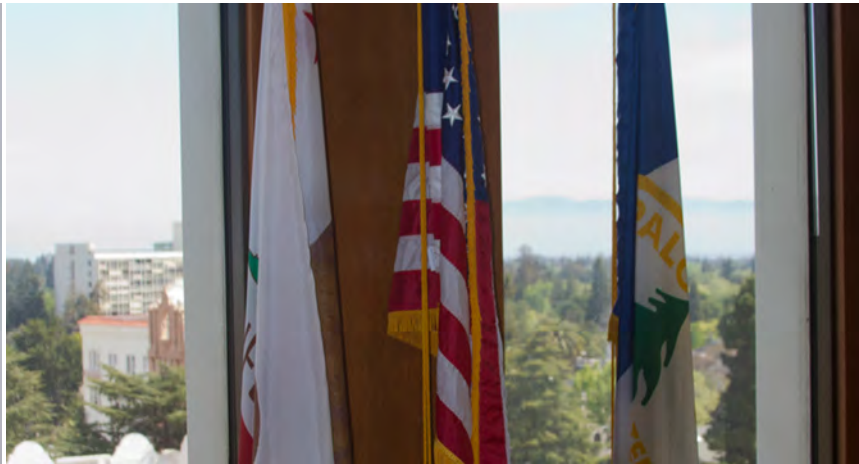
| | | | | | | |
|--|--------------|--------------|--------------|--------------|---------------|----------------|
| Administration, Employee Org Development and HR Systems | 4.99 | 5.36 | 5.56 | 5.56 | — | —% |
| Benefits and Compensation | 2.51 | 2.88 | 2.44 | 2.20 | (0.24) | (9.84)% |
| Employee and Labor Relations | 4.60 | 4.60 | 5.00 | 5.00 | — | —% |
| Recruitment | 3.00 | 3.00 | 2.60 | 2.60 | — | —% |
| Risk Mgmt, Safety, Workers' Compensation | 1.60 | 1.60 | 1.60 | 1.60 | — | —% |
| Total | 16.70 | 17.44 | 17.20 | 16.96 | (0.24) | (1.40)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | — | — | — | — |
| Assistant Director Human Resources | 1.00 | 1.00 | 1.00 | 1.00 | — | 190,778 |
| Director Human Resources/CPO | 1.00 | 1.00 | 1.00 | 1.00 | — | 228,520 |
| Human Resources Representative | 2.00 | 2.00 | 3.00 | 3.00 | — | 240,947 |
| Human Resources Technician | 4.00 | 4.00 | 4.00 | 4.00 | — | 309,878 |
| Manager Employee Benefits | 1.00 | 1.00 | 1.00 | 1.00 | — | 136,510 |
| Manager Employee Relations | 1.00 | 1.00 | 1.00 | 1.00 | — | 147,638 |
| Senior Human Resources Administrator | 4.00 | 4.00 | 3.00 | 3.00 | — | 324,314 |
| Senior Management Analyst | 1.00 | 1.00 | 2.00 | 2.00 | — | 263,307 |
| Sub-total: Full-Time Equivalent Positions | 16.00 | 16.00 | 16.00 | 16.00 | — | 1,841,893 |
| Temporary/Hourly | 0.70 | 1.44 | 1.20 | 0.96 | (0.24) | 47,912 |
| Total Positions | 16.70 | 17.44 | 17.20 | 16.96 | (0.24) | 1,889,805 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|------------------|------------------|------------------|
| Prior Year Budget | 17.20 | 3,757,228 | 1,856,044 | 1,901,184 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 7,644 | — | 7,644 |
| Labor Negotiations | — | (100,000) | — | (100,000) |
| Fire Department Recruiting | — | (50,000) | — | (50,000) |
| One-Time Prior Year Budget Adjustments | — | (142,356) | — | (142,356) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 98,229 | — | 98,229 |
| General Fund Cost Allocation Plan | — | — | (58,742) | 58,742 |
| General Liability Insurance Allocated Charges | — | 13,038 | — | 13,038 |
| Information Technology Allocated Charges | — | 12,407 | — | 12,407 |
| Print and Mail Allocated Charges | — | 3,758 | — | 3,758 |
| General Liability Savings (One-time FY 2019 Savings) | — | (9,286) | — | (9,286) |
| Workers' Compensation Savings (One-time FY 2019 Savings) | — | (22,208) | — | (22,208) |
| Adjustments to Costs of Ongoing Activities | — | 95,938 | (58,742) | 182,416 |
| Total FY 2019 Base Budget | 17.20 | 3,710,810 | 1,797,302 | 1,941,244 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 28,209 | — | 28,209 |
| 2 Human Resources Wellness Program Staffing Reduction | (0.24) | (26,406) | — | (26,406) |
| 3 Reduction in Human Resources Non-Salary Expenses | — | (50,230) | — | (50,230) |
| Total Budget Adjustments | (0.24) | (48,427) | — | (48,427) |
| Total FY 2019 Proposed Budget | 16.96 | 3,662,383 | 1,797,302 | 1,892,817 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 28,209 | 0 | 28,209 |

This action transfers \$28,209 from the Human Resources Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Human Resources Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|-------|----------|---|----------|
| 2 Human Resources Wellness Program Staffing Reduction | -0.24 | (26,406) | 0 | (26,406) |
|---|-------|----------|---|----------|

This action eliminates a 0.24 part-time/hourly Management Specialist in the Benefits Division of Human Resources supporting the Wellness Program. Other resources for the Wellness Program remain, including a 0.48 Management Specialist in the General Benefits Fund. (Ongoing Savings: \$24,812)

Performance Results



This action is anticipated to have minimal impacts on service delivery of the Wellness Program while contributing budgetary savings.

| | | | | |
|--|------|----------|---|----------|
| 3 Reduction in Human Resources Non-Salary Expenses | 0.00 | (50,230) | 0 | (50,230) |
|--|------|----------|---|----------|

This action reduces various non-salary expenses across the Human Resources department to achieve ongoing savings in operating expenses. Reductions will result in more constrained resources for outside consultants and attorneys for labor negotiations (\$50,000 budget remains), for the employee benefits fair (\$20,000 budget remains), for advertising and publishing for candidate outreach, and other administrative services throughout the department. (Ongoing Savings: \$50,230)

Performance Results



These reductions do not completely eliminate available funding for any of the programs and are not anticipated to have significant impacts on service delivery; however, they will require a prioritization of expenses in the department.

GENERAL LIABILITIES INSURANCE PROGRAM

Description

The City's General Liability Program provides funding to cover flood, property, 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. This program uses an 85% confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

Accomplishments

- Enhanced the City's Cyber Security insurance to minimize the City's risk exposure in a cyber risk event.
- Contracted with a vendor to obtain and assist in tracking Motor Vehicle driving records, consistent with risk management best practices, to reduce liability.

Initiatives

- Research Risk Management self-assessment tool in support of continuous loss control improvement.

Goals and Objectives

GOAL 1

Reduce liability exposure to the City.

Objectives:

- Reduce liability exposure to the City for employee-involved vehicle collision.

HUMAN RESOURCES

- 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Annual number of claims related to City vehicle collision losses | 16.00 | 9.00 | 12.00 | 13.00 | 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 significantly decreased in Fiscal Year 2017 due to training programs and discussions with staff at department safety meetings. Additional training, such as online and onsite training, will continue to be offered to maintain the low numbers of claims per year. | | | | |

DEFENSIVE DRIVING TRAINING

| | | | | | |
|---|---|----------------------------|----------------------------|------------------------------|-----------------------------|
| Goal | Reduce liability exposure to the City. | | | | |
| Objective | Provide defensive driver training. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Attendance at mandatory and proactive defensive driver training | 51.00 | 58.00 | 55.00 | 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 department will continually offer Defensive Driver training to lower the vehicle collision losses. | | | | |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|----------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Non-Departmental | 1,848,428 | 1,491,957 | 3,328,535 | 2,984,622 | (343,913) | (10.3)% |
| Total | 1,848,428 | 1,491,957 | 3,328,535 | 2,984,622 | (343,913) | (10.3)% |

| | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|----------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Workers' Compensation | 113,692 | (111,260) | — | — | — | —% |
| Total Salary & Benefits | 113,692 | (111,260) | — | — | — | —% |
| Contract Services | 7,125 | 6,650 | 70,000 | 71,820 | 1,820 | 2.6% |
| General Expense | 1,727,611 | 1,596,567 | 3,258,535 | 2,912,802 | (345,733) | (10.6)% |
| Total Dollars by Expense Category | 1,848,428 | 1,491,957 | 3,328,535 | 2,984,622 | (343,913) | (10.3)% |

| | | | | | | |
|------------------------|------------------|----------------|------------------|------------------|----------------|--------------|
| Revenues | | | | | | |
| Charges to Other Funds | 2,368,842 | — | 1,775,000 | 1,977,000 | 202,000 | 11.4% |
| Operating Transfers-In | — | 5,000 | 5,000 | 5,000 | — | —% |
| Other Revenue | (215,609) | 35,393 | 40,000 | 41,040 | 1,040 | 2.6% |
| Return on Investments | 139,444 | 135,145 | 22,465 | 23,135 | 670 | 3.0% |
| Total Revenues | 2,292,677 | 175,538 | 1,842,465 | 2,046,175 | 203,710 | 11.1% |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Liabilities Insurance Program |
|--|-----------|------------------|------------------|---|
| Prior Year Budget | — | 3,328,535 | 1,842,465 | 1,486,070 |
| One-Time Prior Year Budget Adjustments | | | | |
| Buena Vista Mobile Home Park (Legal Expenses) | — | (375,000) | — | (375,000) |
| One-Time Prior Year Budget Adjustments | — | (375,000) | — | (375,000) |
| Adjustments to Costs of Ongoing Activities | | | | |
| General Liability Insurance Claims | — | (248,535) | 678,499 | (927,034) |
| Property Loss | — | 4,680 | — | 4,680 |
| Broker and Consultant | — | 1,690 | — | 1,690 |
| Audit and Financial Services | — | 130 | — | 130 |
| Umbrella Excess Liability | — | 248,322 | — | 248,322 |
| Special Liability | — | 1,300 | — | 1,300 |
| Return on Investment | — | — | 1,710 | (1,710) |
| Adjustments to Costs of Ongoing Activities | — | 7,587 | 680,209 | (672,622) |
| Total FY 2019 Base Budget | — | 2,961,122 | 2,522,674 | 438,448 |
| Budget Adjustments | | | | |
| 1 General Liability Savings (One-time FY 2019 Savings) | — | — | (500,000) | 500,000 |
| 2 Cyber Security Property Loss Coverage | — | 23,500 | 23,500 | — |
| Total Budget Adjustments | — | 23,500 | (476,500) | 500,000 |
| Total FY 2019 Proposed Budget | — | 2,984,622 | 2,046,174 | 938,448 |

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Liabilities Insurance Program |
|--|-----------|--------------|-----------|---|
| 1 General Liability Savings (One-time FY 2019 Savings) | 0.00 | 0 | (500,000) | 500,000 |

This action reduces the estimate for revenues received from other funds in the General Liability Fund by \$500,000 . This reduction materializes in the 'Allocated Charges' budget category of each department. The City budgets the self-insured General Liability Fund at a confidence level of 85% and has experienced a few years of claims costs that have been lower than budgeted. This has resulted in the accumulation of fund balance in the General Liability Fund. This action proportionally lessens the burden to the organization for Fiscal Year 2019 General Liability expenses based on the actuarial calculation of liability, by \$273,000 in the General Fund and \$500,000 across all funds, instead drawing on \$500,000 of accumulated fund balance. (Ongoing costs: \$0)

Performance Results



This action ensures that the organization only pays the necessary costs for a given year for the General Liability expenses.

| | | | | |
|---|------|--------|--------|---|
| 2 Cyber Security Property Loss Coverage | 0.00 | 23,500 | 23,500 | 0 |
|---|------|--------|--------|---|

This action provides funding for the City to obtain cyber-security property loss insurance. This additional insurance will better protect the City in the event of a cyber breach. The insurance provides expert computer services, legal services, notification services, call center services, breach resolution/mitigation services and public relations and crisis management expenses. City staff continues to proactively work to ensure that Cyber Security is maintained, but in the event of a breach, the insurance will provide additional layers of dealing with the aftermath of the breach. (Ongoing costs: \$23,500)

Performance Results



This action enhances the City's ability to deal with a cyber security breach.

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. This program uses an 85% confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

Accomplishments

- Instituted a Soft Tissue injury prevention program to reduce claims and lost time.

Initiatives

- Explore benchmarking methodologies to measure the effectiveness of the return-to-work program.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Total dollar amount of claims paid | 2,187,149 | 2,431,806 | 2,500,000 | 2,100,000 | 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 2017, the total cost of workers compensation claims saw an increase compared to Fiscal Year 2016 workers compensation claims. It is anticipated that the total Fiscal Year 2018 workers compensation claims will see a decrease based on current data and recent trends. However, in Fiscal Year 2019, it is anticipated that the fund will see a slight increase in claims paid. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of Workers' Compensation Claims Filed | 82 | 70 | 75 | 70 | 70 |
| 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 decreased in Fiscal Year 2017 to 70 from Fiscal Year 2016 of 82. Based on analysis of current data, it is expected that the number of claims will hold steady in Fiscal Year 2018 and continue at that rate in Fiscal Year 2019. | | | | |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Non-Departmental | 2,180,302 | 2,737,309 | 5,787,596 | 6,103,345 | 315,749 | 5.5% |
| Total | 2,180,302 | 2,737,309 | 5,787,596 | 6,103,345 | 315,749 | 5.5% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | — | 9,484 | 10,464 | 10,753 | 289 | 2.8% |
| Other Benefits | 235,111 | 245,530 | 268,725 | 251,026 | (17,699) | (6.6)% |
| Pension | — | 31,767 | 34,603 | 35,981 | 1,377 | 4.0% |
| Salary | — | 116,613 | 123,512 | 127,892 | 4,381 | 3.5% |
| Workers' Compensation | 1,457,186 | 1,711,992 | 4,843,932 | 5,018,342 | 174,410 | 3.6% |
| Total Salary & Benefits | 1,692,297 | 2,115,386 | 5,281,236 | 5,443,994 | 162,758 | 3.1% |
| Contract Services | 2,375 | 6,650 | 6,900 | 7,079 | 179 | 2.6% |
| General Expense | 485,630 | 615,273 | 496,000 | 650,458 | 154,458 | 31.1% |
| Operating Transfers-Out | — | — | 3,460 | 1,813 | (1,647) | (47.6)% |
| Total Dollars by Expense Category | 2,180,302 | 2,737,309 | 5,787,596 | 6,103,345 | 315,749 | 5.5% |
| Revenues | | | | | | |
| Other Revenue | 2,470,954 | 3,037,480 | 5,225,000 | 3,764,005 | (1,460,995) | (28.0)% |
| Return on Investments | 389,281 | 391,677 | 15,765 | 16,175 | 410 | 2.6% |
| Total Revenues | 2,860,235 | 3,429,157 | 5,240,765 | 3,780,180 | (1,460,585) | (27.9)% |
| Positions by Division | | | | | | |
| Non-Departmental | — | 1.00 | 1.00 | 1.00 | — | —% |
| Total | — | 1.00 | 1.00 | 1.00 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Senior Human Resources Administrator | — | 1.00 | 1.00 | 1.00 | — | 118,414 |
| Sub-total: Full-Time Equivalent Positions | — | 1.00 | 1.00 | 1.00 | — | 118,414 |
| Total Positions | — | 1.00 | 1.00 | 1.00 | — | 118,414 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Workers' Compensatio n Fund |
|--|-----------|------------------|--------------------|--|
| Prior Year Budget | — | 5,787,596 | 5,240,765 | 546,831 |
| Base Adjustments | | | | |
| One-Time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (3,460) | — | (3,460) |
| One-Time Prior Year Budget Adjustments | — | (3,460) | — | (3,460) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefit Adjustments | — | 6,109 | — | 6,109 |
| Workers' Compensation Insurance Claims Adjustments | — | 142,070 | 39,005 | 103,065 |
| Return on Investment Adjustments | — | — | 410 | (410) |
| Administrator Fees | — | (17,581) | — | (17,581) |
| State of California Assessment Fees | — | 32,340 | — | 32,340 |
| Umbrella Excess Liability Adjustments | — | 154,458 | — | 154,458 |
| Adjustments to Costs of Ongoing Activities | — | 317,396 | 39,415 | 277,981 |
| Total FY 2019 Base Budget | — | 6,101,532 | 5,280,180 | 821,352 |
| Budget Adjustments | | | | |
| 1 Workers' Compensation Savings (One-time FY 2019 Savings) | — | — | (1,500,000) | — |
| 2 Supplemental Pension Trust Fund Contribution | — | 1,813 | — | — |
| Total Budget Adjustments | — | 1,813 | (1,500,000) | — |
| Total FY 2019 Proposed Budget | — | 6,103,345 | 3,780,180 | 824,812 |

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Workers' Compensation Fund |
|--|-----------|--------------|-------------|--------------------------------|
| 1 Workers' Compensation Savings (One-time FY 2019 Savings) | 0.00 | 0 | (1,500,000) | 0 |

This action reduces the estimate for revenues received from other funds in the Workers' Compensation Fund by \$1.5 million. This reduction materializes in the 'Workers' Compensation' line of the 'Salary and Benefits' budget category of each department. The City budgets the self-insured Workers' Compensation Fund at a confidence level of 85% and has experienced a few years of claims costs that have been lower than budgeted. This has resulted in the accumulation of fund balance in the Workers' Compensation Fund. This action proportionally lessens the burden to the organization for Fiscal Year 2019 Workers' Compensation expense based on the actuarial calculation of liability, by \$1.02 million in the General Fund and \$1.5 million across all funds, instead drawing on \$1.5 million of accumulated fund balance. (Ongoing net costs: \$0)

Performance Results



This action ensures that the organization only pays the necessary costs for a given year for the General Liability expenses.

| | | | | |
|--|------|-------|---|---|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 1,813 | 0 | 0 |
|--|------|-------|---|---|

This action transfers \$1,813 from the Workers' Compensation Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental Pension Trust Fund. This amount represents approximately 5% of the Workers' Compensation Fund annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

Workers' Compensation Fund

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Estimated | FY 2019 Proposed |
|--|------------------|------------------|-------------------|------------------|
| Workers' Compensation Fund | | | | |
| Claims Paid | 2,187,149 | 2,431,807 | 2,000,000 | 4,896,002 |
| Change in Estimated self-insurance liability | (837,910) | (795,714) | 0 | |
| CSAC excess insurance premium | 485,630 | 615,100 | 495,000 | 649,458 |
| Actuarial Services | 2,375 | 6,650 | 6,650 | 7,079 |
| TPA Administrator Fees | 235,111 | 240,405 | 264,000 | 246,240 |
| State self-insurance fees | 90,000 | 75,899 | 120,000 | 122,340 |
| In-house Administration | 0 | 163,162 | 171,214 | 182,226 |
| Workers' Compensation Fund Subtotal | 2,162,355 | 2,737,309 | 3,056,864 | 6,103,345 |

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 the community.

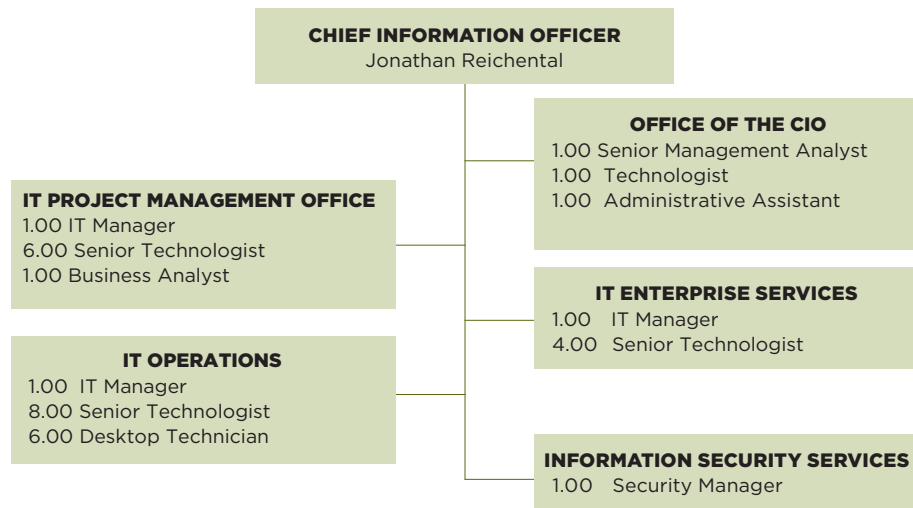
Purpose

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 2019 POSITION TOTALS

33.00 - Full-time
0.48 - 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)

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)

As stewards of the public trust for IT project management, IT PMO ensures successful execution of the right technology projects at the right time and helps enable the success of department technology projects. IT PMO aspires to be a center of excellence for IT project management through the promotion of standards, awareness, and education.

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 enterprise architecture, service desk, infrastructure support,

server hosting, office automation software support, technical training and support, and asset management.

IT ENTERPRISE SERVICES

Maintains a core set of large Enterprise Resource Planning (ERP) systems like SAP 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, development, integration, administration, support, maintenance, governance, and change management.

INFORMATION SECURITY SERVICES

Develops and implements the citywide information security program that includes the preservation of the availability, integrity, and confidentiality of the City's information resources. These services include security policy and procedures, legal compliance, risk management, disaster recovery, and security audit.

Accomplishments

- Awarded Digital Cities Top 10; Jonathan Reichental awarded 'Global 150 Digital Transformation Leader.'
- Conducted citywide cyber-attack simulation to enhance IT security at the City.
- Implemented and codified best practice Software Asset Management (SAM).
- Deployed Wireless Screencasting (AirTame) in most City conference rooms.
- Evaluated and determined next Client Computing Platform for City leadership and staff, including hardware and software standards for next 5 years.
- Smart City experiments including Verizon Sensity network around City Hall; Facebook Chatbot; and Soofa Solar USB charging station.
- Completed development of the Fiscal Year 2019 - Fiscal Year 2021 revised IT Strategy.
- Completed Business Intelligence system upgrade and deployed it citywide.
- Started selection of next-generation Finance, Human Resources, and Utilities Customer Information Systems solutions.
- Selected new Geographic Information System (GIS).

Initiatives

The following major initiatives will be worked on by the Information Technology Department in Fiscal Year 2019, but not necessarily completed in Fiscal Year 2019. As circumstances dictate, projects will be reprioritized or rescheduled as appropriate:

- Deployment of citywide security enhancements for city-owned mobile devices.
- Completion of payment card industry compliance requirements.
- Deployment of WiFi to additional select sites such as Cubberley and Lytton Plaza.

- Citywide roll-out of the SharePoint Academy.
- Deployment of the next-generation City website.
- Implementation of the new Geographic Information System (GIS).
- Design of next-generation Enterprise Resource Planning (ERP) Systems in coordination with key department stakeholders.
- Support technology requirements for existing and newly rebuilt City infrastructure, such as the Junior Museum and Zoo and Fire Station 3.

Goals and Objectives

GOAL 1

Support a multiyear roadmap to significantly increase the City's adoption of digital services and smart city capabilities in order to enhance City services.

Objectives:

- Develop, enhance, and provide IT services that will increase the community's access to mobile services.
- Deploy and maintain enterprise-wide platforms and processes for supporting open and participatory government to enrich our community.
- Maintain an ongoing program of civic innovation activities in government technology and include broad participation from innovators in the public and private sectors.
- Formalize an Urban Innovation Network to bring together innovators, entrepreneurs and organizations in the local area to collaborate together.
- Define and develop metrics to support objectives in this goal.

GOAL 2

Enhance IT service delivery in order to provide excellent customer service to all City departments.

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.
- Mature the established citywide IT governance process to ensure alignment between technology priorities, project risks, City goals, and available funds.
- Deploy new tools to support higher quality service and knowledge management within the IT department.
- Formalize career path management for the City's technology staff.
- Review and refresh IT position descriptions, roles, and responsibilities.

- Perform an assessment using the IT Capability Maturity Framework (IT-CMF) to baseline our current capabilities while enabling targeted improvement of capabilities.
- Define and develop metrics to support objectives in this goal.

GOAL 3

Strengthen the City's technology infrastructure and communication systems..

Objectives:

- Reduce the City's data center footprint by utilizing a hybrid cloud approach.
- Virtualize and decommission systems as necessary to reclaim office space for City IT staff.
- Implement unified communications to optimize business processes and increase user productivity.
- Standardize on data storage approach and solutions.
- Execute the adopted GIS strategy that will increase GIS capabilities and bring value to a larger number of stakeholders.
- Define and develop metrics to support objectives in this goal.

GOAL 4

Manage a program of projects to enhance and improve information security to enable confidentiality, integrity, availability of information across all City systems.

Objectives:

- Enhance cybersecurity awareness processes.
- Implement additional annual cybersecurity training for all City employees.
- Ensure a fully-tested disaster recovery and continuity program for mission critical services.
- Define and develop metrics to support objectives in this goal.

GOAL 5

Design and formalize a citywide data strategy to leverage the high value of our government data.

Objectives:

- Implement citywide data governance.
- Mature our Open Data initiative to address data driven decision making.
- Deploy a set of citywide data services capabilities for departments.
- Define and develop metrics to support objectives in this goal.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of survey respondents rating the services provided by the IT Department as excellent | 93.00% | 92.00% | 95.00% | 93.00% | 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of service desk requests resolved within 8 hours | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| Percent of service desk requests resolved within 5 days | 28.00% | 28.00% | 31.00% | 29.00% | 30.00% |
| Percent of service desk requests resolved beyond 5 days | 11.00% | 14.00% | 11.00% | 13.00% | 13.00% |
| Percent of service desk requests resolved at time of call | 33.00% | 30.00% | 32.00% | 29.00% | 29.00% |
| Percent of service desk requests resolved within 4 hours | 22.00% | 23.00% | 20.00% | 23.00% | 22.00% |
| 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 were minor fluctuations 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| IT expenditure per workstation | \$4,703.00 | \$4,982.56 | \$4,861.00 | \$5,059.00 | \$5,095.00 |
| Number of closed help desk requests | 10,748 | 8,750 | 10,334 | 8,689 | 9,100 |
| Number of datasets published on open data platforms | 83 | 87 | 98 | 92 | 97 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|----------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Technology Fund | 2,069,255 | 1,058,744 | 3,733,077 | 4,207,541 | 474,464 | 12.7% |
| Enterprise Systems | 2,582,366 | 3,123,376 | 3,323,269 | 3,285,959 | (37,310) | (1.1)% |
| Office of the CIO | 2,883,501 | 2,925,415 | 3,120,591 | 3,535,530 | 414,940 | 13.3% |
| Operations | 5,702,804 | 5,880,219 | 7,788,970 | 8,167,345 | 378,375 | 4.9% |
| Project Services | 1,112,628 | 1,083,847 | 2,146,203 | 1,935,267 | (210,937) | (9.8)% |
| Total | 14,350,553 | 14,071,602 | 20,112,110 | 21,131,642 | 1,019,532 | 5.1% |

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 551,700 | 666,572 | 789,387 | 807,631 | 18,244 | 2.3% |
| Other Benefits | 182,332 | 146,083 | 185,047 | 186,973 | 1,926 | 1.0% |
| Overtime | 11,662 | 4,819 | 18,585 | 19,068 | 483 | 2.6% |
| Pension | 947,892 | 1,085,854 | 1,356,582 | 1,411,811 | 55,229 | 4.1% |
| Retiree Medical | 273,435 | 299,224 | 314,799 | 347,609 | 32,810 | 10.4% |
| Salary | 3,798,444 | 3,925,824 | 4,932,078 | 5,042,037 | 109,959 | 2.2% |
| Workers' Compensation | 11,212 | 10,332 | 127,989 | 92,201 | (35,788) | (28.0)% |
| Total Salary & Benefits | 5,776,675 | 6,138,708 | 7,724,466 | 7,907,330 | 182,864 | 2.4% |
| Allocated Charges | 1,089,438 | 1,071,082 | 997,238 | 1,440,281 | 443,043 | 44.4% |
| Contract Services | 3,879,837 | 4,697,928 | 5,641,332 | 5,647,287 | 5,956 | 0.1% |
| Facilities & Equipment | 572,002 | 204,038 | 837,702 | 869,921 | 32,220 | 3.8% |
| General Expense | 446,099 | 411,655 | 569,679 | 500,179 | (69,500) | (12.2)% |
| Operating Transfers-Out | 57,340 | 16,485 | 161,418 | 99,746 | (61,672) | (38.2)% |
| Rents & Leases | 342,594 | 351,501 | 362,749 | 374,357 | 11,608 | 3.2% |
| Supplies & Material | 65,306 | 72,309 | 84,450 | 85,000 | 550 | 0.7% |
| Capital Improvement Program | 2,121,263 | 1,107,895 | 3,733,077 | 4,207,541 | 474,464 | 12.7% |
| Total Dollars by Expense Category | 14,350,553 | 14,071,602 | 20,112,110 | 21,131,642 | 1,019,532 | 5.1% |

| | | | | | | |
|------------------------|------------|------------|------------|------------|---------|-------|
| Revenues | | | | | | |
| Charges for Services | 80,292 | — | — | — | — | —% |
| Charges to Other Funds | 13,253,295 | 13,805,902 | 13,735,894 | 14,570,588 | 834,694 | 6.1% |
| Operating Transfers-In | 2,479,564 | 2,077,784 | 2,031,612 | 2,321,462 | 289,850 | 14.3% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | — | — | 130,864 | 32,826 | (98,038) | (74.9)% |
| Return on Investments | 381,527 | 435,369 | 343,300 | 440,667 | 97,367 | 28.4% |
| Total Revenues | 16,194,678 | 16,319,055 | 16,241,669 | 17,365,543 | 1,123,874 | 6.9% |

Positions by Division

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|---------------------|
| Enterprise Systems | 9.00 | 10.50 | 9.50 | 9.00 | (0.50) | (5.26)% |
| Office of the CIO | 8.10 | 5.10 | 6.10 | 6.10 | — | —% |
| Operations | 13.48 | 13.48 | 14.48 | 14.48 | — | —% |
| Project Services | 5.00 | 7.00 | 7.00 | 7.00 | — | —% |
| Total | 35.58 | 36.08 | 37.08 | 36.58 | (0.50) | (1.35)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 90,709 |
| Assistant Director Administrative Services | — | 0.10 | 0.10 | 0.10 | — | 19,968 |
| Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 152,734 |
| Desktop Technician | 5.00 | 6.00 | 6.00 | 6.00 | — | 554,085 |
| Director Administrative Services/ CFO | 0.10 | — | — | — | — | — |
| Director Information Technology/ CIO | 1.00 | 1.00 | 1.00 | 1.00 | — | 241,045 |
| Manager Information Technology | 4.00 | 4.00 | 4.00 | 3.00 | (1.00) | 451,547 |
| Manager Information Technology Security | 1.00 | 1.00 | 1.00 | 1.00 | — | 154,336 |
| Principal Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 153,171 |
| Senior Business Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | 279,698 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 129,459 |
| Senior Technologist | 15.00 | 16.00 | 17.00 | 18.00 | 1.00 | 2,385,697 |
| Technologist | 2.00 | 1.00 | 1.00 | 1.00 | — | 152,734 |
| Sub-total: Full-Time Equivalent Positions | 34.10 | 35.10 | 36.10 | 36.10 | — | 4,765,184 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Temporary/Hourly | 1.48 | 0.98 | 0.98 | 0.48 | (0.50) | 44,928 |
| Total Positions | 35.58 | 36.08 | 37.08 | 36.58 | (0.50) | 4,810,112 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Technology Fund |
|--|--------------|--------------------|-------------------|---------------------------|
| Prior Year Budget | 37.08 | 20,112,110 | 16,241,669 | 3,870,441 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings) | — | — | 900,000 | (900,000) |
| Geographic Information System (GIS) Replacement | — | (500,000) | (305,096) | (194,904) |
| Supplemental Pension Trust Fund Contribution | — | (135,658) | — | (135,658) |
| Citywide SharePoint Training | — | (50,000) | (30,510) | (19,490) |
| Capital Improvement Project Funding | — | (3,733,077) | (1,067,413) | (2,665,664) |
| One-Time Prior Year Budget Adjustments | — | (4,418,735) | (503,019) | (3,915,716) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 233,455 | — | 233,455 |
| Reduction of 0.5 Management Specialist | 0.50 | — | — | — |
| Capital Improvement Funding | — | 4,207,541 | 1,230,754 | 2,976,787 |
| Other Contract Adjustments | — | 84,416 | — | 84,416 |
| Laptop/Desktop Equipment Costs | — | 83,180 | — | 83,180 |
| Infrastructure Contracts | — | 57,038 | — | 57,038 |
| Transfer to University Avenue Parking Fund | — | 7,420 | — | 7,420 |
| Rents and Leases | — | 11,608 | — | 11,608 |
| Accela and Building Eye Contracts | — | 250,000 | 250,000 | — |
| Transfer from the General Fund (Technology Surcharge) | — | — | 28,045 | (28,045) |
| Office of the CIO Reductions (Training, Supplemental Staffing, Civic Innovation) | — | (40,000) | — | (40,000) |
| Elimination of Application Maintenance Contingency | — | (75,000) | — | (75,000) |
| Return on Investments | — | — | 97,367 | (97,367) |
| Systems Maintenance Contract Alignment | — | (145,000) | — | (145,000) |
| Charges to Other Funds - Information Technology Services | — | — | 523,746 | (523,746) |
| General Fund Cost Allocation Plan | — | 432,435 | — | 432,435 |
| General Liability Insurance Allocated Charges | — | 17,468 | — | 17,468 |
| Print and Mail Allocated Charges | — | 869 | — | 869 |
| Utilities Allocated Charges | — | 4,289 | — | 4,289 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Technology Fund |
|--|--------------|-------------------|-------------------|---------------------|
| Vehicle Replacement & Maintenance Allocated Charges | — | 424 | — | 424 |
| General Liability Savings (one-time FY 2019 Savings) | — | (12,441) | — | (12,441) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (36,743) | — | (36,743) |
| Adjustments to Costs of Ongoing Activities | 0.50 | 5,080,959 | 2,129,912 | 2,951,047 |
| Total FY 2019 Base Budget | 37.58 | 20,774,334 | 17,868,562 | 2,905,772 |
| Budget Adjustments | | | | |
| 1 New City of Palo Alto Website | — | 300,000 | — | 300,000 |
| 2 Supplemental Pension Trust Fund Contribution | — | 71,156 | — | — |
| 3 IT Staffing Realignment | — | (13,848) | — | (13,848) |
| Total Budget Adjustments | — | 357,308 | — | 286,152 |
| Total FY 2019 Proposed Budget | 37.58 | 21,131,642 | 17,365,543 | 3,191,924 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Technology Fund |
|---------------------------------|-----------|--------------|----------|---------------------|
| 1 New City of Palo Alto Website | 0.00 | 300,000 | 0 | 300,000 |

This action adds one-time funding to begin to develop a next generation website for the City of Palo Alto. Since the current City website was established in 2012, the needs of the public have changed and the capabilities of websites have grown more sophisticated. This project will perform a complete redesign, including visual updates, streamline the content management system for City users, make information more accessible to the public, and enhance existing content. These updates will also help ensure that the City's information remains accessible for all users. (Ongoing net costs: \$0)

Performance Results



The development of a new website will enhance accessibility and usability. It will also help make the work of the City more transparent.

| | | | | |
|--|------|--------|---|---|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 71,156 | 0 | 0 |
|--|------|--------|---|---|

This action transfers \$71,156 from the Information Technology Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Information Technology Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---------------------------|------|----------|---|----------|
| 3 IT Staffing Realignment | 0.00 | (13,848) | 0 | (13,848) |
|---------------------------|------|----------|---|----------|

This action reclassifies 1.0 vacant Manager, Information Technology position to 1.0 Senior Technologist. This action recognizes the current operations of the department in order to more appropriately align with the service delivery needs of the organization. The Senior Technologist position will focus on enterprise-wide projects throughout the organization and serve as a project manager on various initiatives. (Ongoing savings: \$13,848)

Performance Results



This action is anticipated to increase the quality of service offered by the IT department and decrease cycle time associated with enterprise-wide projects.

LIBRARY

Mission Statement



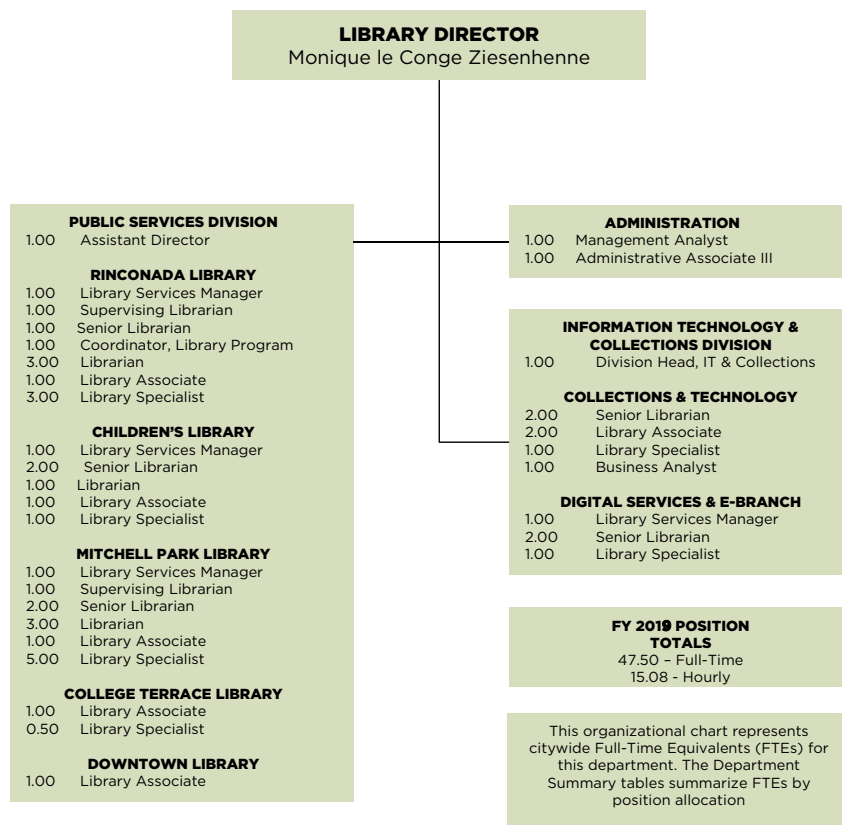
Palo Alto City Library connects our diverse community through knowledge, resources and opportunities. We nurture innovation, discovery and delight.

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

- Updated the Library's Strategic Plan FY 2018 - FY 2020.
- Continued participation in the California State Library initiative, 'California Revealed', which aims to assist local public libraries in partnership with local heritage groups to digitize, preserve, and provide online access to historically significant content about California, e.g. books, documents, recordings, etc. Palo Alto City Library (PACL) and the Woman's Club of Palo Alto are collaborating to make new historical information online.
- Began implementation of the Student Success Card, in collaboration with the Palo Alto Unified School District (PAUSD), to ensure that all students have access to PACL collections.
- Implemented the eLibrary (formerly called the eBranch) to enhance Library users' online and mobile experience, increased accessibility to collections and services, and increased visibility for PACL resources during web searches.
- Completed Positioning Libraries For a Virtual Future, a grant-funded project to test greeter robots and a 3-D modeling workstation which resulted in less waste for 3-D printing and greater familiarity with the use of robots in the library.

- Began implementation of a total business solution to replace the outdated public personal computer (PC) management system, printing, and scanning.
- Reviewed international languages collections to ensure that they are in alignment with PAUSD statistics of languages other than English spoken at home to better reflect community needs.
- Participated in the California State Library initiative 'California Listens' where community members created short films about their experiences coming to Palo Alto and/or being a part of the community. Films were added to the PACL digital collection (<https://library.cityofpaloalto.org/california-listens/>).
- PACL initiated several new special events and programs: Walk and Roll Library Tour, Solar Eclipse program, Celebrating Cultures (Diwali program, Day of the Dead altar), Social Justice Book Club.
- Updated the collection maintenance plan and the collection development policy.

Initiatives

- Host a ReMaker Faire in 2018, which is grant-funded by the Pacific Library Partnership (PLP) to provide a one-day event based on the model of a Maker Faire. The event will be presented in partnership with appropriate City departments and community organizations to emphasize ways to reuse materials, promote Zero Waste and sustainability efforts at Palo Alto City Libraries (PACL) and throughout the City.
- Present a region-wide library leadership event to introduce thinking and planning regarding the future of libraries, funded by a grant from the Pacific Library Partnership.
- Test a collaborative Senior Outreach Project with the Palo Alto Fire Department to provide homebound library services and safety/wellness information.
- Seek out new partners to continue 'California Revealed' digitization project.
- Host events for children in the community to code library robots.
- Present digital literacy training and increase awareness, particularly in the area of protecting privacy.
- Gamification of library resources, programs, and services to attract traditionally non-library users to utilize the library.
- Offer wireless printing in all of the library branches.

Goals and Objectives

GOAL 1

Be the place where everyone can learn anything.

Strategies:

- Provide early childhood literacy programs based on current research in child development and learning.

- Create learning opportunities for community members to be able to make sense of and succeed in our changing society.
- 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.
- Provide tools for improving all types of literacy.
- Provide opportunities to read for learning and for pleasure.

GOAL 2

Be the partner of choice for community organizations.

Strategies:

- Support Project Safety Net's programs to promote youth well-being and implement 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 staff to community organizations in order to support their goals and collaborate activities
- Encourage relationships with community organizations that enhance library services and programs.

GOAL 3

Create engagement opportunities by being the place for community conversations about needs and aspirations.

Strategies:

- Provide a forum to explore issues of local interest and current events.
- Engage community members in library services as volunteers and program advisors.
- Connect community members to exchange and share stories, interests, and skills.

GOAL 4

Leverage technology to integrate the library into the lives of community members.

Strategies:

- Enhance unique and local collections.
- Develop partnerships to enhance customers' digital experiences.
- Plan and implement a social media strategy.
- Produce web content that is relevant to the needs and interests of our diverse audiences.
- Facilitate access for library users to resources that enable them to create content.
- Provide staff training and technology infrastructure to support digital projects.

GOAL 5

Provide a fulfilling library experience for our community because of the expertise and effort of our dynamic staff.

Strategies:

- Attract and retain the most skilled and knowledgeable staff.
- Motivate and recognize staff through opportunities to innovate and be creative.
- Explore opportunities for improving employee work-life balance.
- Support and promote efforts to make it possible for staff to live in or near Palo Alto.
- Create opportunities for staff members to bring their talents and interests to work.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of library teen programs | 4,559 | 6,059 | 6,785 | 6,241 | 6,366 |
| 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. | | | | |

PERCENT OF SURVEYED RESIDENTS RATING SATISFACTION WITH LIBRARY DEPARTMENT SERVICES AS GOOD OR EXCELLENT

| Goal | Connects Palo Alto's diverse community through knowledge, resources, and opportunities. | | | | |
|--|--|--------------------|--------------------|----------------------|---------------------|
| Objective | Maintain and enhance the community's satisfaction with library services. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Variety of Library Materials | 82.00% | 86.00% | 86.00% | 87.00% | 88.00% |
| Neighborhood Branch Libraries | 89.00% | 93.00% | 93.00% | 93.00% | 94.00% |
| Public Library Services | 91.00% | 92.00% | 92.00% | 93.00% | 93.00% |
| Recommend Palo Alto's Libraries to Friends | 0.00% | 91.00% | 91.00% | 91.00% | 92.00% |
| Description | These measures track the percent of residents rating overall library 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 Library Department is an important assessment of the quality of services provided to the City and its residents. | | | | |
| Status | Since 2007, the community's satisfaction for each of these objectives has increased, ranging from 11% to 29%. It is likely that new/renovated facilities, increased programming and services, expanded collections, and new technologies have contributed to these increases. Should budget allocations be reduced for maintaining facilities and/or technology, number of staff, or reduced collections, it is possible that these percentages could decline. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Meeting Room Reservations | 9,943 | 12,434 | 10,000 | 12,807 | 13,063 |
| Number of virtual visits to the library | 1,921,738 | 804,194 | 2,018,978 | 828,320 | 844,886 |
| Checkouts of library materials | 1,400,926 | 1,524,614 | 1,450,000 | 1,570,352 | 1,601,759 |
| Number of visits to library branches | 831,206 | 1,031,054 | 873,265 | 1,061,985 | 1,083,225 |
| Annual turnover rate of library collections | 3.04 | 3.76 | 3.20 | 3.00 | 3.20 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 832,826 | 1,169,323 | 879,935 | 1,042,232 | 162,297 | 18.4% |
| Collection and Technical Services | 2,217,832 | 2,529,570 | 2,574,027 | 2,704,162 | 130,135 | 5.1% |
| Public Services | 4,909,335 | 5,254,508 | 5,992,892 | 5,977,105 | (15,786) | (0.3)% |
| Total | 7,959,994 | 8,953,402 | 9,446,853 | 9,723,499 | 276,646 | 2.9% |

| | | | | | | |
|--|------------------|------------------|------------------|------------------|----------------|-------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 760,110 | 915,672 | 990,284 | 940,644 | (49,640) | (5.0)% |
| Other Benefits | 116,669 | 105,382 | 126,728 | 128,852 | 2,124 | 1.7% |
| Overtime | 36,276 | 10,063 | 68,783 | 70,571 | 1,788 | 2.6% |
| Pension | 849,070 | 1,001,520 | 1,132,460 | 1,167,087 | 34,626 | 3.1% |
| Retiree Medical | 398,190 | 435,745 | 458,425 | 444,128 | (14,297) | (3.1)% |
| Salary | 3,851,473 | 4,208,827 | 4,409,306 | 4,504,861 | 95,555 | 2.2% |
| Workers' Compensation | 7,458 | 15,681 | 139,838 | 100,737 | (39,101) | (28.0)% |
| Total Salary & Benefits | 6,019,245 | 6,692,891 | 7,325,825 | 7,356,879 | 31,055 | 0.4% |
| Allocated Charges | 664,610 | 929,613 | 939,703 | 1,110,435 | 170,732 | 18.2% |
| Contract Services | 244,150 | 350,139 | 350,065 | 353,065 | 3,000 | 0.9% |
| Facilities & Equipment | 13,360 | 17,683 | 17,900 | 17,900 | — | —% |
| General Expense | 90,618 | 141,595 | 81,430 | 90,430 | 9,000 | 11.1% |
| Operating Transfers-Out | — | — | — | 59,859 | 59,859 | —% |
| Supplies & Material | 928,011 | 821,480 | 731,931 | 734,931 | 3,000 | 0.4% |
| Total Dollars by Expense Category | 7,959,994 | 8,953,402 | 9,446,853 | 9,723,499 | 276,646 | 2.9% |

| | | | | | | |
|------------------------|----------------|----------------|----------------|----------------|---------------|-------------|
| Revenues | | | | | | |
| Charges for Services | 21,690 | 22,751 | 25,460 | 25,461 | 1 | —% |
| Operating Transfers-In | — | — | — | 15,000 | 15,000 | —% |
| Other Revenue | 72,484 | 58,843 | 23,600 | 51,400 | 27,800 | 117.8% |
| Other Taxes and Fines | 147,244 | 92,800 | 152,225 | 124,433 | (27,792) | (18.3)% |
| Rental Income | 1,770 | — | — | — | — | —% |
| Total Revenues | 243,188 | 174,393 | 201,285 | 216,294 | 15,009 | 7.5% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Positions by Division | | | | | | |
| Administration | 0.40 | 0.40 | 0.40 | 0.40 | — | —% |
| Collection and Technical Services | 11.64 | 13.24 | 13.24 | 13.55 | 0.31 | 2.34% |
| Public Services | 52.04 | 49.94 | 49.94 | 48.63 | (1.31) | (2.62)% |
| Total | 64.08 | 63.58 | 63.58 | 62.58 | (1.00) | (1.57)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | — | — | — | — |
| Administrative Associate III | — | — | 1.00 | 1.00 | — | 83,323 |
| Assistant Director Library Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 157,768 |
| Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 152,734 |
| Coordinator Library Programs | 1.00 | 1.00 | 1.00 | 1.00 | — | 91,430 |
| Director Libraries | 1.00 | 1.00 | 1.00 | 1.00 | — | 213,097 |
| Division Head Library Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 148,262 |
| Librarian | 7.00 | 7.00 | 7.00 | 7.00 | — | 563,490 |
| Library Associate | 7.00 | 7.00 | 7.00 | 7.00 | — | 509,263 |
| Library Specialist | 12.50 | 12.50 | 12.50 | 11.50 | (1.00) | 791,209 |
| Management Analyst | — | — | 1.00 | 1.00 | — | 95,285 |
| Management Assistant | 1.00 | 1.00 | — | — | — | — |
| Manager Library Services | 4.00 | 4.00 | 4.00 | 4.00 | — | 444,018 |
| Senior Librarian | 8.50 | 9.00 | 9.00 | 9.00 | — | 822,871 |
| Supervising Librarian | 2.00 | 2.00 | 2.00 | 2.00 | — | 192,213 |
| Sub-total: Full-Time Equivalent Positions | 48.00 | 48.50 | 48.50 | 47.50 | (1.00) | 4,264,963 |
| Temporary/Hourly | 16.08 | 15.08 | 15.08 | 15.08 | — | 776,965 |
| Total Positions | 64.08 | 63.58 | 63.58 | 62.58 | (1.00) | 5,041,927 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|------------------|----------------|---------------------|
| Prior Year Budget | 63.58 | 9,446,853 | 201,285 | 9,245,568 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 20,476 | — | 20,476 |
| One-Time Prior Year Budget Adjustments | — | 20,476 | — | 20,476 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 171,200 | — | 171,200 |
| General Liability Savings (One-time FY 2019 Savings) | — | (12,716) | — | (12,716) |
| Worker's Compensation Savings (One-Time FY 2019 Savings) | — | (40,145) | — | (40,145) |
| Revenue Adjustments | — | — | 9 | (9) |
| General Liability Insurance Allocated Charges | — | 17,853 | — | 17,853 |
| Information Technology Allocated Charges | — | 76,071 | — | 76,071 |
| Print & Mail Allocated Charges | — | 4,390 | — | 4,390 |
| Storm Drain Allocated Charges | — | 260 | — | 260 |
| Utilities Allocated Charges | — | 64,276 | — | 64,276 |
| Vehicle Replacement Allocated Charges | — | 122 | — | 122 |
| Adjustments to Costs of Ongoing Activities | — | 281,311 | 9 | 281,302 |
| Total FY 2019 Base Budget | 63.58 | 9,748,640 | 201,294 | 9,547,346 |
| Budget Adjustments | | | | |
| 1 Augment International Collection | — | 15,000 | 15,000 | — |
| 2 Supplemental Pension Trust Fund Contribution | — | 59,859 | — | 59,859 |
| 3 Reduction in Library Special Programming | (1.00) | (100,000) | — | (100,000) |
| Total Budget Adjustments | (1.00) | (25,141) | 15,000 | (40,141) |
| Total FY 2019 Proposed Budget | 62.58 | 9,723,499 | 216,294 | 9,507,205 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|------------------------------------|-----------|--------------|----------|------------------|
| 1 Augment International Collection | 0.00 | 15,000 | 15,000 | 0 |

This action provides funding from the Library Impact Fee Fund to add material to the Palo Alto City Library's International Languages collection. The additions were recommended by the Library Advisory Commission and reflect the growing diversity of the community while addressing a recent survey result on increasing non-English spoken languages at home. (Ongoing costs: \$0)

Performance Results



The addition of International Languages content will better reflect the community needs and improve overall services.

| | | | | |
|--|------|--------|---|--------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 59,859 | 0 | 59,859 |
|--|------|--------|---|--------|

This action transfers \$58,859 from the Office of the Library Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Library Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|--|-------|-----------|---|-----------|
| 3 Reduction in Library Special Programming | -1.00 | (100,000) | 0 | (100,000) |
|--|-------|-----------|---|-----------|

This action eliminates a vacant 1.0 Library Specialist position in the Library Department. This elimination would not have an impact on operating hours at the Library, but would require that a librarian position currently working on special programming projects, such as children's storytime, to refocus their time to staffing a library desk. It will reduce the Library Department to minimum staffing levels necessary for effective service delivery at current hours. (Ongoing savings: \$100,000).

Performance Results



This reduction will not impact basic library services although it will reduce staffing flexibility during peak seasons thus potentially impacting customer satisfaction and the response timelines during these periods.



CITY OF
**PALO
ALTO**

OFFICE OF EMERGENCY SERVICES

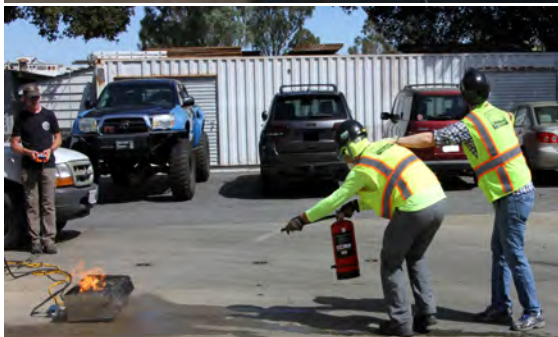
Mission Statement

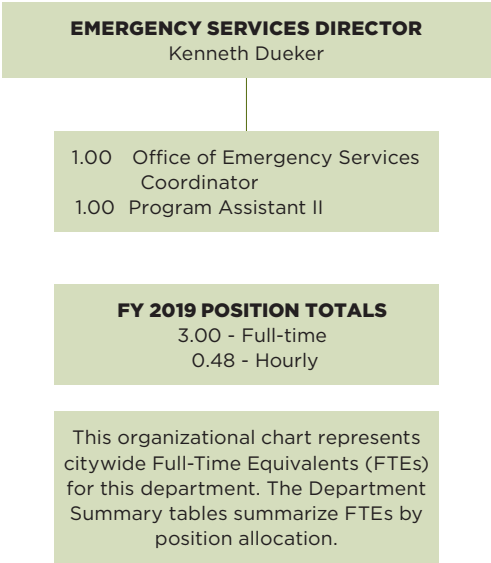


The mission of the Office of Emergency Services is to prevent, prepare for, mitigate, respond to, and recover from all hazards.

Purpose

The purpose of the Office of Emergency Services is to develop, maintain, and sustain a citywide, 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 2017 update of the City of Palo Alto Local Hazards Mitigation and Adaptation Plan (LHMAP) and the Threat and Hazard Identification and Risk Assessment Plan (THIRA).
- Completed the Earthquake Annex to the City's Emergency Operations Plan and Community Wildfire Protection Plan.
- Served as subject matter expert in the completion of the new Comprehensive Plan Safety Element.
- Activated Emergency Operations Center (EOC) to manage the 2017-2018 Storm Season and other events.
- Participated with Santa Clara County OES in the project implementation for the Mass Notification System AlertSCC.
- Continued to develop the Emergency Services Volunteer (ESV) program and general community public safety awareness through ongoing public education sessions, trainings, and exercises.
- In coordination with Public Works, the Police Department, and the City Manager's Office, participated in the Caltrain Intrusion Detection System (IDS) solicitation and vendor selection.
- Continued to work with regional public safety partners on a wide range of planned and special events, ranging from visits by 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 work with Development Services, Public Works, and other City staff to develop a damage assessment process.
- Continue to develop other emergency plans, annexes, and protocols.
- Explore new technologies, including resilient power for key sites and critical systems.
- Continue to work with the IT and Utilities Departments to deploy a new Public Safety Wireless Network.
- Continue to work with the Public Works, Police, and Fire Departments 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 Emergency Operation Center (EOC), Mobile Emergency Operation Center (MEOC), Department Operations Center, and other assignments.
- Maintain emergency management facilities, critical infrastructure, and essential 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 Emergency Services Volunteer Program (ESV) 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 plans and annexes through an adaptive planning process.

Key Performance Measures

READINESS OF OFFICE OF EMERGENCY SERVICES (OES) RESOURCES

| Goal | Promote the City's operational readiness to implement the emergency management cycle (mitigate, prepare, respond, recover). | | | | |
|---|---|--------------------|--------------------|----------------------|---------------------|
| Objective | Maintain OES emergency management facilities, critical infrastructure, and equipment fully mission capable. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 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 discrete 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 EOC is functioning as an information intelligence center hub and staffed during the day on a regular basis. Other assets, such as the MEOC Support Vehicle were also fully operational and supported the Police Department's 911 Dispatch Center renovation which increased the number of estimated deployments for FY 2018. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of presentations, training sessions, and exercises | 234 | 182 | 125 | 150 | 150 |
| Number of deployments of the EOC, MEOC, and ICP | 46 | 37 | 40 | 75 | 40 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|----------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Emergency Services | 1,044,478 | 983,124 | 1,038,721 | 1,515,114 | 476,393 | 45.9% |
| Total | 1,044,478 | 983,124 | 1,038,721 | 1,515,114 | 476,393 | 45.9% |

| | | | | | | |
|--|------------------|----------------|------------------|------------------|----------------|--------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 32,971 | 37,852 | 37,420 | 38,056 | 636 | 1.7% |
| Other Benefits | 13,436 | 11,830 | 14,142 | 14,577 | 434 | 3.1% |
| Overtime | 260 | 880 | — | — | — | —% |
| Pension | 86,693 | 101,971 | 103,920 | 111,738 | 7,819 | 7.5% |
| Retiree Medical | 59,094 | 51,613 | 54,299 | 49,844 | (4,455) | (8.2)% |
| Salary | 366,326 | 385,750 | 402,563 | 428,803 | 26,240 | 6.5% |
| Workers' Compensation | 1,989 | 1,286 | 22,588 | 16,272 | (6,316) | (28.0)% |
| Total Salary & Benefits | 560,769 | 591,182 | 634,931 | 659,289 | 24,358 | 3.8% |
| Allocated Charges | 43,062 | 45,905 | 52,168 | 89,072 | 36,904 | 70.7% |
| Contract Services | 229,162 | 108,138 | 150,000 | 559,500 | 409,500 | 273.0% |
| Facilities & Equipment | 126,759 | 134,991 | 117,000 | 117,000 | — | —% |
| General Expense | 31,038 | 34,437 | 34,700 | 34,700 | — | —% |
| Operating Transfers-Out | — | — | — | 5,631 | 5,631 | —% |
| Supplies & Material | 53,687 | 68,470 | 49,922 | 49,922 | — | —% |
| Total Dollars by Expense Category | 1,044,478 | 983,124 | 1,038,721 | 1,515,114 | 476,393 | 45.9% |

| | | | | | | |
|------------------------|---------------|---------------|---------------|---------------|--------------|-------------|
| Revenues | | | | | | |
| Charges to Other Funds | 94,623 | 94,623 | 94,623 | 96,336 | 1,713 | 1.8% |
| Total Revenues | 94,623 | 94,623 | 94,623 | 96,336 | 1,713 | 1.8% |

| | | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|----------|-----------|
| 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Director Office of Emergency Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 162,824 |
| Office of Emergency Services Coordinator | 1.00 | 1.00 | 1.00 | 1.00 | — | 134,659 |
| Program Assistant | 1.00 | 1.00 | 1.00 | — | (1.00) | — |
| Program Assistant II | — | — | — | 1.00 | 1.00 | 84,778 |
| Sub-total: Full-Time Equivalent Positions | 3.00 | 3.00 | 3.00 | 3.00 | — | 382,261 |
| Temporary/Hourly | 0.48 | 0.48 | 0.48 | 0.48 | — | 36,649 |
| Total Positions | 3.48 | 3.48 | 3.48 | 3.48 | — | 418,911 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|-------------|------------------|---------------|------------------|
| Prior Year Budget | 3.48 | 1,038,721 | 94,623 | 944,098 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 18,911 | — | 18,911 |
| Project Safety Net - Video Management System Maintenance (reassign PD to OES) | — | 400,000 | — | 400,000 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 9,500 | — | 9,500 |
| Revenue Alignment | — | — | 1,713 | (1,713) |
| General Liability Insurance Allocated Charges | — | 1,987 | — | 1,987 |
| Information Technology Allocated Charges Reallocation (Fire to OES) | — | 46,960 | — | 46,960 |
| Printing and Mailing Allocated Charges | — | (11,210) | — | (11,210) |
| Vehicle Replacement Maintenance Allocated Charges | — | 583 | — | 583 |
| General Liability Savings (one-time FY 2019 Savings) | — | (1,415) | — | (1,415) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (6,485) | — | (6,485) |
| Adjustments to Costs of Ongoing Activities | — | 458,830 | 1,713 | 457,117 |
| Total FY 2019 Base Budget | 3.48 | 1,497,551 | 96,336 | 1,401,215 |
| Budget Adjustments | | | | |
| 1 Emergency Operations Staffing | — | 11,932 | — | 11,932 |
| 2 Supplemental Pension Trust Fund Contribution | — | 5,631 | — | 5,631 |
| Total Budget Adjustments | — | 17,563 | — | 17,563 |
| Total FY 2019 Proposed Budget | 3.48 | 1,515,114 | 96,336 | 1,418,778 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|---------------------------------|-----------|--------------|----------|------------------|
| 1 Emergency Operations Staffing | 0.00 | 11,932 | 0 | 11,932 |

This action reclassifies 1.0 Program Assistant to a Program Assistant II to meet the planning, administrative, and analytical needs of the Office of Emergency Services. This position will support programs and projects including: the City's administration of the Santa Clara County Alert SCC public alerting platform; administration of the City's Critical Infrastructure Program, including data collection, processing and system management; maintain the Department's Protected Critical Infrastructure Information (PCII) Certification; support the citywide transition to a regional radio system and implementation of a public safety wireless network; and support the design and capital plan for the new Public Safety building. (Ongoing net costs: \$11,932)

Performance Results



This action will ensure that sufficient staffing resources are available to advance public safety initiatives.

| | | | | |
|--|------|-------|---|-------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 5,631 | 0 | 5,631 |
|--|------|-------|---|-------|

This action transfers \$5,631 from the Office of Emergency Services Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Office of Emergency Service Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).



CITY OF
**PALO
ALTO**

PLANNING & COMMUNITY ENVIRONMENT

Mission Statement



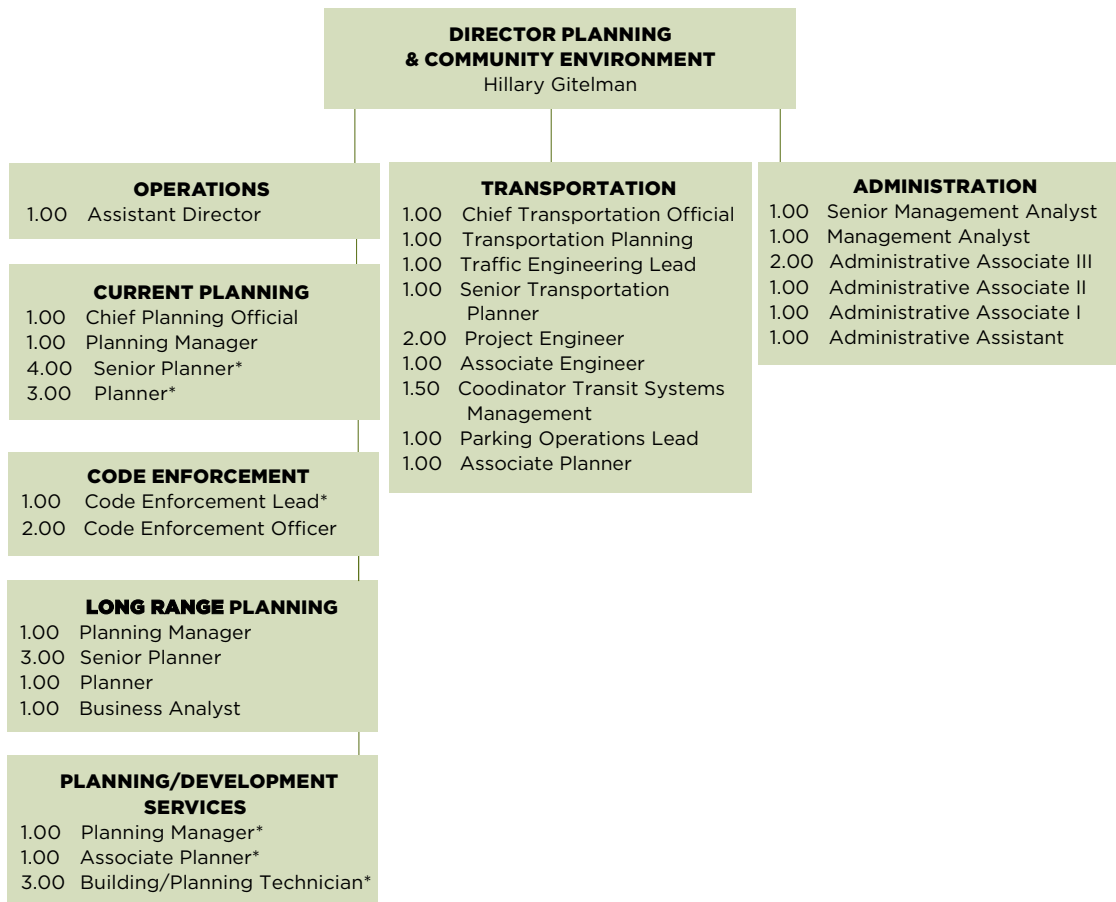
The mission of the Planning and Community Environment Department is to provide the City Council and the community with creative guidance on, and effective implementation of land use development, planning, transportation, housing and environmental policies, and plans and programs that maintain and enhance 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 & COMMUNITY ENVIRONMENT



FY 2019 POSITION TOTALS

42.46 - Full-time

1.90 - Hourly

* 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, and other public meetings.

Accomplishments

- Supported Council adoption of the updated Comprehensive Plan.
- Continued implementation of the Downtown, Evergreen Park/Mayfield, and Southgate Residential Preferential Parking (RPP) Programs.
- Supported Council adoption of an ordinance to enable additional Accessory Dwelling Units (ADU) throughout the City.
- Received over \$600,000 in grant funding for the North Ventura Coordinated Area Plan process and \$4.6 million for El Camino streetscape improvements.
- Improved traffic circulation on Middlefield north of Lytton.
- Supported Council adoption of a 5-year plan for the City's Safe Routes to School program.

- Supported adoption of updated housing impact fees.
- Supported approval of projects at Avenidas and the Junior Museum and Zoo.
- Supported approval of a new hotel at 744 San Antonio and multifamily housing at 3001 El Camino Real.
- Supported 49 action items and study sessions at the City Council (59% of the total) as well as 83 total meetings of boards, commissions, and advisory groups and 12 bike rodeos.

Initiatives

- Convene a citizen working group and begin preparation of the North Ventura Coordinated Area Plan.
- Advance tasks identified in the Housing Work Plan adopted by the City Council in February 2018.
- Construct parking wayfinding signs and solicit bids for an Automated Parking Guidance System (APGS) for downtown garages.
- Support the planning process for grade separations along the Caltrain corridor, including selection of a preferred alternative for environmental review.
- Continue improvements to the code enforcement program, including tracking officer caseloads, improving communication with Palo Alto 311 users, and increasing community awareness of code enforcement and related programs.
- Continue to support the CEQA and planning processes for key infrastructure projects, including the public safety building and parking garages.
- Codify Transportation Demand Management (TDM) requirements from the new Comprehensive Plan and update the City's Transportation Impact Fee program.
- Procure new parking permit software and begin transitioning to the new system, enabling enhanced customer service and reporting.
- Begin tracking staff time (rather than elapsed time) to complete Individual Review (IR) applications for two story homes and work towards a review time of 60 days.
- Develop forms and procedures for applications pursuant to SB 35 (the "by right" housing bill).

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of surveyed residents rating the quality of code enforcement as good or excellent | 52.00% | 56.00% | 60.00% | 52.00% | 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 | A special custom community survey that focused on code enforcement was conducted along with the 2017 annual citizen survey. Residents were asked to rate the extent to which they believed 15 different areas were code enforcement concerns in Palo Alto. Residents ranked only parking and traffic as being moderate or major problems, with ratings of 64 percent and 75 percent, respectively. The next highest rating was gasoline-powered leaf blowers in residential areas, with a rating of 33 percent. Fewer than 25 percent of respondents rated all of the other categories as a moderate or major problem. Survey results can be found at https://www.cityofpaloalto.org/civicax/filebank/documents/63205 . | | | | |

INDIVIDUAL REVIEW AND 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of Planning Review of building plan checks completed within 30 days of application intake | 88.00% | 87.00% | 90.00% | 87.00% | 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of annual shuttle bus boardings | 181,259 | 152,261 | 152,500 | 140,000 | 140,000 |
| 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 | In FY 2018 ridership decreased as a result of the discontinuation of the East Palo Alto shuttle route. Not included in estimates is the elimination of services provided by Valley Transportation Authority (VTA) to South Palo Alto. The department has discussed options to backfill these service reductions with the City Council, including increased shuttle services, which are contingent upon additional funding resources. The estimates for annual shuttle bus boarding will continue to be refined as the City evaluates shuttle services in Palo Alto. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|--|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of planning and Architectural Review Board applications completed | 383 | 365 | 175 | 364 | 365 |
| Average number of days for Planning to first review building permit applications | 20 | 25 | 20 | 25 | 20 |
| Average number of days from Individual Review application to approval* | 187 | 210 | 125 | 145 | 60 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 1,590,566 | 1,836,650 | 1,596,380 | 1,724,122 | 127,742 | 8.0% |
| Building | 12,246 | 13,692 | — | 883 | 883 | —% |
| Planning and Transportation | 7,285,184 | 6,811,476 | 6,863,318 | 7,126,976 | 263,658 | 3.8% |
| Total | 8,887,997 | 8,661,817 | 8,459,697 | 8,851,981 | 392,284 | 4.6% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 414,698 | 431,634 | 558,675 | 517,054 | (41,621) | (7.4)% |
| Other Benefits | 105,503 | 72,766 | 103,131 | 107,359 | 4,228 | 4.1% |
| Overtime | 59,226 | 30,373 | 60,754 | 54,044 | (6,709) | (11.0)% |
| Pension | 754,646 | 845,866 | 980,842 | 1,055,749 | 74,907 | 7.6% |
| Retiree Medical | 274,311 | 300,159 | 315,782 | 404,459 | 88,676 | 28.1% |
| Salary | 3,116,093 | 3,095,444 | 3,207,363 | 3,468,503 | 261,141 | 8.1% |
| Workers' Compensation | 125,842 | 11,371 | 119,435 | 86,039 | (33,396) | (28.0)% |
| Total Salary & Benefits | 4,850,319 | 4,787,613 | 5,345,981 | 5,693,206 | 347,225 | 6.5% |
| Allocated Charges | 727,270 | 671,169 | 782,009 | 896,299 | 114,289 | 14.6% |
| Contract Services | 2,975,806 | 2,788,586 | 1,909,939 | 1,846,439 | (63,500) | (3.3)% |
| Facilities & Equipment | 29,677 | 10,452 | 36,850 | 36,850 | — | —% |
| General Expense | 260,802 | 357,592 | 358,718 | 302,215 | (56,503) | (15.8)% |
| Operating Transfers-Out | 7,607 | 7,607 | 7,607 | 60,879 | 53,272 | 700.3% |
| Rents & Leases | 1,160 | — | — | — | — | —% |
| Supplies & Material | 35,356 | 38,798 | 18,593 | 16,093 | (2,500) | (13.4)% |
| Total Dollars by Expense Category | 8,887,997 | 8,661,817 | 8,459,697 | 8,851,981 | 392,284 | 4.6% |
| Revenues | | | | | | |
| Charges for Services | 766,583 | 919,906 | 1,286,225 | 1,383,919 | 97,694 | 7.6% |
| Charges to Other Funds | 38,603 | 96,072 | — | — | — | —% |
| Operating Transfers-In | 128,000 | 128,000 | 128,000 | 128,000 | — | —% |
| Other Revenue | 221,435 | 92,365 | 2,500 | 2,500 | — | —% |
| Other Taxes and Fines | 360,300 | 544,029 | 20,390 | 20,390 | — | —% |
| Permits and Licenses | 1,256,265 | 1,266,891 | 1,107,239 | 1,169,350 | 62,111 | 5.6% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Rental Income | 72 | — | — | — | — | — % |
| Total Revenues | 2,771,258 | 3,047,262 | 2,544,354 | 2,704,159 | 159,805 | 6.3% |
| Positions by Division | | | | | | |
| Administration | 5.20 | 6.91 | 6.95 | 6.75 | (0.20) | (2.88)% |
| Planning and Transportation | 26.72 | 25.53 | 24.70 | 24.83 | 0.13 | 0.53% |
| Total | 31.92 | 32.44 | 31.65 | 31.58 | (0.07) | (0.22)% |

Staffing

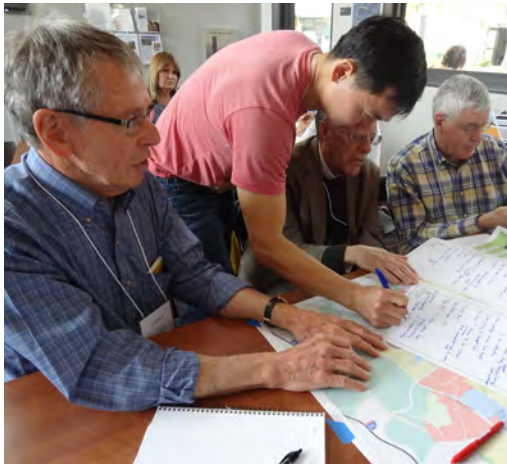
| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 79,082 |
| Administrative Associate I | 1.00 | 1.00 | 1.00 | 1.00 | — | 71,529 |
| Administrative Associate II | 1.00 | — | — | — | — | — |
| Administrative Associate III | 2.00 | 3.00 | 3.00 | 2.59 | (0.41) | 212,509 |
| Assistant Director PCE | 1.00 | 1.00 | 1.00 | 1.00 | — | 202,218 |
| Associate Engineer | 1.00 | 1.00 | 0.73 | 0.65 | (0.08) | 75,418 |
| Associate Planner | 0.10 | 0.10 | 0.10 | 0.37 | 0.27 | 40,002 |
| Building/Planning Technician | 0.20 | 0.70 | 0.70 | 0.70 | — | 61,378 |
| Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 152,734 |
| Chief Planning Official | 0.80 | 1.00 | 1.00 | 0.99 | (0.01) | 152,669 |
| Chief Transportation Official | 0.50 | 0.70 | 0.43 | 0.64 | 0.21 | 115,442 |
| Code Enforcement Officer | 1.60 | 1.60 | 1.60 | 1.60 | — | 167,765 |
| Code Enforcement-Lead | 0.80 | 0.80 | 0.80 | 0.80 | — | 89,758 |
| Coordinator Transportation Systems Management | 0.85 | 0.60 | 0.88 | 0.74 | (0.14) | 81,779 |
| Director Planning/Community Environment | 1.00 | 1.00 | 1.00 | 1.00 | — | 243,641 |
| Management Analyst | 0.40 | 0.88 | 0.98 | 0.80 | (0.18) | 81,070 |
| Manager Planning | 2.00 | 2.00 | 2.00 | 2.00 | — | 257,670 |
| Parking Operations-Lead | 0.30 | 0.20 | — | 0.10 | 0.10 | 13,574 |
| Planner | 3.00 | 3.83 | 3.83 | 3.85 | 0.02 | 437,950 |
| Program Assistant II | — | 0.35 | 0.60 | — | (0.60) | — |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Project Engineer | 1.65 | 1.15 | 0.50 | 0.80 | 0.30 | 112,517 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 0.88 | (0.12) | 124,357 |
| Senior Planner | 7.64 | 6.70 | 6.51 | 6.63 | 0.12 | 861,396 |
| Traffic Engineering-Lead | 1.00 | 0.10 | 0.38 | 0.65 | 0.27 | 84,939 |
| Transportation Planning Manager | 0.20 | 0.85 | 0.20 | 0.41 | 0.21 | 50,878 |
| Sub-total: Full-Time Equivalent Positions | 31.04 | 31.56 | 30.24 | 30.20 | (0.04) | 3,770,276 |
| Temporary/Hourly | 0.88 | 0.88 | 1.41 | 1.38 | (0.03) | 134,006 |
| Total Positions | 31.92 | 32.44 | 31.65 | 31.58 | (0.07) | 3,904,282 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|------------------|------------------|------------------|
| Prior Year Budget | 31.65 | 8,459,697 | 2,544,354 | 5,915,343 |
| One-Time Prior Year Budget Adjustments | | | | |
| San Mateo County District Grant | — | (22,613) | — | (22,613) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 19,178 | — | 19,178 |
| One-Time Prior Year Budget Adjustments | — | (3,435) | — | (3,435) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 316,884 | — | 316,884 |
| Revenue Alignment | — | — | 85,846 | (85,846) |
| Management Development Alignment | — | 110 | — | 110 |
| General Liability Insurance Allocated Charges | — | 39,486 | — | 39,486 |
| Information Technology Allocated Charges | — | (1,259) | — | (1,259) |
| Print & Mail Allocated Charges | — | 9,963 | — | 9,963 |
| Utilities Allocated Charges | — | 1,044 | — | 1,044 |
| Vehicle Replacement & Maintenance Allocated Charges | — | 43 | — | 43 |
| General Liability Savings (one-time FY 2019 Savings) | — | (28,124) | — | (28,124) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (34,288) | — | (34,288) |
| Adjustments to Costs of Ongoing Activities | — | 303,859 | 85,846 | 218,013 |
| Total FY 2019 Base Budget | 31.65 | 8,760,121 | 2,630,200 | 6,129,921 |
| Budget Adjustments | | | | |
| 1 Technology Support | — | 73,959 | 73,959 | — |
| 2 Supplemental Pension Trust Fund Contribution | — | 53,272 | — | 53,272 |
| 3 Transportation Program Staffing | — | 6,645 | — | 6,645 |
| 4 Planning and Community Environment Staff Funding Alignment | (0.07) | 57,983 | — | 57,983 |
| 5 Reduction in Planning & Community Environment Non-Salary Expenses | — | (100,000) | — | (100,000) |
| Total Budget Adjustments | (0.07) | 91,860 | 73,959 | 17,901 |
| Total FY 2019 Proposed Budget | 31.58 | 8,851,981 | 2,704,159 | 6,147,822 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|----------------------|-----------|--------------|----------|------------------|
| 1 Technology Support | 0.00 | 73,959 | 73,959 | 0 |

This action increases allocated charges for technical support of the City's centralized permitting system and other technological enhancements. This funding will be used to modify systems as required by ordinance changes and to meet the programmatic needs of the department to support and enhance fee calculations and collections, metrics and performance measurement tools, workflow integrations, and ancillary programs that provide a geographical view of entitlements and development in the City. This action is offset by an increase to revenue estimates in alignment with the departmental recommendation in FY 2019 to increase fees by 3%. (Ongoing Costs: \$0)

Performance Results



This action will ensure the costs for electronic systems used by the Department will be funded by the uses they support.

| | | | | |
|--|------|--------|---|--------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 53,272 | 0 | 53,272 |
|--|------|--------|---|--------|

This action transfers \$53,272 from the Planning and Community Development Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Planning and Community Development Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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

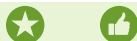


Proactively contributing to a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|-----------------------------------|------|-------|---|-------|
| 3 Transportation Program Staffing | 0.00 | 6,645 | 0 | 6,645 |
|-----------------------------------|------|-------|---|-------|

This action adds a 1.0 FTE Associate Planner position and eliminates a 1.0 FTE Program Assistant II position at a total cost of \$25,000 of which \$6,645 is realized in the General Fund. The Associate Planner position is recommended to assist with Parking and Transportation programs, including management of data files, grant reporting and monitoring, capital project oversight, and assistance with anticipated parking enhancements currently under City review. The position is budgeted as follows: 0.27 in the General Fund, 0.31 in the General Capital Project Fund, 0.06 in University Avenue, 0.06 in California Avenue, and 0.03 in the Residential Parking Permit (RPP) Fund. (Ongoing Costs: \$6,645)

Performance Results



This action will ensure that sufficient staffing resources are available to support parking and transportation programs.

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 4 Planning and Community Environment Staff Funding Alignment | -0.07 | 57,983 | 0 | 57,983 |

This action realigns the funding of various positions resulting in a net reduction of 0.07 positions in the PCE General Fund operating budget, and as result of the higher level position classifications returning to the General Fund, increasing total impact. Across all City funds, this realignment of funding is a net-zero transaction that more accurately aligns staff to their anticipated FY 2019 work assignments and projects. The largest reallocation reflects a shift of staff resources from the implementation of Parking related capital projects to the operational management of these programs, including communications with the public and City Council, management of contracts, and special projects. In total, a reduction of 0.07 positions are recommended in the General Fund and 1.15 positions in the General Capital Improvement Fund. These reductions are offset by increases to each of the three parking funds: 0.92 positions Residential Parking Permit (RPP) Fund, 0.18 positions California Avenue Fund, and 0.12 positions University Avenue Fund. (Ongoing Costs: \$57,983)

Performance Results



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

| | | | | |
|---|------|-----------|---|-----------|
| 5 Reduction in Planning & Community Environment Non-Salary Expenses | 0.00 | (100,000) | 0 | (100,000) |
|---|------|-----------|---|-----------|

This action reduces various non-salary expenses across the Planning and Community Environment Department to achieve ongoing savings in operating expenses. Reductions will result in more constrained resources for contract services used for the general administration of the department, various board and commissions, and Individual Review. These reductions do not eliminate available funding for any of these programs, and although are not anticipated to have significant impact on service delivery, will require a prioritization of expenses in the department. (Ongoing Savings: \$100,000)

Performance Results



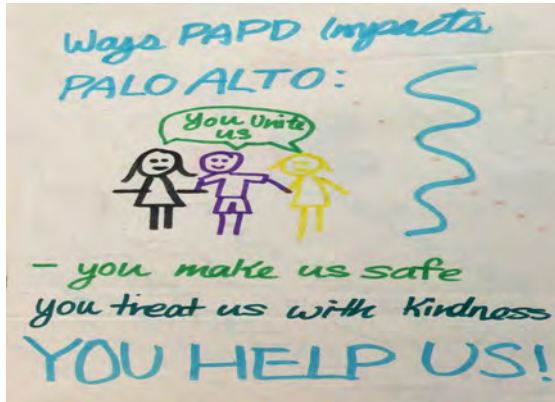
No significant implications to Planning and Community Environment Department programs are anticipated as a result of this reduction other than cost savings.



CITY OF
**PALO
ALTO**

POLICE

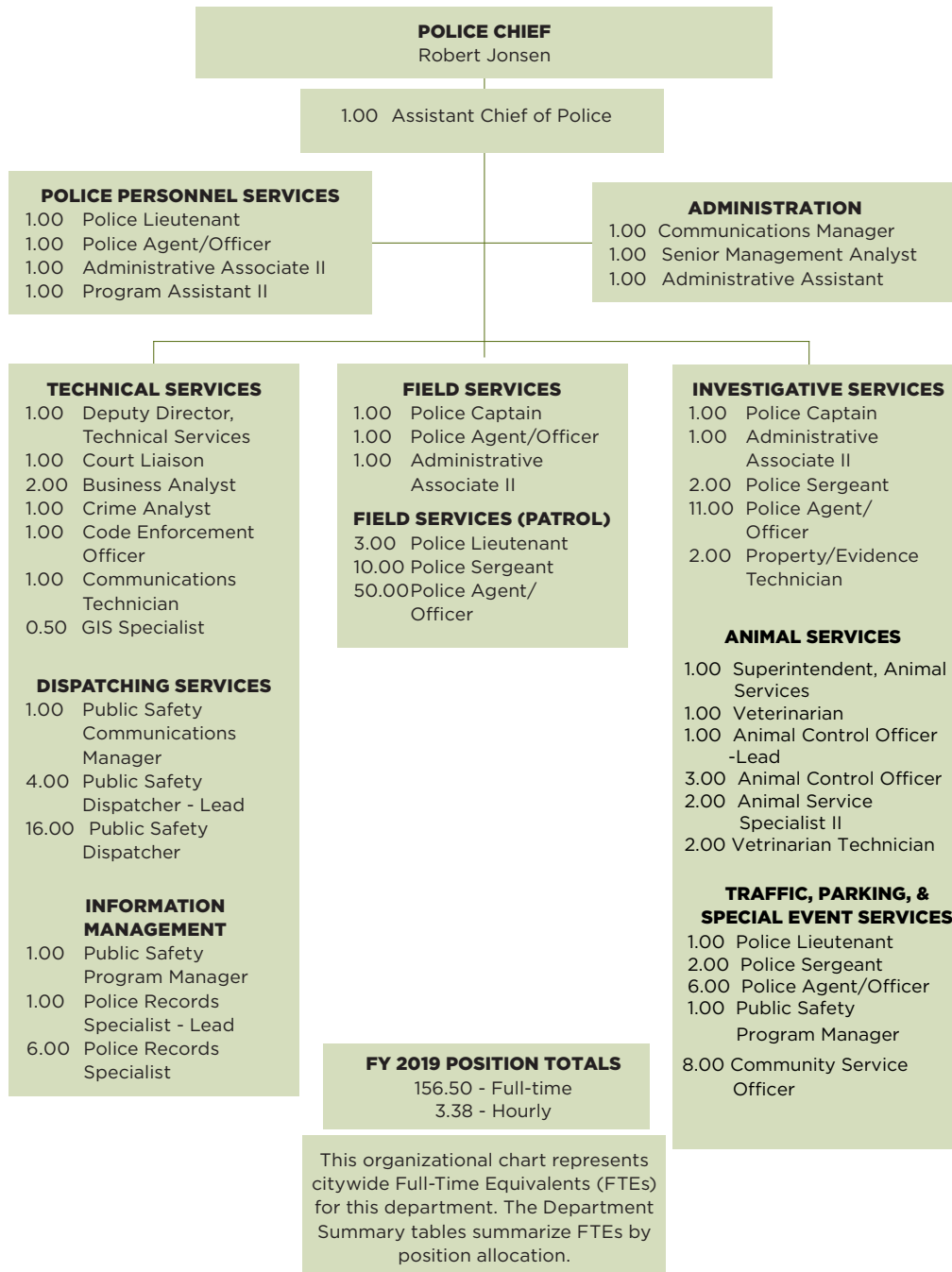
Mission Statement



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

Purpose

In line with the six pillars of the Department of Justice Implementation Guidebook on 21st Century Policing, the purpose of the Police Department is to: build trust and legitimacy; provide for policy and oversight; implement modern technology solutions and social media platforms; focus on community policing and crime reduction; implement officer training and education; and ensure officer safety and wellness.



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

- Completed three Basic Citizens' Police Academies, each an 8-week course.
- Achieved a 93% "excellent/good" overall police services rating from the FY 2017 City Performance Report - National Citizen Survey, a 5% increase from FY 2016.
- Continued to grow the number of followers on Department social media platforms allowing more residents to receive accurate and timely public safety information.
- Continued to participate in several regional initiatives, which promote emergency preparedness and response capabilities, including the Silicon Valley Regional Interoperability Authority.
- Purchased P25 Radio Infrastructure for the FY 2019 implementation of the Silicon Valley Regional Communications System.

- Completed a pilot project to test a limited number of body-worn cameras in the Patrol division.
- Replaced the City's 911 technology with a new, hosted solution in partnership with the Cities of Mountain View and Los Altos.
- Renovated the City's Emergency Communications Center (Dispatch).
- Completed executive recruitment for a new Police Chief and transitioned Assistant Police Chief.

Initiatives

- Continue to host two sessions of Basic Citizens' Police Academy classes per year, and implement new Advanced Citizens' Police Academy courses.
- Create and implement a Police Chief's Citizens' Advisory Group.
- 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 - Palo Alto PD Mobile.
- Continue participation in the design and planning for the new Public Safety building.
- Migrate to the new 700 MHz P25 regional radio system as part of the county-wide effort led by the Silicon Valley Regional Interoperability Authority.
- Continue the development of the joint Records Management System (RMS) system in partnership with cities of Mountain View and Los Altos.
- Implement a comprehensive Field Based Video Program, including the addition of body-worn cameras for patrol officers.
- Continue Crisis Intervention Training for officers and dispatchers.
- Progress on-going recruitment initiatives to decrease Department vacancies.
- Explore and evaluate the officer and employee mindfulness and resiliency programs.

Goals and Objectives

GOAL 1

Building Trust and Legitimacy: In line with pillar one of the Department of Justice Implementation Guidebook on 21st Century Policing, the Police Department will embrace a guardian mindset to build public trust and legitimacy.

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 control.
- Provide emergency response to the community in the event of a disaster.

- Continue development of the Public Safety Building

GOAL 2

Policy and Oversight: In line with pillar two of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will collaborate with community members in developing policies through the creation of a Chief's Advisory Group.

Objectives:

- Continue Office of Independent Review oversight of internal investigations.
- Increase quality and timeliness of response to citizens' complaints regarding use of force, canine investigations, and other internal affairs matters.
- 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.
- Maintain and enhance the community's satisfaction with police services.
- Create and implement a Chief's Advisory Group.

GOAL 3

Technology and Social Media: In line with pillar three of the Department of Justice implementation guidebook on 21st Century Policing the Department will continue to use Department and Regional technology solutions to enhance services, as well as leveraging social media platforms to fully engage and educate our community.

Objectives:

- Monitor first year full implementation of body-worn camera program for Patrol officers in the field as part of the Department's enhanced field-based video program.
- Engage the community 24/7/365 through social media and outreach programs.
- Complete regional Records Management System project.
- Research and recommend replacement of mobile data computers.
- Implement on-line reporting.
- Enhance technology applications in alignment with national initiatives such as text-to-911.
- Implement citywide radio use of the Silicon Valley Regional Communications System (SVRCS).
- Enhance the Department's open data initiative efforts by providing additional information to the public.

GOAL 4

Community Policing and Crime Reduction: In line with pillar four of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will continue to engage the community through its cultural mindset that focuses on community policing and community partnerships.

Objectives:

- Continue to teach two Basic Adult Citizens' Academies annually.
- Implement a Basic Youth Citizens' Academy.
- Continue to teach an Advanced Adult Citizens' Academy.
- Contribute to the Safe Routes to School Program.
- Continue partnership with the Palo Alto Unified School District with the deployment of two School Resource Officers.
- Continue to contribute to the evolution of the Trackwatch camera monitoring program along the Caltrain rail lines.

GOAL 5

Officer Training and Education: In line with goal five of the Department of Justice Implementation Guideline on 21st Century Policing, the Department will continue to enhance in-service officer training in the areas of fair and impartial policing; de-escalation; legal updates; and community relations. The Department will implement continuing education standards and officer wellness programs.

Objectives:

- Continue to train and educate all employees in fair and impartial policing philosophies.
- Ensure all officers receive Crisis Intervention Training.
- Implement Crisis Intervention Training for Dispatchers.
- Partner with Santa Clara County Mental Health to explore a Psychiatric Evaluation Response Team (PERT).
- Train officers on new technologies as they are implemented.

GOAL 6

Officer Safety and Wellness. In line with goal six of the Department of Justice Implementation Guideline on 21st Century Policing, the Department will ensure that wellness and safety efforts occur at every level of the organization.

- Ensure that critical incident defusing and debriefings occur as needed.
- Enhance employee assistance resources including urgent or emergency access to a psychologist and employee assistance program referrals for employees and their families.
- Continue to provide individual, tactical first-aid kits, anti-ballistic vests, and equipment necessary to perform all aspects of the job.
- Stress policies related to safety, in-line with the "Below 100" initiatives, a national initiative to reduce national police officer fatalities to under 100 per year: <https://www.below100.org/>.
- Enhance the Department's peer support program.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of Palo Alto live animal calls responded to within 45 minutes | 89.00% | 89.00% | 90.00% | 89.00% | 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 maintained year over year response times at 89% and anticipates meeting a 90% target in the upcoming year upon full staffing of animal control officer positions. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Animal Control Services | 77.00% | 80.00% | 77.00% | 77.00% | 80.00% |
| Crime Prevention Services | 80.00% | 81.00% | 80.00% | 80.00% | 80.00% |
| Traffic Enforcement Services | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% |
| Overall Police Services | 88.00% | 93.00% | 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 | Overall, the Department has maintained or exceeded customer satisfaction levels over the prior year for each of the categories and does not anticipate major changes to FY 2019 targets. The department attributes the variability in these ratings to staffing levels and looks to revise these targets upon successful hiring of vacancies in the traffic and animal control teams. The department intends to recruit positions in the traffic team and is engaged in the City evaluation of the service delivery model for animal control services. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of urgent calls responded to within 10 minutes | 74.00% | 74.00% | 90.00% | 75.00% | 90.00% |
| Percent of emergency calls responded to within 6 minutes | 63.00% | 67.00% | 90.00% | 70.00% | 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 year over year response times for urgent calls has remained constant at 74% while emergency calls have increased from 63% to 67%. Targets for both measures remain unchanged at 90% in FY 2019. The Department attributes these results to the ongoing impacts of increased traffic congestion and departmental vacancies that have reduced supplemental on street staffing typically provided by specialty teams such as the traffic and downtown teams. | | | | |

Workload Measures

| | | | | | |
|--|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of police calls for service | 53,870 | 53,901 | 55,000 | 54,000 | 54,000 |
| Number of Part I crimes | 1,613 | 1,672 | 1,600 | 1,600 | 1,600 |
| Number of Part II crimes | 2,889 | 2,579 | 2,650 | 2,600 | 2,600 |
| Average response time for emergency calls (Goal: within 6 minutes) | 5:47 | 5:39 | 6:00 | 5:45 | 6:00 |
| Average response time for urgent calls (Goal: within 8 minutes) | 8:38 | 8:33 | 8:00 | 8:30 | 8:00 |
| Total number of Palo Alto animal service calls | 2,421 | 2,359 | 2,400 | 2,200 | 2,300 |
| Number of regional animal services calls (Los Altos and Los Altos Hills) | 560 | 415 | 450 | 425 | 425 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Administration | 1,194,121 | 1,372,907 | 1,038,302 | 1,191,493 | 153,190 | 14.8% |
| Animal Services | 1,575,147 | 1,582,082 | 1,894,492 | 1,906,145 | 11,653 | 0.6% |
| Field Services | 15,696,641 | 19,438,878 | 21,705,557 | 21,075,775 | (629,782) | (2.9)% |
| Investigations and Crime Prevention Services | 4,737,600 | 4,494,576 | 4,644,272 | 4,780,398 | 136,126 | 2.9% |
| Parking Services | 1,241,728 | 1,367,611 | 1,496,299 | 1,626,536 | 130,237 | 8.7% |
| Police Personnel Selection | 1,398,558 | 1,311,192 | 1,343,204 | 1,351,115 | 7,912 | 0.6% |
| Technical Services | 7,269,274 | 8,283,058 | 8,799,332 | 9,064,759 | 265,427 | 3.0% |
| Traffic Services | 2,552,209 | 1,355,766 | 1,411,594 | 1,352,257 | (59,338) | (4.2)% |
| Total | 35,665,276 | 39,206,070 | 42,333,053 | 42,348,477 | 15,425 | — % |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 2,734,632 | 2,837,397 | 3,224,954 | 3,441,864 | 216,909 | 6.7% |
| Other Benefits | 1,031,944 | 645,624 | 694,156 | 772,237 | 78,081 | 11.2% |
| Overtime | 2,019,330 | 2,010,204 | 1,700,000 | 1,776,500 | 76,500 | 4.5% |
| Pension | 5,516,331 | 6,472,251 | 7,304,834 | 7,948,102 | 643,268 | 8.8% |
| Retiree Medical | 2,352,490 | 2,666,651 | 2,805,449 | 2,575,257 | (230,193) | (8.2)% |
| Salary | 15,715,984 | 17,072,244 | 18,396,666 | 18,779,800 | 383,134 | 2.1% |
| Workers' Compensation | 949,783 | 1,057,455 | 1,167,029 | 840,707 | (326,322) | (28.0)% |
| Total Salary & Benefits | 30,320,494 | 32,761,826 | 35,293,089 | 36,134,466 | 841,377 | 2.4% |
| Allocated Charges | 2,969,885 | 2,783,927 | 3,231,864 | 3,483,529 | 251,665 | 7.8% |
| Contract Services | 1,388,563 | 2,710,594 | 2,747,528 | 1,253,528 | (1,494,000) | (54.4)% |
| Facilities & Equipment | 21,460 | 74,934 | 69,500 | 34,500 | (35,000) | (50.4)% |
| General Expense | 417,774 | 396,720 | 452,205 | 480,205 | 28,000 | 6.2% |
| Operating Transfers-Out | — | — | — | 398,383 | 398,383 | — % |
| Rents & Leases | 3,282 | 3,282 | 3,436 | 3,436 | — | — % |
| Supplies & Material | 543,819 | 474,787 | 535,431 | 560,431 | 25,000 | 4.7% |
| Total Dollars by Expense Category | 35,665,276 | 39,206,070 | 42,333,053 | 42,348,477 | 15,425 | — % |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Revenues | | | | | | |
| Charges for Services | 1,133,298 | 1,201,130 | 1,287,121 | 1,357,313 | 70,192 | 5.5% |
| Charges to Other Funds | 427,000 | 427,000 | 481,000 | 481,000 | — | —% |
| From Other Agencies | 291,554 | 419,490 | 290,548 | 299,900 | 9,352 | 3.2% |
| Operating Transfers-In | 42,000 | — | — | — | — | —% |
| Other Revenue | 338,269 | 267,310 | 273,016 | 273,016 | — | —% |
| Other Taxes and Fines | 1,701,347 | 1,489,330 | 1,881,255 | 1,881,255 | — | —% |
| Permits and Licenses | 211,441 | 260,297 | 195,302 | 230,302 | 35,000 | 17.9% |
| Rental Income | 400 | 645 | 1,067 | 1,067 | — | —% |
| Total Revenues | 4,145,310 | 4,065,202 | 4,409,309 | 4,523,853 | 114,544 | 2.6% |
| Positions by Division | | | | | | |
| Administration | 3.30 | 3.30 | 5.30 | 5.30 | — | —% |
| Animal Services | 10.66 | 10.66 | 10.56 | 10.56 | — | —% |
| Field Services | 68.80 | 61.80 | 73.55 | 73.55 | — | —% |
| Investigations and Crime Prevention Services | 14.28 | 21.28 | 16.38 | 16.38 | — | —% |
| Parking Services | 8.75 | 8.75 | 7.75 | 8.75 | 1.00 | 12.90% |
| Police Personnel Selection | 4.10 | 5.10 | 4.10 | 4.10 | — | —% |
| Technical Services | 37.00 | 37.00 | 37.00 | 37.00 | — | —% |
| Traffic Services | 11.49 | 10.49 | 3.74 | 2.74 | (1.00) | (26.74)% |
| Total | 158.38 | 158.38 | 158.38 | 158.38 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|-------------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 90,730 |
| Administrative Associate II | 3.00 | 3.00 | 3.00 | 3.00 | — | 233,202 |
| Animal Control Officer | 3.00 | 3.00 | 3.00 | 3.00 | — | 220,756 |
| Animal Control Officer-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 78,736 |
| Animal Services Specialist II | 2.00 | 2.00 | 2.00 | 2.00 | — | 160,037 |
| Assistant Police Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 210,746 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|-----------------|-----------------|------------------------|-------------------------|--------------------|----------------|
| Business Analyst | 1.20 | 1.20 | 1.20 | 1.20 | — | 183,281 |
| Code Enforcement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 104,853 |
| Communications Manager | — | — | 1.00 | 1.00 | — | 114,400 |
| Communications Technician | 1.00 | 1.00 | 1.00 | 1.00 | — | 106,523 |
| Community Service Officer | 8.50 | 8.50 | 7.50 | 7.50 | — | 600,552 |
| Court Liaison Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 104,251 |
| Crime Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 104,251 |
| Deputy Director Technical Services Division | 0.80 | 0.80 | 0.80 | 0.80 | — | 159,694 |
| Geographic Information System Specialist | 0.50 | 0.50 | 0.50 | 0.50 | — | 64,109 |
| Police Agent | 19.00 | 19.00 | 19.00 | 19.00 | — | 2,827,261 |
| Police Captain | 2.00 | 2.00 | 2.00 | 2.00 | — | 421,491 |
| Police Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 270,400 |
| Police Lieutenant | 5.00 | 5.00 | 5.00 | 5.00 | — | 955,594 |
| Police Officer | 50.00 | 50.00 | 50.00 | 50.00 | — | 6,594,078 |
| Police Records Specialist II | 6.00 | 6.00 | 6.00 | 6.00 | — | 464,943 |
| Police Records Specialist-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 82,915 |
| Police Sergeant | 14.00 | 14.00 | 14.00 | 14.00 | — | 2,340,333 |
| Program Assistant II | 1.00 | 1.00 | 1.00 | 1.00 | — | 84,778 |
| Property Evidence Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | 160,302 |
| Public Safety Communications Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 126,859 |
| Public Safety Dispatcher | — | 16.00 | 16.00 | 16.00 | — | 1,766,623 |
| Public Safety Dispatcher - Lead | 4.00 | — | — | — | — | — |
| Public Safety Dispatcher I | 2.00 | — | — | — | — | — |
| Public Safety Dispatcher II | 14.00 | — | — | — | — | — |
| Public Safety Dispatcher-Lead | — | 4.00 | 4.00 | 4.00 | — | 499,205 |
| Public Safety Program Manager | 2.00 | 2.00 | 2.00 | 2.00 | — | 249,496 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 142,002 |
| Superintendent Animal Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 109,491 |
| Veterinarian | 1.00 | 1.00 | 1.00 | 1.00 | — | 128,190 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Veterinarian Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | 150,343 |
| Sub-total: Full-Time Equivalent Positions | 155.00 | 155.00 | 155.00 | 155.00 | — | 19,910,423 |
| Temporary/Hourly | 3.38 | 3.38 | 3.38 | 3.38 | — | 244,386 |
| Total Positions | 158.38 | 158.38 | 158.38 | 158.38 | — | 20,154,809 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|---------------|-------------------|------------------|-------------------|
| Prior Year Budget | 158.38 | 42,333,053 | 4,409,309 | 37,923,744 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 60,890 | — | 60,890 |
| One-Time Prior Year Budget Adjustments | — | 60,890 | — | 60,890 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 1,099,910 | — | 1,099,910 |
| Overtime Adjustment (align with Palo Alto Police Officer's Association contract, ratified April 2016) | — | 76,500 | — | 76,500 |
| Crossing Guards (CMR #5658, minimum wage compliance) | — | 43,000 | — | 43,000 |
| PD Chief Relocation Package | — | 36,000 | — | 36,000 |
| Project Safety Net - Video Management System Maintenance (reassign PD to OES) | — | (300,000) | — | (300,000) |
| Stanford Emergency Communication Services Revenue | — | — | 42,954 | (42,954) |
| False Fire Alarm Revenue Alignment | — | — | 62,238 | (62,238) |
| PAUSD Revenue Alignment | — | — | 24,352 | (24,352) |
| POST Training Reimbursement | — | (15,000) | (15,000) | — |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 69,500 | — | 69,500 |
| Telecommunications Engineering Associates (TEA) Radio Maintenance Contract | — | (69,500) | — | (69,500) |
| Project Safety Net - Eliminate Track Watch Services | — | (1,240,000) | — | (1,240,000) |
| General Liability Insurance Allocated Charges | — | 102,638 | — | 102,638 |
| Information Technology Allocated Charges | — | 125,304 | — | 125,304 |
| Printing and Mailing Allocated Charges | — | 8,531 | — | 8,531 |
| Utilities Allocated Charges | — | 1,920 | — | 1,920 |
| Vehicle Equipment Maintenance Allocated Charges | — | 25,485 | — | 25,485 |
| General Liability Savings (one-time FY 2019 Savings) | — | (73,104) | — | (73,104) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (335,033) | — | (335,033) |
| Adjustments to Costs of Ongoing Activities | — | (443,849) | 114,544 | (558,393) |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|---------------|-------------------|------------------|-------------------|
| Total FY 2019 Base Budget | 158.38 | 41,950,094 | 4,523,853 | 37,426,241 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 398,383 | — | 398,383 |
| Total Budget Adjustments | — | 398,383 | — | 398,383 |
| Total FY 2019 Proposed Budget | 158.38 | 42,348,477 | 4,523,853 | 37,824,624 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 398,383 | 0 | 398,383 |

This action transfers \$398,383 from the Police Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Police Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to a pension trust will allow the City to prefund pension costs and begin to address GASB 68 Net Pension Liabilities (NPL).

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.

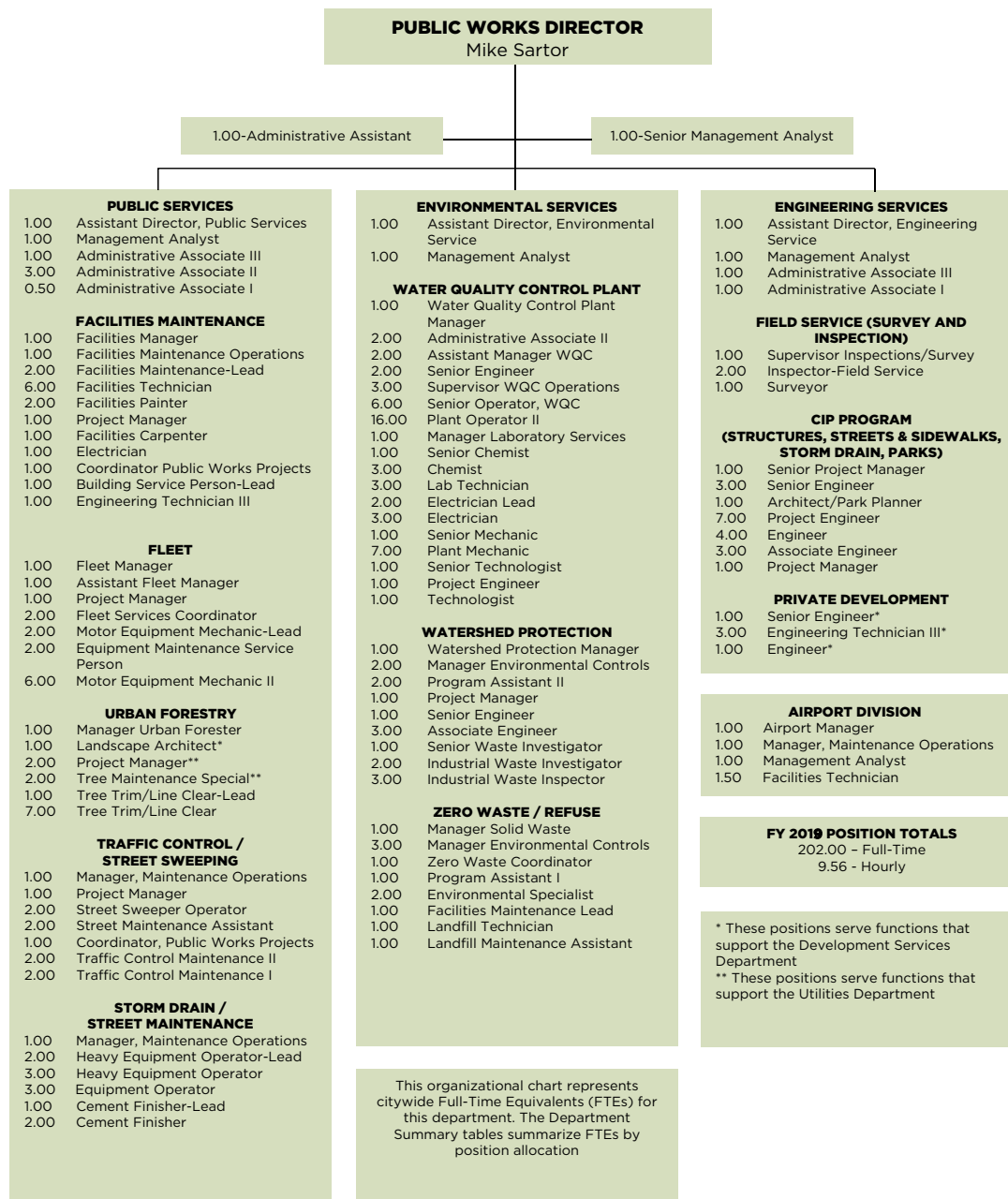


Purpose

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 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 City 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; maintains airport facilities and grounds, manages agreements with airport tenants, serves as liaison with the Federal Aviation Administration (FAA) and the Palo Alto flying community; and maintains compliance with FAA regulations.

Accomplishments

- Advanced progress toward goal of citywide average Pavement Condition Index score of 85 by calendar year 2019, which is within the range of very good to excellent ratings for street conditions. The 2017 calendar year-end score was 84.
- Continued implementation of the 2014 City Council Infrastructure Plan. Completed 40% of construction of the Fire Station No. 3 Replacement project and began construction of two of the three phases of the Charleston/Arastradero Corridor project. Completed environmental clearance and City Council approval of the Highway 101 Bicycle and Pedestrian Overcrossing and New California Avenue Parking Garage projects. Completed initial Architectural Review Board review of designs for the New Downtown Garage and New Public Safety Building projects.
- Completed the Matadero Creek Stormwater Pump Station, the last of the seven high-priority storm drain projects outlined in the 2005 Storm Drainage Fee Measure.
- Improved dewatering ordinance for basement and underground parking construction sites to require hydrogeological studies for minimizing pumping volumes, and to address

PUBLIC WORKS

groundwater exclusionary techniques that dramatically reduce the volume of pumped water.

- Completed construction of the Golf Course Reconfiguration project, allowing the new Baylands Golf Links to open in Spring 2018.
- Completed the Advanced Water Purification Feasibility Study to improve recycled water quality and the recycled water strategic plan. Awarded contract for a groundwater study of indirect potable water reuse.
- Installed new energy efficient gas package in Municipal Services Center Bldg C and new LED lighting in City Hall Level A.
- Completed a request for proposal for janitorial services resulting in award of contract to a new vendor and smooth transition from the prior contractor.

Initiatives

- Continue implementation of the 2014 City Council Infrastructure Plan, managing the projects as a program and determining a funding strategy that will allow for the completion of the 2014 City Council Infrastructure Plan while maintaining funding in the Capital Improvement Fund for other citywide capital needs.
- Continue working toward the goals and objectives identified in the Urban Forest Master Plan.
- Build 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 City Council on the status of Palo Alto's infrastructure.
- Complete Municipal Services Center mechanical and electrical improvements and roofing replacements.
- Commence environmental documentation for a 1-2 Million Gallons per Day (MGD) microfiltration/ultrafiltration and reverse osmosis facility, complete the groundwater study of indirect potable reuse and evaluation of future recycled water expansion projects.
- Implement Storm Water Blue Ribbon Committee recommendations to develop continued storm drain system operations, a set of storm drain infrastructure improvements and green infrastructure innovations as a result of the passage of the Storm Water Management Fee ballot measure in April 2017.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Fund | | | | | | |
| Airport Enterprise Fund | 1,681,251 | 3,893,603 | 7,182,951 | 12,388,353 | 5,205,402 | 72.5% |
| General Fund | 14,342,106 | 16,671,892 | 17,021,951 | 18,586,577 | 1,564,626 | 9.2% |
| Refuse Fund | 32,569,044 | 30,767,437 | 30,674,955 | 29,808,112 | (866,842) | (2.8)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Storm Drainage Fund | 4,150,168 | 8,108,294 | 6,309,668 | 9,391,799 | 3,082,130 | 48.8% |
| Vehicle Replacement & Maintenance Fund | 8,579,657 | 10,450,914 | 13,293,051 | 14,714,999 | 1,421,948 | 10.7% |
| Wastewater Treatment Fund | 23,011,975 | 23,810,516 | 63,041,886 | 36,147,118 | (26,894,769) | (42.7)% |
| Total | 84,334,202 | 93,702,655 | 137,524,463 | 121,036,957 | (16,487,505) | (12.0)% |
| Revenues | | | | | | |
| Charges for Services | 143,060 | 211,441 | 205,168 | 205,168 | — | —% |
| Charges to Other Funds | 9,560,988 | 11,532,830 | 10,916,891 | 11,407,111 | 490,220 | 4.5% |
| From Other Agencies | 230,080 | 2,393,409 | 38,969,880 | 9,499,500 | (29,470,380) | (75.6)% |
| Net Sales | 58,904,362 | 60,349,838 | 64,071,504 | 66,255,981 | 2,184,477 | 3.4% |
| Operating Transfers-In | 2,091,790 | 1,133,888 | 396,107 | 196,107 | (200,000) | (50.5)% |
| Other Revenue | 3,734,842 | 4,488,760 | 3,189,000 | 9,568,500 | 6,379,500 | 200.0% |
| Other Taxes and Fines | 16,900 | (2,200) | 6,500 | 6,500 | — | —% |
| Permits and Licenses | 571,442 | 787,993 | 622,300 | 631,894 | 9,594 | 1.5% |
| Rental Income | 475,470 | 688,642 | 1,680,000 | 755,400 | (924,600) | (55.0)% |
| Return on Investments | 864,186 | 997,160 | 676,220 | 687,800 | 11,580 | 1.7% |
| Total Revenues | 76,593,120 | 82,581,762 | 120,733,570 | 99,213,961 | (21,519,609) | (17.8)% |
| Positions by Fund | | | | | | |
| Airport Fund | 5.88 | 5.88 | 5.46 | 5.46 | — | —% |
| General Fund | 56.49 | 57.85 | 56.66 | 52.49 | (4.17) | (7.36)% |
| Refuse Fund | 15.20 | 15.65 | 15.65 | 15.65 | — | —% |
| Storm Drainage Fund | 10.32 | 10.34 | 13.55 | 13.55 | — | —% |
| Vehicle Replacement and Maintenance Fund | 17.26 | 17.26 | 17.26 | 16.53 | (0.73) | (4.23)% |
| Wastewater Treatment Fund | 70.37 | 73.47 | 71.26 | 71.26 | — | —% |
| Total | 175.52 | 180.45 | 179.84 | 174.94 | (4.90) | (2.72)% |

* This table does not reflect positions in the Capital Improvement Fund or the Cubberley Property Infrastructure Fund

GENERAL FUND

Goals and Objectives

GOAL 1

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

Objectives:

- Use 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.

GOAL 2

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

Objectives:

- Continue implementation of the City Council Infrastructure Plan for key infrastructure needs, managing the projects as a program.
- Provide cost-effective custodial and facilities maintenance services that meet the expectations of the public and provide clean and safe buildings.
- Continue implementation of the recommendations identified in the Facilities Organization Study, including data collection, performance standards, bench-marking, and customer satisfaction surveys.
- Facilitate improvements to the Municipal Service Center, including mechanical and electrical upgrades and roof replacements.
- Continue implementing organizational efficiencies as outlined in the Facility Master Plan Study, specifically analyzing the organizational structure and asset management process recommendations for implementation.

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 heating, ventilation and air conditioning (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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of citizens rating the quality of sidewalk maintenance as "good" or "excellent" | 61.00% | 65.00% | 63.00% | 66.00% | 67.00% |
| 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 62 percent rating would be reached in FY 2017 and the actual measured rating for FY2017 was 65 percent. In consideration of the continued higher budgets for sidewalk maintenance that allowed for increased sidewalk improvements since FY 2013, the FY 2018 estimated and FY 2019 adopted ratings reflect continued modest increases. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of citizens rating the quality of street repair as "good" or "excellent" | 57.00% | 55.00% | 58.00% | 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 57 percent rating for FY 2018 and the actual measured rating for FY 2017 was 55 percent. In consideration of the continued higher budgets for street maintenance that allow for increased paving since FY 2012, the FY 2018 estimated and FY 2019 adopted ratings reflect continued modest increases. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of citizens rating street tree maintenance "good" or "excellent" | 71.00% | 75.00% | 70.00% | 75.00% | 75.00% |
| 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. In FY 2016 extra watering was offered so satisfaction numbers were estimated to increase to 75 percent but the actual measured rating was only 71 percent. Due to prolonged drought conditions, tree removals increased leaving less time for tree trimming. With the drought abating, ratings increased slightly in FY 2017 and should remain constant for FY 2018 and FY2019. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Pavement Condition Score | 82.00 | 83.00 | 84.00 | 84.00 | 85.00 |
| 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 | Pavement Condition Index (PCI) scores are rated as follows: 80+= very good or excellent, 70-79 = good, 60-69 = fair, 50-59 = at-risk, 25-49 = poor, 0-24 = fail. 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 and the Department remains on schedule to meet the citywide average goal. Annual reports by the Metropolitan Transportation Commission (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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of potholes repaired within 15 days of notification | 93.50% | 85.00% | 90.00% | 80.00% | 80.00% |
| 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 repairs within 15 days 85 percent of the time. Proposed FY 2019 percentages will decrease to 80% due to a reduction in workforce impacting timeliness of job completion. 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. | | | | |

Workload Measures

| | | | | | |
|--|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of lane miles resurfaced | 39 | 39 | 44 | 31 | 41 |
| Percent of lane miles resurfaced | 8.00% | 8.30% | 9.30% | 6.50% | 8.80% |
| Number of facilities work order requests completed | 7,403 | 7,533 | 7,400 | 7,000 | 7,000 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| General Fund Administration | 1,448,725 | 1,300,643 | 1,388,775 | 1,526,070 | 137,295 | 9.9% |
| General Fund Engineering Services | 849,414 | 1,058,913 | 1,424,058 | 1,408,076 | (15,982) | (1.1)% |
| General Fund Public Services: Streets | 3,335,710 | 3,651,602 | 3,926,773 | 3,679,770 | (247,003) | (6.3)% |
| General Fund Public Services: Structures and Grounds | 5,901,104 | 6,427,443 | 6,188,470 | 7,610,835 | 1,422,365 | 23.0% |
| General Fund Public Services: Trees | 2,807,153 | 4,233,292 | 4,093,876 | 4,361,827 | 267,951 | 6.5% |
| Total | 14,342,106 | 16,671,892 | 17,021,951 | 18,586,577 | 1,564,626 | 9.2% |

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|------------------|---------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 978,822 | 1,141,450 | 1,194,500 | 1,145,678 | (48,822) | (4.1)% |
| Other Benefits | 164,500 | 123,151 | 148,554 | 148,624 | 70 | — % |
| Overtime | 222,549 | 259,626 | 171,389 | 163,631 | (7,757) | (4.5)% |
| Pension | 1,190,406 | 1,432,169 | 1,496,241 | 1,481,087 | (15,154) | (1.0)% |
| Retiree Medical | 824,902 | 902,347 | 949,314 | 825,829 | (123,485) | (13.0)% |
| Salary | 4,551,665 | 5,053,753 | 5,221,691 | 5,059,572 | (162,118) | (3.1)% |
| Workers' Compensation | 43,500 | 37,720 | 190,214 | 133,352 | (56,862) | (29.9)% |
| Total Salary & Benefits | 7,976,344 | 8,950,217 | 9,371,902 | 8,957,773 | (414,129) | (4.4)% |
| Allocated Charges | 2,786,969 | 3,039,392 | 3,198,139 | 3,489,133 | 290,994 | 9.1% |
| Contract Services | 2,325,692 | 3,341,172 | 3,221,238 | 4,877,205 | 1,655,967 | 51.4% |
| Facilities & Equipment | 255 | 5,148 | 2,146 | 2,146 | — | — % |
| General Expense | 63,044 | 60,381 | 80,599 | 34,449 | (46,150) | (57.3)% |
| Operating Transfers-Out | 16,574 | 16,574 | 16,574 | 94,518 | 77,944 | 470.3% |
| Rents & Leases | 250,707 | 189,242 | 220,543 | 220,543 | — | — % |
| Supplies & Material | 922,522 | 1,069,766 | 910,811 | 910,811 | — | — % |
| Total Dollars by Expense Category | 14,342,106 | 16,671,892 | 17,021,951 | 18,586,577 | 1,564,626 | 9.2% |

| | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|---------|-------|
| Revenues | | | | | | |
| Charges for Services | 6,687 | 43,096 | 53,280 | 53,280 | — | — % |
| Charges to Other Funds | 1,980,081 | 3,046,528 | 1,819,285 | 2,127,989 | 308,704 | 17.0% |
| Operating Transfers-In | 196,107 | 196,107 | 196,107 | 196,107 | — | — % |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | 15,602 | 47,179 | 46,000 | 54,500 | 8,500 | 18.5% |
| Permits and Licenses | 571,442 | 787,993 | 622,300 | 631,894 | 9,594 | 1.5% |
| Total Revenues | 2,769,920 | 4,120,903 | 2,736,972 | 3,063,770 | 326,798 | 11.9% |
| Positions by Division | | | | | | |
| General Fund Administration | 2.95 | 3.05 | 3.05 | 3.05 | — | —% |
| General Fund Engineering Services | 3.47 | 4.56 | 5.29 | 4.92 | (0.37) | (6.99)% |
| General Fund Public Services: Streets | 18.98 | 18.02 | 18.22 | 15.74 | (2.48) | (13.61)% |
| General Fund Public Services: Structures and Grounds | 18.16 | 18.81 | 17.31 | 15.83 | (1.48) | (8.55)% |
| General Fund Public Services: Trees | 12.93 | 13.41 | 12.79 | 12.95 | 0.16 | 1.25% |
| Total | 56.49 | 57.85 | 56.66 | 52.49 | (4.17) | (7.36)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|-------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 85,654 |
| Administrative Associate I | 0.60 | 0.60 | 0.60 | 0.60 | — | 42,917 |
| Administrative Associate II | 2.63 | 2.65 | 2.65 | 2.65 | — | 205,995 |
| Administrative Associate III | — | 0.01 | 0.01 | 0.01 | — | 833 |
| Assistant Director Public Works | 0.85 | 0.87 | 0.87 | 0.87 | — | 152,850 |
| Associate Engineer | 0.30 | 0.30 | 0.30 | 0.30 | — | 34,809 |
| Building Serviceperson | 1.00 | 1.00 | 1.00 | — | (1.00) | — |
| Building Serviceperson-Lead | 1.80 | 1.80 | 1.00 | 1.00 | — | 68,517 |
| Cement Finisher | 3.00 | 3.00 | 3.00 | 2.00 | (1.00) | 188,509 |
| Cement Finisher-Lead | 0.26 | 0.26 | 0.26 | 0.26 | — | 26,221 |
| Coordinator Public Works Projects | 1.00 | 0.50 | 1.50 | 1.50 | — | 128,311 |
| Director Public Works/City Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 232,220 |
| Electrician | 0.80 | 0.80 | 0.80 | 0.80 | — | 87,855 |
| Engineer | 0.40 | 0.66 | 0.66 | 0.66 | — | 86,245 |
| Engineering Technician III | 1.20 | 1.47 | 1.47 | 1.47 | — | 143,636 |
| Equipment Operator | 3.46 | 3.46 | 3.46 | 2.46 | (1.00) | 213,441 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Facilities Carpenter | 1.00 | 1.00 | 1.00 | 1.00 | — | 94,254 |
| Facilities Maintenance-Lead | 1.85 | 1.85 | 1.85 | 1.85 | — | 225,329 |
| Facilities Mechanic | 5.55 | — | — | — | — | — |
| Facilities Painter | 1.75 | 1.75 | 1.75 | 1.75 | — | 164,945 |
| Facilities Technician | — | 5.55 | 4.05 | 4.05 | — | 421,034 |
| Heavy Equipment Operator | 2.33 | 2.33 | 2.33 | 2.33 | — | 228,919 |
| Heavy Equipment Operator-Lead | 0.85 | 0.85 | 0.85 | 0.85 | — | 89,336 |
| Inspector, Field Services | 0.10 | 0.11 | 0.11 | 0.11 | — | 11,599 |
| Landscape Architect Park Planner | 0.10 | 0.10 | 0.10 | 0.60 | 0.50 | 71,920 |
| Management Analyst | 0.70 | 0.70 | 0.70 | 0.70 | — | 78,784 |
| Manager Facilities | 0.90 | 0.90 | 0.90 | 0.90 | — | 133,848 |
| Manager Maintenance Operations | 1.20 | 1.20 | 1.20 | 1.20 | — | 157,697 |
| Manager Urban Forestry | 0.96 | 0.96 | 0.96 | 0.96 | — | 139,696 |
| Manager Watershed Protection | — | 0.05 | 0.05 | 0.05 | — | 7,408 |
| Planning Arborist | 0.75 | 0.75 | 0.71 | — | (0.71) | — |
| Project Engineer | 0.40 | 0.50 | 0.50 | 0.50 | — | 70,323 |
| Project Manager | 1.93 | 2.58 | 2.65 | 2.65 | — | 284,681 |
| Senior Engineer | 0.57 | 0.79 | 0.79 | 0.79 | — | 126,587 |
| Senior Management Analyst | 1.11 | 1.11 | 1.11 | 1.11 | — | 130,745 |
| Senior Project Manager | 0.10 | 0.10 | 0.10 | 0.10 | — | 15,631 |
| Supervisor Inspection and Surveying | 0.10 | 0.10 | 0.10 | 0.10 | — | 12,549 |
| Surveyor, Public Works | 0.10 | 0.33 | 0.33 | 0.33 | — | 35,212 |
| Traffic Controller Maintainer I | 1.94 | 1.94 | 1.94 | 1.94 | — | 165,255 |
| Traffic Controller Maintainer II | 2.00 | 2.00 | 2.00 | 2.00 | — | 157,721 |
| Tree Maintenance Person | 1.00 | 1.00 | 1.00 | 1.00 | — | 87,402 |
| Tree Trim/Line Clear | 7.00 | 7.00 | 7.00 | 7.00 | — | 602,287 |
| Tree Trim/Line Clear-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 92,041 |
| Sub-total: Full-Time Equivalent Positions | 54.59 | 55.93 | 54.66 | 51.45 | (3.21) | 5,303,216 |
| Temporary/Hourly | 1.90 | 1.92 | 2.00 | 1.04 | (0.96) | 59,979 |
| Total Positions | 56.49 | 57.85 | 56.66 | 52.49 | (4.17) | 5,363,196 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|---|--------------|-------------------|------------------|-------------------|
| Prior Year Budget | 56.66 | 17,021,951 | 2,736,972 | 14,284,979 |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 59,439 | — | 59,439 |
| One-Time Prior Year Budget Adjustments | — | 59,439 | — | 59,439 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 23,722 | — | 23,722 |
| Custodial Contract (CMR #8323 approved August 14, 2017; year 2 & contingency) | — | 1,320,458 | — | 1,320,458 |
| Tree Trimming Services (Year 3, 7-year cycle) | — | 177,880 | — | 177,880 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 28,980 | — | 28,980 |
| Urban Forestry Mitigation Fee for Tree Planting (Year 2 of 3-year Plan) | — | 8,500 | 8,500 | — |
| Fire Hydrant Maintenance Program (Net transfer to Fire Department \$82,800) | — | 3,800 | — | 3,800 |
| General Expenses Alignment | — | 50 | — | 50 |
| Office of Management and Budget Staffing Reorganization (funding shifts) | — | 6,185 | — | 6,185 |
| Muni Fee for Private Dev Right of Way Software App Maintenance | — | — | 5,460 | (5,460) |
| Street Cut Fees Increase | — | — | 4,134 | (4,134) |
| General Fund Cost Allocation Plan | — | — | 268,592 | (268,592) |
| General Liability Insurance Allocated Charges | — | 59,773 | — | 59,773 |
| Information Technology Allocated Charges | — | 30,601 | — | 30,601 |
| Print and Mail Allocated Charges | — | 15,366 | — | 15,366 |
| Public Works Administration Allocated Charges | — | — | 40,112 | (40,112) |
| Storm Drain Allocated Charges | — | 1,136 | — | 1,136 |
| Utilities Allocated Charges | — | 164,468 | — | 164,468 |
| Vehicle Replacement Allocated Charges | — | 5,973 | — | 5,973 |
| General Liability Savings (one-time FY 2019 Savings) | — | (45,762) | — | (45,762) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (53,143) | — | (53,143) |
| Adjustments to Costs of Ongoing Activities | — | 1,747,987 | 326,798 | 1,421,190 |
| Total FY 2019 Base Budget | 56.66 | 18,829,377 | 3,063,770 | 15,765,608 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|---------------|-------------------|------------------|-------------------|
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 77,944 | — | 77,944 |
| 2 Private Development Workgroup Pilot Study | — | 30,000 | — | 30,000 |
| 3 Public Safety Custodial Service Delivery Change | (1.00) | — | — | — |
| 4 Reduction in Streets and Sidewalks Operations Team | (2.48) | (304,080) | — | (304,080) |
| 5 Eliminate Water Truck Part-Time Staffing | (0.48) | (28,373) | — | (28,373) |
| 6 Trees Division Staffing Realignment | (0.21) | (18,291) | — | (18,291) |
| Total Budget Adjustments | (4.17) | (242,800) | — | (242,800) |
| Total FY 2019 Proposed Budget | 52.49 | 18,586,578 | 3,063,770 | 15,522,808 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 77,944 | 0 | 77,944 |

This action transfers \$45,762 from the Public Works Department to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Public Works Department's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|---|-----------|--------------|----------|------------------|
| 2 Private Development Workgroup Pilot Study | 0.00 | 30,000 | 0 | 30,000 |

This action provides one-time funding to review key areas identified as needing more proactive support such as news stand code compliance. Funding will allow for the compilation of a database for which code compliance analysis can be applied and a process that can bring activities into alignment with existing codes, and streamline future compliance reviews. In addition, funding will provide capacity to assist in the maintenance of the new Right of Way software application for private development projects, ensuring the public is provided timely information of impacts to the public right of way. As both of these initiatives are new, this one-time funding will seek to find ways to establish standards that can be maintained on an ongoing basis with existing staffing; however, the department will evaluate ongoing needs and bring forward any recommended changes in resources as necessary. (Ongoing costs: \$0)

Performance Results



Service delivery is anticipated to improve under this pilot study which will provide support for special projects, performance measures, coverage for the Development Center counter, plan reviews, news rack, Right of Way Management program, indexing table & chair sidewalk encroachments in the public right of way and assisting with the City's paperless office initiatives.

| | | | | |
|---|-------|---|---|---|
| 3 Public Safety Custodial Service Delivery Change | -1.00 | 0 | 0 | 0 |
|---|-------|---|---|---|

This action eliminates a vacant 1.0 Building Serviceperson position and adds \$90,000 in contractual service funding for custodial services for the Police Department. Currently custodial services throughout the City are primarily provided through an outside vendor, however, City staff continued to provide services to the public safety physical space due to background check needs. As a result of the City's most recent custodial contract, it is anticipated that these background needs can be addressed and satisfied by the current vendor, allowing the City to consolidate all service to one contract, streamlining the administration of custodial services throughout the organization. Although there are no immediate budgetary savings as a result of this action, it does reduce the city's long term pension and other post-employment benefits (OPEB) liabilities, and ensures that a high quality of service will still be delivered to the Police Department. (Ongoing costs: \$0)

Performance Results



Shifting this vacant custodial position to the custodial service funding will contain future cost escalation for delivering current services without impacting the quality of services and satisfaction of customers.

| | | | | |
|--|-------|-----------|---|-----------|
| 4 Reduction in Streets and Sidewalks Operations Team | -2.48 | (304,080) | 0 | (304,080) |
|--|-------|-----------|---|-----------|

This action eliminates 2.48 vacant positions and commensurate supplies and materials (\$50,000) in the Public Works Department - 1.0 Cement Finisher, 1.0 Equipment Operator, and 0.48 Part-Time General Laborer. The Public Work's Department currently uses both in-house teams as well as contractual teams to address the streets and sidewalk operations of the City. This reduction in staffing and resources will reduce the City's ability to address non-urgent requests for services called in by constituents. The City will be undertaking a sidewalk assessment study to determine the appropriate maintenance schedule moving forward. Until that study is complete, sufficient staffing resources remain to address urgent requests. Non-urgent requests will be tracked and dealt with through the standard CIP maintenance schedule. These eliminations are anticipated to have minimal impacts on the ability of the City to deal with urgent requests to repair streets and sidewalks. (Ongoing savings: \$304,080)

Performance Results



Eliminating these vacant positions and supplies and materials will increase non-urgent response times and may impact satisfaction of customers.

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------|----------|------------------|
| 5 Eliminate Water Truck Part-Time Staffing | -0.48 | (28,373) | 0 | (28,373) |

This action eliminates a vacant 0.48 Administrative Specialist – I in the Urban Forest Section of the Public Works Department. This position was previously necessary to staff a water truck to ensure that vegetation throughout the City received proper watering, especially during the most recent drought. However, with an end to the drought conditions that California previously faced and the continued trend towards landscaping that is more water-efficient, this position is no longer necessary. This elimination is anticipated to have minimal impacts on the City's ability to adequately water vegetation. (Ongoing savings: \$28,373)

Performance Results



Eliminating this vacant Administrative Specialist – I position will not impact the quality of services and satisfaction of customers.

| | | | | |
|---------------------------------------|-------|----------|---|----------|
| 6 Trees Division Staffing Realignment | -0.21 | (18,291) | 0 | (18,291) |
|---------------------------------------|-------|----------|---|----------|

This action eliminate a vacant 1.0 FTE Planning Arborist and adds a 1.0 FTE Landscape Architect in the Public Works Department. The Planning Arborist position provided support to three service areas in the department: 34 percent trees administration, 37 percent permitting and plan review, and 29 percent Development Services support. The Landscape Architect position is recommended to assume the current duties of the Planning Arborist position and support to the following service areas: 50 percent trees administration and 50 percent Development Services Support. Development review, supervision of staffing, development of new policies and technical specifications, and most critically, ensuring compliance with State and local ordinances (including the California Water Efficient Landscape Ordinance) will be the primary duties assumed by the Landscape Architect. The existing Planning Arborist position will no longer suffice as the new state requirements have expanded the necessary credentials that the Landscape Architect position would fulfill, such as the requirement for a landscape architect license. In addition, this higher level of staffing will provide additional capacity to address the implementation of programs for the Urban Forest Master Plan, Parks Master Plan, City of Palo Alto Comprehensive Plan, and upcoming Green Infrastructure Plan. Some responsibilities are cost recovered in the Municipal Fee Schedule through the Development Services Department. Overall, the net implications of realigning staffing levels and funding allocations is anticipated to cost \$33,000. Of this, savings of \$18,000 in the Public Works General Fund and additional costs of \$52,000 in the Development Services Department will be realized. Increased costs in Development Services is anticipated to be partially offset by fee revenues for architectural review of \$40,000. (Ongoing savings: \$18,291)

Performance Results



This action will allow the City to comply with evolving requirements with minimal cost implications and maintain quality of service delivery.

AIRPORT FUND

Description

The Palo Alto Airport serves as a general aviation reliever airport to the Bay Area's major air carrier airports. It is the fourth busiest airport in the Bay Area, averaging 160,000 annual operations; open 24 hours each day, 365 days annually; and has a Federal Aviation Administration staffed air traffic control tower.

Accomplishments

- Completed design and construction of Phase I of the Apron Reconstruction project utilizing an FAA grant reimbursement awarded for 90% of project costs.
- Executed Airport Aircraft Storage License Agreements with hangar and tie-down tenants, transitioning successfully from the legacy contracts transitioned from the County of Santa Clara.
- Completed design of Phase II of the Airport Apron Reconstruction project and the invitation for request for proposal.

Initiatives

- Adopt and implement Rules and Regulations and Minimum Standards for the airport operations and leases.
- Award and complete Phase II construction work on the Airport Apron Reconstruction project, and complete Phase III design work.
- Develop an Airport Business Plan, including a facilities assessment to establish goals, objectives and action plans that will drive the day-to-day operation and management of the airport as well as identify capital needs and inform personnel decisions.
- Continue seeking grant funding opportunities from the Federal Aviation Administration (FAA) 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:

- 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 ensure 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 the FAA for multi-phase projects that ensure efficiency and airfield safety.
- Maintain grant funding eligibility by submitting a Five-Year Airport Capital Improvement Project work plan to the FAA annually.

Key Performance Measures

AIRCRAFT OPERATIONS

| Goal | Track the number of annual aircraft operations. | | | | |
|----------------------------|---|--------------------|--------------------|----------------------|---------------------|
| Objective | Provide a safe, aesthetically pleasing and profitable airport. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number aircraft operations | 160,200 | 149,000 | 160,000 | 150,000 | 160,000 |
| 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 twelfth busiest 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 149,000 in FY 2017 and estimated to be 150,000 in FY 2018 and increase to 160,000 in FY 2019. Operations are affected by construction, weather and training schools in the area. | | | | |

PERCENTAGE OF TIE-DOWNS LEASED

| | | | | | |
|--------------------------------|---|----------------------------|----------------------------|------------------------------|-----------------------------|
| Goal | Maximize tie-down space occupancy. | | | | |
| Objective | Increase tenant occupancy by providing a safe and well-maintained airport that is also cost recoverable. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of Tie-downs Leased | 68.00% | 70.00% | 70.00% | 65.00% | 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 a total of 510 tie-down spaces, out of which 468 are rentable after accounting for spaces under construction or maintenance. | | | | |
| 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 is responsible for maintaining 102.4 acres of airport facilities, infrastructure and equipment; and managing over 250 tenants and 329 leased tie-down spaces. In FY 2017 the percentage of leased rentable tie-downs was 70% and decreased to 65% in FY 2018. The percentage of leased rentable tie-downs is anticipated to increase to 70% in FY 2019. | | | | |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Airport Administration | 741,627 | 692,581 | 953,802 | 931,018 | (22,784) | (2.4)% |
| Airport Operations | 269,397 | 552,847 | 556,909 | 688,960 | 132,052 | 23.7% |
| CIP Airport Fund | 670,226 | 2,648,175 | 5,672,241 | 10,768,374 | 5,096,134 | 89.8% |
| Total | 1,681,251 | 3,893,603 | 7,182,951 | 12,388,353 | 5,205,402 | 72.5% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 84,769 | 97,561 | 142,902 | 112,975 | (29,927) | (20.9)% |
| Other Benefits | 18,205 | 14,956 | 20,231 | 20,358 | 127 | 0.6% |
| Overtime | 12,735 | 33,105 | — | — | — | —% |
| Pension | 90,631 | 100,457 | 146,008 | 148,243 | 2,235 | 1.5% |
| Retiree Medical | 10,254 | 11,221 | 11,804 | 43,990 | 32,186 | 272.7% |
| Salary | 494,250 | 507,794 | 576,577 | 579,432 | 2,855 | 0.5% |
| Workers' Compensation | 74 | 580 | 20,768 | 14,961 | (5,807) | (28.0)% |
| Total Salary & Benefits | 710,916 | 765,673 | 918,291 | 919,959 | 1,669 | 0.2% |
| Allocated Charges | 295,146 | 340,236 | 538,108 | 526,486 | (11,622) | (2.2)% |
| Contract Services | 104,386 | 174,962 | 146,700 | 259,124 | 112,424 | 76.6% |
| General Expense | 45,345 | 76,199 | 30,480 | 40,480 | 10,000 | 32.8% |
| Operating Transfers-Out | — | — | 9,519 | 13,458 | 3,938 | 41.4% |
| Rents & Leases | 4,400 | 6,106 | 11,630 | 11,630 | — | —% |
| Supplies & Material | 32,154 | 47,358 | 56,472 | 56,472 | — | —% |
| Capital Improvement Program | 488,905 | 2,483,071 | 5,471,751 | 10,560,743 | 5,088,992 | 93.0% |
| Total Dollars by Expense Category | 1,681,251 | 3,893,603 | 7,182,951 | 12,388,353 | 5,205,402 | 72.5% |
| Revenues | | | | | | |
| From Other Agencies | 131,868 | 2,371,729 | 4,860,000 | 9,499,500 | 4,639,500 | 95.5% |
| Net Sales | 493,046 | 566,297 | 644,879 | 647,767 | 2,888 | 0.4% |
| Operating Transfers-In | — | — | 200,000 | — | (200,000) | (100.0)% |
| Other Revenue | 108,837 | 244,186 | 15,000 | 975,000 | 960,000 | 6,400.0% |
| Rental Income | 353,076 | 539,829 | 1,680,000 | 755,400 | (924,600) | (55.0)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Return on Investments | 5,839 | 5,895 | 1,700 | 1,700 | — | —% |
| Total Revenues | 1,092,666 | 3,727,937 | 7,401,579 | 11,879,367 | 4,477,788 | 60.5% |

Positions by Division

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|---------------------|
| Airport Administration | 2.96 | 2.00 | 2.00 | 2.00 | — | —% |
| Airport Operations | 0.50 | 2.42 | 2.21 | 2.21 | — | —% |
| CIP Airport Fund | 2.42 | 1.46 | 1.25 | 1.25 | — | —% |
| Total | 5.88 | 5.88 | 5.46 | 5.46 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Facilities Technician | — | — | 1.50 | 1.50 | — | 155,938 |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 83,387 |
| Manager Airport | 1.00 | 1.00 | 1.00 | 1.00 | — | 161,574 |
| Manager Maintenance Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | 117,728 |
| Sub-total: Full-Time Equivalent Positions | 3.00 | 3.00 | 4.50 | 4.50 | — | 518,628 |
| Temporary/Hourly | 2.88 | 2.88 | 0.96 | 0.96 | — | 53,914 |
| Total Positions | 5.88 | 5.88 | 5.46 | 5.46 | — | 572,542 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Airport Fund |
|---|-------------|-------------------|-------------------|---------------------|
| Prior Year Budget | 5.46 | 7,182,951 | 7,401,579 | (218,628) |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (one-time project allocations) | — | (4,832) | — | (4,832) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 8,232 | — | 8,232 |
| Supplemental Pension Trust Fund Contribution | — | (11,231) | — | — |
| General Fund Loan to the Airport Fund | — | — | (200,000) | 200,000 |
| One-Time Prior Year Budget Adjustments | — | (7,831) | (200,000) | 203,400 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 7,632 | — | 7,632 |
| Airport Tie-Down and Rental Income | — | — | 38,288 | (38,288) |
| Capital Improvement Projects and FAA Grant Funding | — | 5,096,692 | 4,639,500 | 457,192 |
| General Fund Cost Allocation Plan | — | 27,820 | — | 27,820 |
| General Liability Insurance Allocated Charges | — | 6,864 | — | 6,864 |
| Information Technology Allocated Charges | — | (56,555) | — | (56,555) |
| Print and Mail Allocated Charges | — | 3,236 | — | 3,236 |
| Public Works Administration Allocated Charges | — | 3,479 | — | 3,479 |
| Utilities Allocated Charges | — | 4,936 | — | 4,936 |
| Vehicle Replacement Allocated Charges | — | 334 | — | 334 |
| General Liability Savings (one-time FY 2019 Savings) | — | (5,135) | — | (5,135) |
| Workers' Compensation Savings (one-Time FY 2019 Savings) | — | (5,963) | — | (5,963) |
| Adjustments to Costs of Ongoing Activities | — | 5,083,339 | 4,677,788 | 405,551 |
| Total FY 2019 Base Budget | 5.46 | 12,258,458 | 11,879,367 | 390,323 |
| Budget Adjustments | | | | |
| 1 Airport Business Plan and Facility Assessment | — | 122,424 | — | 122,424 |
| 2 Supplemental Pension Trust Fund Contribution | — | 7,471 | — | 7,471 |
| Total Budget Adjustments | — | 129,895 | — | 129,895 |
| Total FY 2019 Proposed Budget | 5.46 | 12,388,353 | 11,879,367 | 508,986 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Airport Fund |
|---|-----------|--------------|----------|------------------|
| 1 Airport Business Plan and Facility Assessment | 0.00 | 122,424 | 0 | 122,424 |

This action provides \$122,000 in one-time non-salary funding to complete two assessments: an airport business plan and a facility assessment. In FY 2015, the City assumed operations of the airport and has been transitioning away from the legacy County of Santa Clara operations. The business plan will aim to study and set business goals by providing recommendations and a plan to achieve those goals. In addition, the plan will address facility needs coupled with a more detailed facility assessment which will evaluate existing facility repairs and safety needs. These studies will inform airport business operations and guide future investments for the department and City Council consideration. Funding has not been identified to implement recommended changes that may be identified in either of these assessments. It is expected that part of the plan will recognize and assist in moving operating to be fully funded through the enterprise fund in addition to repaying existing loans outstanding to the General Fund. (Ongoing Costs: \$0)

Performance Results



These assessments will provide strategies on how and where to deploy resources that will receive the highest rate of return, thus increasing customer satisfaction with Airport services and managing costs to operate and maintain the airport most efficiently.

| | | | | |
|--|------|-------|---|-------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 7,471 | 0 | 7,471 |
|--|------|-------|---|-------|

This action transfers \$7,471 from the Airport Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Airport Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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).

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 third and final phase of the commercial recycling and composting ordinance. Nearly 100% of customers have subscribed to compost collection service, potentially diverting approximately 4,500 tons of compostable materials from the garbage. Diverted material is anaerobically digested, generating electricity and compost at the nearby Zero Waste Energy Development Facility in San Jose.
- Increased participation in the City's Household Hazardous Waste Program from 4,920 households in Fiscal Year 2016 to 5,600 in Fiscal Year 2018. With a 19% participation rate, Palo Alto is one of the highest in the state compared to Santa Clara County at 4.6% in 2017 and the state's average of 5.3%. Reuse Program participation also increased from 3,000 to over 5,400 pounds of materials reused.
- Purchased Northern California's first electric full-sized waste collection truck for a pilot program, which if successful, would help the City meet its sustainability goals.
- Researched and developed concepts for multiple Construction Materials Management initiatives that would ensure buildings are deconstructed and selected materials salvaged or separated for recovery, to be eventually diverted from the landfill. Changes to the Municipal Code will be recommended in early Fiscal Year 2019.
- Updated the Zero Waste Plan and identified new policies, programs and infrastructure needed to move the City toward its Zero Waste goals. The updated plan will be recommended in early Fiscal Year 2019.

Initiatives

- Provide additional outreach and training, perform audits and enforcement of commercial customers waste sorting policies to achieve substantial compliance in the City's waste sorting requirements.

- Develop and implement outreach and educational strategies to divert residential food scraps to green compost carts, with a stretch goal of diverting 2,500+ tons of residential food scraps to generate energy and compost.
- Develop and recommend a strategy for waste management contracting services that will provide waste collection, hauling, processing services, disposal and outreach beyond 2021.
- Continue working with GoBox to develop and foster a reusable takeout container pilot service in the downtown area.

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 waste sent to landfills by implementing new programs and enforcing existing requirements such as the 2016 recycling and composting ordinance.
- Develop and recommend new innovative policies and program to minimize and divert construction-related waste and other 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.
- 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 postclosure 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Average amount of garbage (in pounds) generated per resident and disposed in landfills each day | 3.90 | N/A | N/A | 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 | <p>Increase participation with the City's household hazardous waste collection services through educational programs and outreach.</p> <p>Promote the reuse of good household products to City residents at the City's Household Hazardous Waste Station reuse storage cabinets.</p> | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of Households participating in the Household Hazardous Waste program | 4,920.00 | 5,594.00 | 5,000.00 | 5,600.00 | 5,700.00 |
| Description | The number of households serviced at the City Household Hazardous Waste station is a direct measurement of the usage of the program which indirectly measures the convenience and public awareness of the program. | | | | |
| Purpose | The more that residents use the household hazardous waste collection program, the less likely 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 19.2% (i.e., percent of the City's households that were serviced by the City's program, there were 29,124 housing units in Palo Alto in 2017 based on data from California Department of Finance). By comparison, the County of Santa Clara Household Hazardous Waste Program had a participation rate of 4.6%. The State did not generate statewide data for Fiscal Year 2017, but historically has had a participation rate between 4-5%. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of households with mini-can garbage service | 38.00% | 40.00% | 42.00% | 42.00% | 44.00% |
| Description | The percentage of households with mini-can garbage service measures reductions in residential garbage generation. As more residents participate in the City's zero waste programs and elect smaller mini-can garbage service, their garbage volume will be reduced. This increases the City's diversion from landfill disposal and helps the community meet its zero waste and sustainability goals. | | | | |
| Purpose | This measure helps 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of waste diverted from landfills | 79.00% | 81.50% | 82.00% | 82.00% | 83.00% |
| Description | As of FY 2017, this measure replaced 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 sent to landfills in the previous calendar year based on data from CalRecycle and the per capita disposal rate in landfills. | | | | |
| Purpose | Track waste generation and help verify the City is meeting its Zero Waste goals. | | | | |
| Status | The City's waste diversion percentage is currently 82 percent. The implementation of a new Zero Waste Plan update and initiatives as well as new emphasis on enforcement of waste sorting are expected to raise the diversion measure to 83% or higher for 2019. The statewide average diversion rate decreased from 64% to 62%. | | | | |

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 City Council in January 2016. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of commercial accounts with compost service | 36.00% | 52.00% | 75.00% | 100.00% | 100.00% |
| Description | The percentage of commercial customers with compost service measures commercial customer participation in the City's Zero Waste programs, and compliance with 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 | Tracking commercial customer compost service usage provides insight to levels at which they are reducing garbage generation and verifies compliance with the City's Recycling and Composting Ordinance. | | | | |
| Status | The Recycling and Composting Ordinance was implemented in April 2016 and has increased the percentage of commercial customers subscribing to compost service from approximately 30% in Fiscal Year 2015 to nearly 100% by the end of Fiscal Year 2018. As commercial customers improve their waste sorting capabilities, an increase in waste diverted from landfill disposal should be evident. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|--|--------------------|--------------------|--------------------|----------------------|---------------------|
| Tons of materials recycled or composted | 56,438 | 60,582 | 58,000 | 59,300 | 60,000 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Refuse Fund | 2,138,706 | 125,250 | — | — | (0) | (100.0)% |
| Refuse Administration | 4,444,281 | 4,281,218 | 3,688,125 | 3,644,323 | (43,802) | (1.2)% |
| Refuse Collection, Hauling and Disposal: | 5,377,366 | 5,143,988 | 4,776,133 | 21,193,443 | 16,417,310 | 343.7% |
| Refuse Collection, Hauling and Disposal: Payment to GreenWaste | 16,250,898 | 16,503,152 | 16,252,909 | — | (16,252,909) | (100.0)% |
| Refuse Solid Waste | 3,324,242 | 3,578,001 | 4,478,122 | 3,519,258 | (958,864) | (21.4)% |
| Refuse Street Sweeping | 1,033,550 | 1,135,828 | 1,479,665 | 1,451,088 | (28,577) | (1.9)% |
| Total | 32,569,044 | 30,767,437 | 30,674,955 | 29,808,112 | (866,842) | (2.8)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 202,393 | 244,378 | 262,548 | 280,929 | 18,381 | 7.0% |
| Other Benefits | 52,932 | 39,782 | 51,305 | 51,215 | (90) | (0.2)% |
| Overtime | 47,866 | 21,466 | 41,789 | 42,875 | 1,087 | 2.6% |
| Pension | 358,690 | 401,494 | 450,516 | 445,904 | (4,612) | (1.0)% |
| Retiree Medical | 330,686 | 361,874 | 380,709 | 219,089 | (161,621) | (42.5)% |
| Salary | 1,619,280 | 1,628,137 | 1,652,189 | 1,627,458 | (24,731) | (1.5)% |
| Workers' Compensation | 45,139 | 328,122 | 57,126 | 41,152 | (15,973) | (28.0)% |
| Total Salary & Benefits | 2,656,986 | 3,025,253 | 2,896,182 | 2,708,622 | (187,560) | (6.5)% |
| Allocated Charges | 2,054,784 | 1,816,408 | 1,866,433 | 1,840,811 | (25,623) | (1.4)% |
| Contract Services | 6,298,872 | 6,200,497 | 6,880,744 | 6,205,681 | (675,063) | (9.8)% |
| Debt Service | 565,372 | 564,840 | 155,637 | 196,299 | 40,662 | 26.1% |
| Facilities & Equipment | — | — | 3,000 | 3,000 | — | —% |
| General Expense | 45,244 | 54,575 | 112,275 | 112,275 | — | —% |
| Operating Transfers-Out | 27,915 | 28,718 | 62,282 | 106,054 | 43,772 | 70.3% |
| Rents & Leases | 2,466,105 | 2,516,090 | 2,302,687 | 2,212,657 | (90,030) | (3.9)% |
| Supplies & Material | 112,220 | 72,309 | 142,805 | 142,805 | — | —% |
| Transfer to Infrastructure | 68,880 | — | — | 27,000 | 27,000 | —% |
| Utility Purchase | 16,250,898 | 16,463,048 | 16,252,909 | 16,252,909 | — | —% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Capital Improvement Program | 2,021,767 | 25,698 | 1 | (0) | (1) | (110.0)% |
| Total Dollars by Expense Category | 32,569,044 | 30,767,437 | 30,674,955 | 29,808,112 | (866,842) | (2.8)% |

| Revenues | | | | | | |
|------------------------|-------------------|-------------------|-------------------|-------------------|----------------|-------------|
| Charges for Services | 38,973 | 96,858 | 34,000 | 34,000 | — | —% |
| Charges to Other Funds | 241,632 | 210,574 | 210,552 | 212,502 | 1,950 | 0.9% |
| Net Sales | 28,332,871 | 30,247,663 | 29,359,500 | 30,109,500 | 750,000 | 2.6% |
| Operating Transfers-In | 356,255 | 13,325 | — | — | — | —% |
| Other Revenue | 3,311,151 | 3,219,715 | 2,546,000 | 2,546,000 | — | —% |
| Other Taxes and Fines | (2,100) | (2,200) | — | — | — | —% |
| Rental Income | 122,395 | 148,813 | — | — | — | —% |
| Return on Investments | 260,539 | 309,611 | 178,900 | 178,900 | — | —% |
| Total Revenues | 32,661,715 | 34,244,359 | 32,328,952 | 33,080,902 | 751,950 | 2.3% |

| Positions by Division | | | | | | |
|--|--------------|--------------|--------------|--------------|----------|-----------|
| CIP Refuse Fund | 0.65 | 0.65 | — | — | — | —% |
| Refuse Administration | 0.48 | 0.43 | 0.43 | 0.43 | — | —% |
| Refuse Collection, Hauling and Disposal | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Refuse Solid Waste | 10.39 | 10.89 | 11.54 | 11.54 | — | —% |
| Refuse Street Sweeping | 2.68 | 2.68 | 2.68 | 2.68 | — | —% |
| Total | 15.20 | 15.65 | 15.65 | 15.65 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|-----------------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.15 | 0.10 | 0.10 | 0.10 | — | 7,250 |
| Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 10,082 |
| Assistant Director Public Works | 0.35 | 0.35 | 0.35 | 0.35 | — | 67,222 |
| Coordinator Public Works Projects | 1.00 | — | — | — | — | — |
| Deputy Chief/Fire Marshal | 0.03 | 0.03 | 0.03 | 0.03 | — | 5,783 |
| Environmental Specialist | 1.00 | 2.00 | 2.00 | 2.00 | — | 229,869 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Facilities Maintenance Lead | — | 1.00 | 1.00 | 1.00 | — | 106,571 |
| Hazardous Materials Inspector | 0.02 | 0.02 | 0.02 | 0.02 | — | 3,243 |
| Landfill Technician | 1.00 | 1.00 | 1.00 | 1.00 | — | 106,571 |
| Management Analyst | 0.10 | 0.43 | 0.43 | 0.43 | — | 45,962 |
| Manager Environmental Control Program | 3.00 | 3.00 | 3.00 | 3.00 | — | 384,051 |
| Manager Maintenance Operations | 0.46 | 0.46 | 0.46 | 0.46 | — | 55,829 |
| Manager Solid Waste | 1.00 | 1.00 | 1.00 | 1.00 | — | 152,818 |
| Program Assistant I | 1.00 | 1.00 | 1.00 | 1.00 | — | 78,867 |
| Project Manager | 0.20 | 0.20 | 0.20 | 0.20 | — | 23,080 |
| Senior Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 12,287 |
| Senior Management Analyst | 0.08 | 0.08 | 0.08 | 0.08 | — | 9,600 |
| Street Maintenance Assistant | — | 1.00 | 1.00 | 1.00 | — | 72,771 |
| Street Sweeper Operator | 1.63 | 1.63 | 1.63 | 1.63 | — | 141,167 |
| Surveyor, Public Works | 0.35 | — | — | — | — | — |
| Zero Waste Coordinator | 2.00 | 1.00 | 1.00 | 1.00 | — | 100,816 |
| Sub-total: Full-Time Equivalent Positions | 13.57 | 14.50 | 14.50 | 14.50 | — | 1,613,839 |
| Temporary/Hourly | 1.63 | 1.15 | 1.15 | 1.15 | — | 61,976 |
| Total Positions | 15.20 | 15.65 | 15.65 | 15.65 | — | 1,675,815 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Refuse Fund |
|---|--------------|-------------------|-------------------|--------------------|
| Prior Year Budget | 15.65 | 30,674,955 | 32,328,952 | (1,653,997) |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 32,721 | — | 32,721 |
| Zero Waste Plan Update and Community Outreach | — | (500,000) | — | (500,000) |
| Landfill Pipe Replacement and Groundwater Studies | — | (305,000) | — | (305,000) |
| Supplemental Pension Trust Fund Contribution | — | (45,052) | — | (45,052) |
| One-Time Prior Year Budget Adjustments | — | (817,331) | — | (817,331) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | (174,253) | — | (174,253) |
| Residential and Commerical Refuse Hauling and Processing Services | — | 125,500 | 750,000 | (624,500) |
| Debt Service: City of Sunnyvale Solid Waste Revenue Refunding Bonds | — | 40,662 | — | 40,662 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 5,459 | — | 5,459 |
| Office of Management and Budget Staffing Reorganization (funding shifts) | — | 3,093 | — | 3,093 |
| Custodial Contract Services | — | (1,023) | — | (1,023) |
| Rents & Leases Expenditure Alignment | — | (90,030) | — | (90,030) |
| Transfers to Technology Fund (Citywide technology CIP's) | — | 66,340 | — | 66,340 |
| Transfers to Infrastructure Fund (City facilities CIP's) | — | 27,000 | — | 27,000 |
| General Fund Cost Allocation Plan | — | (41,941) | — | (41,941) |
| General Liability Insurance Allocated Charges | — | 19,828 | — | 19,828 |
| Information Technology Allocated Charges | — | (37,228) | — | (37,228) |
| Print & Mail Allocated Charges | — | (2,463) | — | (2,463) |
| Public Works Administration Allocated Charges | — | 6,958 | — | 6,958 |
| Refuse Sales Allocated Charges | — | — | 1,950 | (1,950) |
| Storm Drain Allocated Charges | — | 99 | — | 99 |
| Utilities Allocated Charges | — | 670 | — | 670 |
| Vehicle Replacement Allocated Charges | — | 9,856 | — | 9,856 |
| General Liability Savings (One-time FY 2019 Savings) | — | (14,122) | — | (14,122) |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Refuse Fund |
|--|--------------|-------------------|-------------------|--------------------|
| Workers' Compensation Savings (One-time FY 2019 Savings) | — | (16,400) | — | (16,400) |
| Adjustments to Costs of Ongoing Activities | — | (71,995) | 751,950 | (823,945) |
| Total FY 2019 Base Budget | 15.65 | 29,785,629 | 33,080,902 | (3,295,273) |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 22,483 | — | 22,483 |
| Total Budget Adjustments | — | 22,483 | — | 22,483 |
| Total FY 2019 Proposed Budget | 15.65 | 29,808,112 | 33,080,902 | (3,272,790) |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Refuse Fund |
|--|-----------|--------------|----------|-----------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 22,483 | 0 | 22,483 |

This action transfers \$22,483 from the Refuse Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Refuse Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

STORM DRAINAGE FUND

Description

The City's stormwater management services are funded through user fees charged to property owners of developed parcels in Palo Alto. Stormwater management activities include operation, maintenance, replacement and augmentation of the storm drainage system to ensure adequate local drainage consistent with the Storm Water Master Plan updated June 2015 and Green Stormwater Infrastructure projects. The Fund provides litter reduction, urban pollution prevention programs, commercial and residential rebates, and flooding emergency-response services with the goals of reducing stormwater runoff and maintaining stormwater quality protection for discharge to creeks and San Francisco Bay.

Accomplishments

- Completed construction of the Matadero Creek Storm Water Pump Station project, which included electrical and fiber services, an electrical building with back-up generator and a below ground wet well.
- Provided rebates to residents who installed and maintained private storm water capture devices.
- Initiated efforts to develop the Green Stormwater Infrastructure Plan to ensure compliance of the Municipal Regional Permit for storm water.

Initiatives

- Continue implementing the 13 high-priority stormwater management projects outlined in the Stormwater Management Fee ballot measure passed in April 2017.
- Continue implementing the Storm Drain Blue Ribbon Committee's recommendations for Green Stormwater Infrastructure improvements.

- Complete the Bay-to-Highway 101 flood control project, a cooperative effort with the San Francisquito Creek Joint Powers Authority and continue to assist with outreach and planning of the 'San Francisquito Creek: Upstream to Highway 101' Project.
- Complete the Green Stormwater Infrastructure Plan for the City to comply with new State of California stormwater regulations.
- Implement the City's Long-Term Trash Reduction Plan to achieve an 80% reduction in the volume of trash entering local creeks and San Francisco Bay through local storm drains.

Goals and Objectives

GOAL 1

Effectively manage the storm drain system to ensure adequate local drainage.

Objectives:

- Systematically clean storm drain lines to prevent backups and ponding on City streets.
- Complete the 13 high-priority stormwater management projects, Green Stormwater Infrastructure improvements, and the Storm Drain Blue Ribbon Committee's recommendation for stormwater management programs outlined in the Stormwater Management Fee ballot measure passed in April 2017.
- Assist with inter-agency projects such as the 'San Francisquito Creek: Upstream to Highway 101' Project.

GOAL 2

Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay.

Objectives:

- Continue to comply with the Municipal Regional Stormwater Discharge Permit for stormwater regulations adopted in 2015.
- Conduct regular inspections of commercial facilities, industrial facilities, and construction sites to ensure compliance with stormwater discharge regulations.
- Develop ordinance requirements that are environmentally conscientious such as developing a demolition ordinance that PCB-containing products are disposed of properly as required in the Municipal Regional Stormwater NDPES Permit (MRP) 2.0.

Key Performance Measures

CITIZEN SURVEY - STORM DRAIN

| | | | | | |
|---|---|----------------------------|----------------------------|------------------------------|-----------------------------|
| Goal | Effectively manage the storm drainage system to ensure adequate local drainage. | | | | |
| Objective | Measure ratings from residents on the quality of storm drainage. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent respondents rating the quality of storm drainage as good or excellent | 75.00% | 81.00% | 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 | 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 quality of storm drainage has been achieving between 75 and 81 percent satisfaction since 2016. The City is estimating to maintain an 80 percent rating. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of projects completed (Storm Drain) | 5.00 | 6.00 | 7.00 | 7.00 | 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 completed all the seven capital improvement projects identified in the 2005 Storm Drainage Fee Measure by the end of Fiscal Year 2018. This measure will no longer be used in next fiscal year budget as all projects are completed and the Storm Drainage fee has sunset. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of inspections in compliance with storm water regulations | 83.00% | 85.00% | 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 2017, inspected sites included 38 industries, 63 automotive facilities, 101 construction sites, and approximately one third of the 377 restaurants on the inspection list. The FY 2018 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Storm Drainage Fund | 1,084,083 | 5,139,312 | 804,875 | 4,056,012 | 3,251,137 | 403.9% |
| Storm Drainage Administration | 777,068 | 938,434 | 1,207,070 | 891,557 | (315,513) | (26.1)% |
| Storm Drainage Environmental Compliance | 378,978 | (61,813) | 952,985 | 981,370 | 28,385 | 3.0% |
| Storm Drainage Operations and Maintenance | 1,771,220 | 1,964,235 | 3,200,530 | 3,328,062 | 127,532 | 4.0% |
| Storm Drainage Systems Improvement Flood Control | 138,820 | 128,127 | 144,209 | 134,798 | (9,411) | (6.5)% |
| Total | 4,150,168 | 8,108,294 | 6,309,668 | 9,391,799 | 3,082,130 | 48.8% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 192,406 | 198,979 | 253,686 | 243,089 | (10,597) | (4.2)% |
| Other Benefits | 28,052 | 21,435 | 41,466 | 42,217 | 751 | 1.8% |
| Overtime | 43,463 | 24,941 | 49,429 | 50,714 | 1,285 | 2.6% |
| Pension | 259,855 | 290,983 | 406,203 | 418,581 | 12,378 | 3.0% |
| Retiree Medical | 57,698 | 63,585 | 66,895 | 144,909 | 78,014 | 116.6% |
| Salary | 945,028 | 1,017,360 | 1,428,769 | 1,462,271 | 33,502 | 2.3% |
| Workers' Compensation | 6,707 | 19,694 | 39,437 | 28,410 | (11,027) | (28.0)% |
| Total Salary & Benefits | 1,533,210 | 1,636,977 | 2,285,884 | 2,390,191 | 104,307 | 4.6% |
| Allocated Charges | 761,660 | 956,201 | 1,428,009 | 1,173,474 | (254,536) | (17.8)% |
| Contract Services | 431,506 | (66,984) | 905,379 | 907,899 | 2,520 | 0.3% |
| Debt Service | 373,008 | 335,877 | 949,300 | 949,300 | — | —% |
| Facilities & Equipment | 5,286 | (260) | 7,621 | 7,621 | — | —% |
| General Expense | 22,153 | 51,551 | 148,560 | 145,960 | (2,600) | (1.8)% |
| Operating Transfers-Out | 5,970 | 133,472 | 27,463 | 49,360 | 21,896 | 79.7% |
| Rents & Leases | 39,079 | 40,045 | 47,482 | 48,805 | 1,322 | 2.8% |
| Supplies & Material | 98,514 | 77,396 | 94,726 | 94,726 | — | —% |
| Capital Improvement Program | 879,784 | 4,944,019 | 415,243 | 3,624,464 | 3,209,220 | 772.9% |
| Total Dollars by Expense Category | 4,150,168 | 8,108,294 | 6,309,668 | 9,391,799 | 3,082,130 | 48.8% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Revenues | | | | | | |
| Charges for Services | 97,399 | 71,488 | 117,888 | 117,888 | — | —% |
| Charges to Other Funds | — | 2,961 | — | — | — | —% |
| From Other Agencies | 98,212 | 21,680 | — | — | — | —% |
| Net Sales | 6,326,562 | 6,600,488 | 6,927,531 | 7,128,430 | 200,899 | 2.9% |
| Operating Transfers-In | 233,662 | — | — | — | — | —% |
| Other Revenue | (55) | (243) | — | — | — | —% |
| Other Taxes and Fines | — | — | 2,500 | 2,500 | — | —% |
| Return on Investments | 178,207 | 186,051 | 129,700 | 129,700 | — | —% |
| Total Revenues | 6,933,986 | 6,882,425 | 7,177,619 | 7,378,518 | 200,899 | 2.8% |

| | | | | | | |
|--|--------------|--------------|--------------|--------------|----------|-----------|
| Positions by Division | | | | | | |
| CIP Storm Drainage Fund | 2.15 | 2.17 | 2.37 | 2.37 | — | —% |
| Storm Drainage Administration | 0.65 | 0.60 | 0.80 | 0.80 | — | —% |
| Storm Drainage Operations and Maintenance | 6.98 | 6.98 | 9.79 | 9.79 | — | —% |
| Storm Drainage Systems Improvement Flood Control | 0.54 | 0.59 | 0.59 | 0.59 | — | —% |
| Total | 10.32 | 10.34 | 13.55 | 13.55 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---------------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.15 | 0.10 | 0.10 | 0.10 | — | 7,250 |
| Accountant | 0.05 | 0.05 | 0.05 | 0.05 | — | 5,041 |
| Administrative Associate I | 0.10 | 0.10 | 0.10 | 0.10 | — | 7,153 |
| Administrative Associate II | 0.15 | 0.15 | 0.15 | 0.15 | — | 11,660 |
| Administrative Associate III | 0.10 | 0.10 | 0.10 | 0.10 | — | 8,332 |
| Assistant Director Public Works | 0.20 | 0.20 | 0.30 | 0.30 | — | 55,472 |
| Associate Engineer | — | 0.19 | 1.19 | 1.19 | — | 138,074 |
| Electrician | 0.10 | 0.10 | 0.10 | 0.10 | — | 10,982 |
| Electrician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 117,571 |
| Engineer | 1.00 | 0.90 | 0.90 | 0.90 | — | 117,607 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Engineering Technician III | 0.20 | 0.25 | 0.25 | 0.25 | — | 24,428 |
| Equipment Operator | 0.54 | 0.54 | 0.54 | 0.54 | — | 46,853 |
| Heavy Equipment Operator | 0.90 | 0.90 | 0.90 | 0.90 | — | 88,424 |
| Heavy Equipment Operator-Lead | 1.15 | 1.15 | 1.15 | 1.15 | — | 120,867 |
| Industrial Waste Inspector | 0.19 | 0.19 | 0.40 | 0.40 | — | 38,627 |
| Industrial Waste Investigator | 0.99 | 0.80 | 1.00 | 1.00 | — | 108,514 |
| Management Analyst | 0.20 | 0.20 | 0.30 | 0.30 | — | 31,373 |
| Manager Environmental Control Program | 0.40 | 0.40 | 0.70 | 0.70 | — | 79,444 |
| Manager Maintenance Operations | 0.50 | 0.50 | 0.50 | 0.50 | — | 57,793 |
| Manager Watershed Protection | — | — | 0.20 | 0.20 | — | 29,632 |
| Program Assistant II | — | — | 0.60 | 0.60 | — | 50,867 |
| Project Engineer | 0.83 | 0.83 | 0.83 | 0.83 | — | 116,737 |
| Project Manager | 0.15 | 0.15 | 0.55 | 0.55 | — | 62,471 |
| Senior Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 12,287 |
| Senior Engineer | 0.76 | 0.76 | 0.76 | 0.76 | — | 104,364 |
| Senior Industrial Waste Investigator | — | — | 0.10 | 0.10 | — | 11,603 |
| Surveyor, Public Works | — | 0.12 | 0.12 | 0.12 | — | 12,804 |
| Technologist | 0.30 | 0.30 | 0.30 | 0.30 | — | 45,820 |
| Traffic Controller Maintainer I | 0.06 | 0.06 | 0.06 | 0.06 | — | 5,111 |
| Sub-total: Full-Time Equivalent Positions | 10.12 | 10.14 | 13.35 | 13.35 | — | 1,527,158 |
| Temporary/Hourly | 0.20 | 0.20 | 0.20 | 0.20 | — | 8,320 |
| Total Positions | 10.32 | 10.34 | 13.55 | 13.55 | — | 1,535,478 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Storm Drainage Fund |
|---|--------------|------------------|------------------|-------------------------|
| Prior Year Budget | 13.55 | 6,309,668 | 7,177,619 | (867,951) |
| One-Time Prior Year Budget Adjustments | | | | |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 28,649 | — | 28,649 |
| Supplemental Pension Trust Fund Contribution | — | (31,037) | — | (31,037) |
| One-Time Prior Year Budget Adjustments | — | (2,388) | — | (2,388) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 114,056 | — | 114,056 |
| Stormwater Rate Adjustment (CPI increase of 2.9%) | — | — | 189,820 | (189,820) |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 2,520 | — | 2,520 |
| Rents & Leases Expenditure Alignment | — | 1,322 | — | 1,322 |
| General Expense Alignment | — | (2,600) | — | — |
| Capital Improvement Projects | — | 3,212,665 | — | 3,212,665 |
| Transfers to Technology Fund (Citywide technology CIP's) | — | 28,385 | — | 28,385 |
| General Fund Cost Allocation Plan | — | (165,131) | — | (165,131) |
| General Liability Insurance Allocated Charges | — | 5,696 | — | 5,696 |
| Information Technology Allocated Charges | — | (210,377) | — | (210,377) |
| Print and Mail Allocated Charges | — | 21,234 | — | 21,234 |
| Public Works Administration Allocated Charges | — | 5,218 | — | 5,218 |
| Storm Drain Allocated Charges | — | — | 11,079 | (11,079) |
| Utilities Allocated Charges | — | 58,949 | — | 58,949 |
| Vehicle Replacement Allocated Charges | — | 3,826 | — | 3,826 |
| General Liability Savings (one-time FY 2019 savings) | — | (9,749) | — | (9,749) |
| Workers' Compensation Savings (one-time FY 2019 savings) | — | (11,322) | — | (11,322) |
| Adjustments to Costs of Ongoing Activities | — | 3,054,692 | 200,899 | 2,856,393 |
| Total FY 2019 Base Budget | 13.55 | 9,361,973 | 7,378,518 | 1,986,055 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 21,104 | — | 21,104 |
| Total Budget Adjustments | — | 21,104 | — | 21,104 |
| Total FY 2019 Proposed Budget | 13.55 | 9,383,077 | 7,378,518 | 2,007,159 |

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Storm Drainage Fund |
|--|-----------|--------------|----------|-------------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 21,104 | 0 | 21,104 |

This action transfers \$21,104 from the Storm Drainage Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Storm Drainage Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the 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 51 vehicles and 6 pieces of equipment in Fiscal Year 2018 to maintain safe, reliable and efficient use of resources.
- Completed a fleet cost recovery study.
- Removed and replaced the vehicle/equipment wash rack system located at the Municipal Services Center.
- Added multi-product fuel dispensers to the fuel station.
- Transitioned to 100% paperless work order and parts requisition system.
- Awarded a new 5-year fuel contract, reducing fuel delivery fees and rates for users.
- Evaluated and updated rates to ensure cost-recovery is being achieved for Compressed Natural Gas (CNG), shop and commercial maintenance and repairs, and parts.

Initiatives

- Perform review of underutilized vehicles annually and remove vehicles from fleet that do not meet the minimum usage requirements per policy.

- Continue to reduce the backlog of older vehicles that need to be replaced with more efficient vehicles/equipment to reduce the City's carbon footprint.
- Continue implementing Fleet Operational Study recommendations by improving fleet technology, staff training and increasing the number of electric and alternative fuel vehicles/equipment in the fleet where possible.
- Award a multi-year contract to vendor(s) for the removal and installation of outfitting equipment from surplus and new vehicles/equipment.
- Begin implementing recommendations from the fleet cost recovery study.

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:

- Perform fleet utilization analyses annually to ensure the City has a right-sized fleet.
- Continue replacing the oldest, least efficient vehicles first; replacing with electric or alternative fuel vehicles when possible.
- Continue providing staff education and training.
- Annually assess rates for Compressed Natural Gas (CNG), shop and commercial maintenance and repairs, and parts to ensure cost-recovery.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of alternative fuel consumed by non-emergency vehicles | 26.60% | 33.00% | 29.20% | 33.00% | 33.00% |
| Description | The City fleet is comprised of vehicles and equipment that are primarily gasoline, diesel and compressed natural gas (CNG). | | | | |
| Purpose | To move toward lower emissions goals, the City needs to increase the use of alternative fuel vehicles/equipment. | | | | |
| Status | The City's fleet used a total of 300,952 gallons of fuel in 2017 among unleaded, diesel and natural gas. It used 99,315 gallons of compressed natural gas which equates to 33% of alternative fuel use. This is anticipated to remain constant for FY 2018 and FY 2019. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of vehicles that are alternatively fueled or electric | 50 | 51 | 55 | 51 | 58 |
| Number of vehicle repair and preventative maintenance work orders | 4,619 | 4,019 | 4,100 | 3,690 | 3,590 |
| Total number of vehicles and equipment in the City's fleet | 559 | 555 | 549 | 558 | 558 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| Vehicle Operations and Maintenance | 5,586,194 | 5,463,507 | 5,455,409 | 6,448,192 | 992,782 | 18.2% |
| Vehicle Replacement and Additions | 2,993,463 | 4,987,407 | 7,837,642 | 8,266,807 | 429,166 | 5.5% |
| Total | 8,579,657 | 10,450,914 | 13,293,051 | 14,714,999 | 1,421,948 | 10.7% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 295,595 | 308,844 | 369,965 | 352,799 | (17,166) | (4.6)% |
| Other Benefits | 53,639 | 36,622 | 50,507 | 49,814 | (693) | (1.4)% |
| Overtime | 6,970 | 4,919 | 56,610 | 58,081 | 1,472 | 2.6% |
| Pension | 321,560 | 355,106 | 422,535 | 436,630 | 14,095 | 3.3% |
| Retiree Medical | 79,467 | 86,962 | 91,489 | 148,359 | 56,871 | 62.2% |
| Salary | 1,386,350 | 1,292,182 | 1,468,804 | 1,511,184 | 42,380 | 2.9% |
| Workers' Compensation | 7,726 | 4,995 | 53,936 | 38,855 | (15,082) | (28.0)% |
| Total Salary & Benefits | 2,151,307 | 2,089,629 | 2,513,846 | 2,595,722 | 81,877 | 3.3% |
| Allocated Charges | 1,612,792 | 1,366,290 | 1,185,639 | 1,352,629 | 166,990 | 14.1% |
| Contract Services | 282,187 | 524,789 | 511,900 | 506,696 | (5,204) | (1.0)% |
| General Expense | 57,943 | 108,857 | 66,080 | 70,630 | 4,550 | 6.9% |
| Operating Transfers-Out | 335,294 | — | 38,394 | 198,066 | 159,672 | 415.9% |
| Rents & Leases | 177,193 | 181,834 | 189,067 | 195,002 | 5,935 | 3.1% |
| Supplies & Material | 1,121,338 | 1,109,794 | 1,169,216 | 1,338,816 | 169,600 | 14.5% |
| Transfer to Infrastructure | 31,711 | 263,198 | — | 540,000 | 540,000 | —% |
| Capital Improvement Program | 2,809,892 | 4,806,522 | 7,618,910 | 7,917,438 | 298,528 | 3.9% |
| Total Dollars by Expense Category | 8,579,657 | 10,450,914 | 13,293,051 | 14,714,999 | 1,421,948 | 10.7% |
| Revenues | | | | | | |
| Charges to Other Funds | 7,291,552 | 8,227,916 | 8,835,554 | 9,013,976 | 178,422 | 2.0% |
| Operating Transfers-In | 1,305,766 | 924,456 | — | — | — | —% |
| Other Revenue | 296,297 | 312,216 | 155,000 | 155,000 | — | —% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Return on Investments | 192,219 | 197,278 | 178,300 | 178,300 | — | — % |
| Total Revenues | 9,085,834 | 9,661,867 | 9,168,854 | 9,347,276 | 178,422 | 1.9% |

Positions by Division

| | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|---------------|----------------|
| Vehicle Operations and Maintenance | 15.86 | 15.86 | 15.86 | 14.28 | (1.58) | (9.96)% |
| Vehicle Replacement and Additions | 1.40 | 1.40 | 1.40 | 2.25 | 0.85 | 60.71% |
| Total | 17.26 | 17.26 | 17.26 | 16.53 | (0.73) | (4.23)% |

Staffing

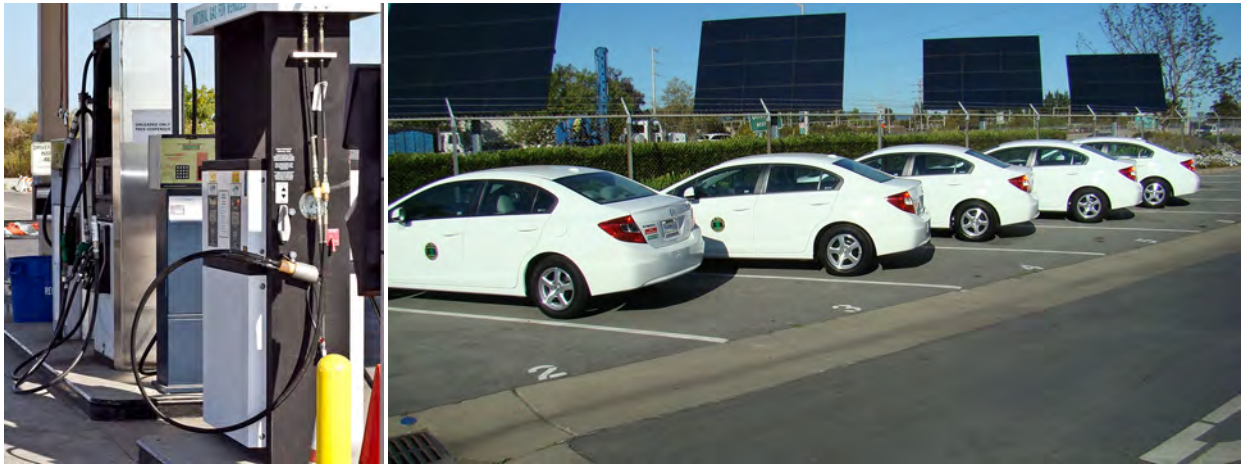
| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | — | 83,323 |
| Assistant Director Public Works | 0.25 | 0.25 | 0.25 | 0.25 | — | 43,139 |
| Assistant Fleet Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 103,750 |
| Equipment Maintenance Service Person | 2.00 | 2.00 | 2.00 | 2.00 | — | 137,186 |
| Fleet Services Coordinator | 2.00 | 2.00 | 2.00 | 2.00 | — | 171,847 |
| Management Analyst | 0.20 | 0.20 | 0.20 | 0.20 | — | 23,134 |
| Manager Fleet | 1.00 | 1.00 | 1.00 | 1.00 | — | 129,106 |
| Motor Equipment Mechanic II | 6.00 | 6.00 | 6.00 | 6.00 | — | 583,371 |
| Motor Equipment Mechanic-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 208,003 |
| Project Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 95,514 |
| Senior Management Analyst | 0.08 | 0.08 | 0.08 | 0.08 | — | 9,600 |
| Sub-total: Full-Time Equivalent Positions | 16.53 | 16.53 | 16.53 | 16.53 | — | 1,587,973 |
| Temporary/Hourly | 0.73 | 0.73 | 0.73 | — | (0.73) | — |
| Total Positions | 17.26 | 17.26 | 17.26 | 16.53 | (0.73) | 1,587,973 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Vehicle Replacement and Maintenance Fund |
|---|---------------|-------------------|------------------|--|
| Prior Year Budget | 17.26 | 13,293,051 | 9,168,854 | 4,124,197 |
| One-Time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (42,254) | — | (42,254) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 26,932 | — | 26,932 |
| One-Time Prior Year Budget Adjustments | — | (15,322) | — | (15,322) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 157,103 | — | 157,103 |
| Delete 0.25 Management Specialist (Fleet Division transition staffing due to vacancies) | (0.25) | (41,374) | — | (41,374) |
| Vehicle Parts and Fuel Contractual and Managed Services | — | 168,136 | — | 168,136 |
| Lease Agreement (Utilities aerial trucks) | — | 120,569 | — | 120,569 |
| Rents & Leases | — | 5,935 | — | 5,935 |
| Office of Management and Budget Staffing Reorganization (funding shifts) | — | 3,093 | — | 3,093 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 1,260 | — | 1,260 |
| Capital Improvements Projects | — | 298,259 | — | 298,259 |
| Transfer to the Technology Fund (citywide technology CIPs) | — | 58,504 | — | 58,504 |
| Transfer to Infrastructure Fund (citywide facilities CIPs) | — | 540,000 | — | 540,000 |
| General Fund Cost Allocation Plan | — | 83,043 | — | 83,043 |
| General Liability Insurance Allocated Charges | — | 18,720 | — | 18,720 |
| Information Technology Allocated Charges | — | 31,581 | — | 31,581 |
| Print and Mail Allocated Charges | — | (160) | — | (160) |
| Public Works Administration Allocated Charges | — | 12,176 | — | 12,176 |
| Utilities Allocated Charges | — | 8,487 | — | 8,487 |
| Vehicle Replacement & Maintenance Allocated Charges | — | — | 199,884 | (199,884) |
| General Liability Savings (one-time FY 2019 savings) | — | (13,334) | — | (13,334) |
| Workers' Compensation Savings (one-time FY 2019 savings) | — | (15,484) | — | (15,484) |
| Adjustments to Costs of Ongoing Activities | (0.25) | 1,436,514 | 199,884 | 1,236,630 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Vehicle Replacement and Maintenance Fund |
|--|---------------|-------------------|------------------|--|
| Total FY 2019 Base Budget | 17.01 | 14,714,244 | 9,368,738 | 5,345,506 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 22,216 | — | 22,216 |
| 2 Eliminate Vehicle Stock Part-Time Staffing | (0.48) | (21,462) | (21,462) | 0 |
| Total Budget Adjustments | (0.48) | 754 | (21,462) | 22,216 |
| Total FY 2019 Proposed Budget | 16.53 | 14,714,998 | 9,347,276 | 5,345,506 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Vehicle Replacement and Maintenance Fund |
|--|-----------|--------------|----------|--|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 22,216 | 0 | 22,216 |

This action transfers \$22,216 from the Vehicle Replacement and Maintenance Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Office of the Wastewater Treatment Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Vehicle Replacement and Maintenance Fund |
|--|-----------|--------------|----------|--|
| 2 Eliminate Vehicle Stock Part-Time Staffing | -0.48 | (21,462) | (21,462) | 0 |

This action eliminates a vacant 0.48 Stock Clerk in the Vehicle Replacement and Maintenance Fund to align with current service delivery for vehicle stock. In Fiscal Year 2017, the City of Palo Alto transitioned from an in-house parts program, administered by the stock clerk position, to a service management with NAPA Auto Parts. NAPA provides on-time delivery of various parts and equipment needed for vehicle maintenance. After evaluating the service delivery of NAPA, it is recommended that the Stock Clerk position be eliminated. This elimination should not have an impact on the service delivery of the vehicle maintenance staff. (Ongoing Savings: \$22,897)

Performance Results



Eliminating this vacant Stock Clerk position will not impact the quality of services and satisfaction of customers.

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 City's five partner agency regional service areas (Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto Sanitary District) to ensure the compliance with regulations protecting the San Francisco Bay and the environment.

Accomplishments

- Awarded contracts to haul and treat sludge from the new sludge dewatering and truck loadout facility currently under construction. With the facility completed and online in January 2019, the two sludge-burning incinerators were subsequently retired.
- Commenced planning and design for secondary treatment upgrade, primary sedimentation tank rehabilitation, and the laboratory/environmental services building as part of fulfilling the Long Range Facilities Plan.
- Completed rehabilitation of the old pumping plant.
- Completed 10% design for a 1 Million Gallons per Day (MGD) Advanced Water Purification Facility (microfiltration or ultrafiltration followed by reverse osmosis) to improve recycled water quality by reducing salinity.
- Completed the business plan and 30% design for the Phase III Recycled Water Pipeline.

Initiatives

- Complete construction of the sludge dewatering and truck loadout facility in Winter 2019.
- Amend environmental documentation, secure funding, complete design, and begin construction of the Advanced Water Purification Facility (i.e. reverse osmosis) to improve recycled water quality.
- Determine the feasibility for indirect potable reuse in the northwest region of Santa Clara County by understanding the groundwater basin.

- Determine regional opportunities for recycled water expansion such as the feasibility for recycled water expansion to Stanford Research Park and South Palo Alto via the Phase III Recycled Water Pipeline.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of wastewater treatment discharge tests in compliance | 99.67% | 100.00% | 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 over 99 percent of compliance. | | | | |
| Purpose | Measure compliance of the RWQCP treatment system's final water discharged compared to the limits established in the NPDES discharge permit. | | | | |
| Status | Over 99% of discharge tests are expected to be in compliance with discharge limits in Fiscal Year 2018 and Fiscal Year 2019. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Fish toxicity test (percent survival) | 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 2017, all acute toxicity bioassay tests passed with 100% survival rate. This trend is expected to continue in Fiscal Year 2018 and Fiscal Year 2019. | | | | |

Workload Measures

| | | | | | |
|---|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Millions of gallons of recycled water delivered | 230 | 180 | 260 | 216 | 250 |
| Number of inspections performed annually (Wastewater Treatment) | 397 | 301 | 400 | 350 | 350 |
| Millions of gallons processed by the Palo Alto's Regional Water Quality Control Plant | 6,387 | 7,176 | 6,398 | 6,777 | 6,935 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Wastewater Treatment Fund | 2,792,222 | (1,124,472) | 37,988,136 | 10,186,740 | (27,801,396) | (73.2)% |
| Wastewater Treatment Systems Improvement Operations | 15,951,637 | 15,991,438 | 16,486,893 | 17,196,146 | 709,253 | 4.3% |
| Wastewater Treatment Administration | 508,324 | 5,269,540 | 5,138,056 | 5,220,653 | 82,597 | 1.6% |
| Wastewater Treatment Environmental Compliance | 3,759,792 | 3,674,009 | 3,428,802 | 3,543,579 | 114,777 | 3.3% |
| Total | 23,011,975 | 23,810,516 | 63,041,886 | 36,147,118 | (26,894,769) | (42.7)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 1,196,798 | 1,333,363 | 1,391,249 | 1,444,680 | 53,430 | 3.8% |
| Other Benefits | 169,747 | 131,812 | 194,084 | 198,135 | 4,051 | 2.1% |
| Overtime | 353,542 | 260,776 | 310,126 | 318,189 | 8,063 | 2.6% |
| Pension | 1,626,688 | 1,872,666 | 2,035,334 | 2,116,386 | 81,052 | 4.0% |
| Retiree Medical | 745,965 | 816,320 | 858,810 | 853,066 | (5,744) | (0.7)% |
| Salary | 6,340,815 | 6,698,533 | 7,357,411 | 7,563,716 | 206,305 | 2.8% |
| Workers' Compensation | 29,874 | 52,654 | 270,879 | 195,136 | (75,742) | (28.0)% |
| Total Salary & Benefits | 10,463,429 | 11,166,125 | 12,417,893 | 12,689,308 | 271,415 | 2.2% |
| Allocated Charges | 5,348,078 | 5,311,133 | 6,319,704 | 6,122,299 | (197,405) | (3.1)% |
| Contract Services | 1,602,264 | 5,678,025 | 2,305,354 | 3,007,839 | 702,485 | 30.5% |
| Debt Service | 480,060 | 443,920 | 1,468,851 | 1,468,851 | — | —% |
| Facilities & Equipment | 1,888 | 4,110 | 7,500 | 7,500 | — | —% |
| General Expense | 387,514 | 449,456 | 505,029 | 451,029 | (54,000) | (10.7)% |
| Operating Transfers-Out | 11,597 | 335,213 | 206,049 | 382,023 | 175,974 | 85.4% |
| Supplies & Material | 1,962,664 | 1,630,955 | 2,050,754 | 2,090,754 | 40,000 | 2.0% |
| Capital Improvement Program | 2,754,480 | (1,208,420) | 37,760,752 | 9,927,514 | (27,833,238) | (73.7)% |
| Total Dollars by Expense Category | 23,011,975 | 23,810,516 | 63,041,886 | 36,147,118 | (26,894,769) | (42.7)% |
| Revenues | | | | | | |
| Charges to Other Funds | 47,723 | 44,851 | 51,500 | 52,644 | 1,144 | 2.2% |
| From Other Agencies | — | — | 34,109,880 | — | (34,109,880) | (100.0)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Net Sales | 23,751,883 | 22,935,389 | 27,139,594 | 28,370,284 | 1,230,690 | 4.5% |
| Other Revenue | 3,010 | 665,707 | 427,000 | 5,838,000 | 5,411,000 | 1,267.2% |
| Other Taxes and Fines | 19,000 | — | 4,000 | 4,000 | — | —% |
| Return on Investments | 227,383 | 298,324 | 187,620 | 199,200 | 11,580 | 6.2% |
| Total Revenues | 24,049,000 | 23,944,271 | 61,919,594 | 34,464,128 | (27,455,466) | (44.3)% |

Positions by Division

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|---------------------|
| CIP Wastewater Treatment Fund | 0.30 | 1.30 | 1.30 | 1.30 | — | —% |
| Wastewater Treatment Systems Improvement Operations | 55.69 | 56.36 | 56.16 | 56.16 | — | —% |
| Wastewater Treatment Administration | 0.64 | 0.59 | 0.59 | 0.59 | — | —% |
| Wastewater Treatment Environmental Compliance | 13.74 | 15.22 | 13.21 | 13.21 | — | —% |
| Total | 70.37 | 73.47 | 71.26 | 71.26 | — | —% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---------------------------------|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.15 | 0.10 | 0.10 | 0.10 | — | 7,250 |
| Accountant | 0.25 | 0.25 | 0.25 | 0.25 | — | 25,204 |
| Administrative Associate II | 2.00 | 2.00 | 2.00 | 2.00 | — | 155,468 |
| Assistant Director Public Works | 0.75 | 0.75 | 0.65 | 0.65 | — | 129,914 |
| Assistant Manager WQCP | 2.00 | 2.00 | 2.00 | 2.00 | — | 275,912 |
| Associate Engineer | 1.35 | 1.80 | 1.80 | 1.80 | — | 208,851 |
| Buyer | 1.00 | — | — | — | — | — |
| Chemist | 3.00 | 3.00 | 3.00 | 3.00 | — | 312,812 |
| Deputy Chief/Fire Marshal | 0.04 | 0.04 | 0.04 | 0.04 | — | 7,711 |
| Electrician | 2.90 | 2.90 | 2.90 | 2.90 | — | 318,475 |
| Electrician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 117,571 |
| Environmental Specialist | 1.00 | — | — | — | — | — |
| Hazardous Materials Inspector | 0.02 | 0.02 | 0.02 | 0.02 | — | 3,243 |
| Industrial Waste Inspector | 2.80 | 2.80 | 2.59 | 2.59 | — | 250,110 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|-----------------|-----------------|------------------------|-------------------------|--------------------|------------------|
| Industrial Waste Investigator | 0.80 | 0.35 | 0.15 | 0.15 | — | 16,277 |
| Laboratory Technician WQC | 3.00 | 3.00 | 3.00 | 3.00 | — | 279,784 |
| Maintenance Mechanic | 7.00 | — | — | — | — | — |
| Management Analyst | — | 0.67 | 0.57 | 0.57 | — | 59,410 |
| Manager Environmental Control Program | 1.50 | 1.50 | 1.20 | 1.20 | — | 141,205 |
| Manager Laboratory Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 141,482 |
| Manager Water Quality Control Plant | 1.00 | 1.00 | 1.00 | 1.00 | — | 182,541 |
| Manager Watershed Protection | 0.95 | 0.95 | 0.75 | 0.75 | — | 111,119 |
| Plant Mechanic | — | 7.00 | 7.00 | 7.00 | — | 716,999 |
| Program Assistant II | 2.00 | 2.00 | 1.40 | 1.40 | — | 118,689 |
| Project Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 140,646 |
| Project Manager | — | 1.00 | 0.60 | 0.60 | — | 67,741 |
| Senior Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 12,287 |
| Senior Buyer | — | 1.00 | 1.00 | 1.00 | — | 103,384 |
| Senior Chemist | 1.00 | 1.00 | 1.00 | 1.00 | — | 115,871 |
| Senior Engineer | 1.00 | 3.00 | 3.00 | 3.00 | — | 392,600 |
| Senior Industrial Waste Investigator | 0.99 | 0.99 | 0.89 | 0.89 | — | 103,265 |
| Senior Management Analyst | 0.13 | 0.13 | 0.13 | 0.13 | — | 15,471 |
| Senior Mechanic | 1.00 | 1.00 | 1.00 | 1.00 | — | 110,130 |
| Senior Operator WQC | 6.00 | 6.00 | 6.00 | 6.00 | — | 701,178 |
| Senior Technologist | 1.00 | 1.00 | 1.00 | 1.00 | — | 147,056 |
| Storekeeper | 1.00 | 1.00 | 1.00 | 1.00 | — | 75,472 |
| Supervisor WQCP Operations | 3.00 | 3.00 | 3.00 | 3.00 | — | 356,325 |
| Technologist | 0.70 | 0.70 | 0.70 | 0.70 | — | 106,914 |
| WQC Plant Operator II | 16.00 | 16.00 | 16.00 | 16.00 | — | 1,648,692 |
| Sub-total: Full-Time Equivalent Positions | 68.43 | 71.05 | 68.84 | 68.84 | — | 7,677,059 |
| Temporary/Hourly | 1.94 | 2.42 | 2.42 | 2.42 | — | 206,339 |
| Total Positions | 70.37 | 73.47 | 71.26 | 71.26 | — | 7,883,398 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Wastewater Treatment Fund |
|---|--------------|---------------------|---------------------|--|
| Prior Year Budget | 71.26 | 63,041,886 | 61,919,594 | 1,122,292 |
| One-Time Prior Year Budget Adjustments | | | | |
| Strategic Plan (Revenue from Santa Clara Valley Water District) Recycled Water Year 1 | — | (427,000) | (427,000) | — |
| Supplemental Pension Trust Fund Contribution | — | (210,478) | — | (210,478) |
| Information Technology Department Allocation (FY 2016 Salary Savings; one-time) | — | 110,723 | — | 110,723 |
| One-Time Prior Year Budget Adjustments | — | (526,755) | (427,000) | (99,755) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits Adjustments | — | 190,558 | — | 190,558 |
| Strategic Plan (Revenue from Santa Clara Valley Water District) Recycled Water Year 2 | — | 188,000 | 188,000 | — |
| Office of Management and Budget Staffing Reorganization (funding shifts) | — | 3,093 | — | 3,093 |
| Water Quality Control Plant (WQCP) Lab Services | — | — | 1,144 | (1,144) |
| Liquid Waste Hauler and Tributary Agency Partner Contribution | — | — | 869,898 | (869,898) |
| Capital Improvements Projects | — | (27,828,808) | (28,448,300) | 619,492 |
| Transfers to Technology Fund (Citywide technology CIP's) | — | 277,455 | — | 277,455 |
| General Fund Cost Allocation Plan | — | (354,998) | — | (354,998) |
| General Liability Insurance Allocated Charges | — | 93,524 | — | 93,524 |
| Information Technology Allocated Charges | — | 391,300 | — | 391,300 |
| Print and Mail Allocated Charges | — | (1,775) | — | (1,775) |
| Public Works Administration Allocated Charges | — | 7,405 | — | 7,405 |
| Refuse Sales Allocated Charges | — | 1,950 | — | 1,950 |
| Storm Drain Allocated Charges | — | 1,079 | — | 1,079 |
| Utilities Allocated Charges | — | 118,379 | — | 118,379 |
| Vehicle Replacement Allocated Charges | — | 3,628 | — | 3,628 |
| Wastewater Treatment Allocated Charges | — | — | 360,792 | (360,792) |
| General Liability Savings (one-time FY 2019 savings) | — | (66,965) | — | (66,965) |
| Worker's Compensation Savings (one-time FY 2019 savings) | — | 77,764 | — | 77,764 |
| Adjustments to Costs of Ongoing Activities | — | (26,898,410) | (27,028,466) | 130,056 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Wastewater Treatment Fund |
|---|--------------|-------------------|-------------------|-------------------------------|
| Total FY 2019 Base Budget | 71.26 | 35,616,721 | 34,464,128 | 1,152,593 |
| Budget Adjustments | | | | |
| 1 Replacement of Incinerator with Dewatering Facility | — | 425,830 | — | 425,830 |
| 2 Supplemental Pension Trust Fund Contribution | — | 104,568 | — | 104,568 |
| Total Budget Adjustments | — | 530,398 | — | 530,398 |
| Total FY 2019 Proposed Budget | 71.26 | 36,147,119 | 34,464,128 | 1,682,991 |

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Wastewater Treatment Fund |
|---|-----------|--------------|----------|-------------------------------|
| 1 Replacement of Incinerator with Dewatering Facility | 0.00 | 425,830 | 0 | 425,830 |

This action increases expenses by \$426,000 reflecting the change in service delivery. This increase reflects the net impact of increases in contract expenses and adjustments to the costs of utilities based on estimates for operating the Sludge Dewatering and Loadout (SDLO) Facility, which is planned to come online in January 2019 and will result in the retirement of an incinerator around the same time. Construction of the Sludge Dewatering and Loadout (SDLO) facility is estimated to complete in November 2019 and operations to begin in January 2019, which will result in the retirement of the incinerator around the same time. Currently, the City processes sewage sludge by compressing it and burning it; this leaves ash behind that gets trucked out. The SDLO facility will allow the City to process sewage sludge by dewatering, leaving behind a dry waste matter that gets trucked out for further treatment. This new process is environmentally better for air and allows the City to retire its incinerators. (Ongoing costs: \$772,275)

Performance Results



The Sludge Dewatering and Loadout (SDLO) facility will allow the City to process sewage sludge by dewatering instead of incinerating it into dry waste matter that is transported to landfills. The SDLO processing method is environmentally cleaner for air compared to the incinerators.

| | | | | |
|--|------|---------|---|---------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 104,568 | 0 | 104,568 |
|--|------|---------|---|---------|

This action transfers \$104,568 from the Wastewater Treatment Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Office of the Wastewater Treatment Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).



CITY OF
**PALO
ALTO**

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. CPAU also supports the City's sustainability goals by building a low-carbon energy supply through the use of renewable energy and offsets and by promoting programs to help customers use energy and water more efficiently, reduce their carbon footprint, and help them integrate new technologies.

At CPAU, our people empower tomorrow's ambitions while caring for today's needs! We make this possible with our outstanding professional workforce, leading through collaboration and optimizing resources to ensure a sustainable and resilient Palo Alto.

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.

UTILITIES

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

- Awarded Platinum Level Beacon Award by the Institute for Local Government for efforts and leadership in addressing climate change.
- Awarded first place for the fourth time by the Smart Electric Power Alliance (SEPA) for the Solar Watts-per-Customer Top Ten list of utilities that integrated the most solar to the grid.
- Received Special Recognition for Participation in Georgetown University's Energy Prize Competition.
- Accomplished the City's Natural Gas Supply Goes Carbon Neutral. In July 2017, provided 100% carbon neutral natural gas for the entire Palo Alto community.
- Entered agreement to buy Carbon Offsets from Palo Alto's Sister City, Oaxaca, Mexico. On December 4, City Council approved a resolution to purchase carbon offsets from a forestry project in Oaxaca, Mexico, to offset carbon dioxide emissions associated with natural gas use in the Palo Alto community. The agreement is part of the City's Carbon Neutral Natural Gas Plan with goals to reduce overall community Greenhouse Gas (GHG) emissions in an effort to combat climate change.
- Unveiled new solar panels installed atop parking carports of two public garages and electric vehicle (EV) charging stations that are powered by the renewable energy generated on-site.
- Provided rebates for Electric Vehicle Charging Stations installed at schools, apartment complexes, and non-profit buildings with common area charging accommodations.
- Awarded first place for Amount of Solar Through Bay Area SunShares Program. The City participated for the third year in a row in Bay Area SunShares, a solar group-buy program that offers discounts on rooftop solar by pooling the buying power of a group of residents.
- Completed and presented eight month process to update the Utilities Strategic Plan.

Initiatives

- Implement City Council approved 2018 Utilities Strategic Plan to focus resources towards meeting priority initiatives related to workforce, technology, collaboration, and finances and resource optimization.
- Assist Development Services to verify final street addresses are assigned prior to account activation and billing of Utilities account-holders.
- Continue Downtown Upgrade, which provides critical, preventative upgrades to core infrastructure so we can continue to provide safe, reliable and cost effective services to our community. Construction work includes utility pipe replacements, road repaving, traffic signal enhancements and a new downtown parking garage.
- Update Divisional Succession Plans for the next five years.
- Evaluate and upgrade Outage Management System to reduce restoration time and provide customers near real-time outage information.
- Develop Advanced Metering Infrastructure (AMI)/Meter Data Management System (MDM) Requirements to identify functional and system requirements.
- Evaluate Multi-Agency AMI/MDM with Northern California Power Association (NCPA) to pool resources, share ideas and increase purchasing power.
- Upgrade Utilities customer account portal to provide customers additional 24/7 self-services and customer information to better manage their consumption and choices.
- Integrate new Geographical Information System (GIS) to ensure accurate infrastructure information for customer service and infrastructure improvements.
- Establish and implement a Distributed Energy Resources plan to ensure local generation (e.g. solar), storage, electric vehicles (EVs), and controllable loads (like heat pump water heaters) are integrated into the distribution system in a way that benefits both the customer and the broader community.
- Engage in community outreach to identify what aspects of resiliency are important to the community for each utility to support development of a resiliency work plan.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Palo Alto's average residential monthly utility bill above/below the median of neighboring cities | (6.80)% | (10.40)% | (6.80)% | (14.00)% | (14.00)% |
| Description | This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Santa Clara \$188.66, Hayward \$233.38, Los Altos \$236.40, Mountain View \$242.04, Redwood City \$294.07, and Menlo Park \$311.12). | | | | |
| 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 PG&E and slightly higher than Santa Clara. Natural gas rates are lower than surrounding communities due to PG&E 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 San Francisco Public Utilities Commission, which 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. Despite fee increases, CPAU rates remain lower than neighboring cities. | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent | 83.25% | 86.00% | 85.00% | 85.00% | 86.00% |
| 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 614 completed surveys were obtained, providing an overall response rate of 21 percent. Typically, response rates obtained on citizen surveys range from 25 percent to 40 percent. From Fiscal Year 2012 to Fiscal Year 2017, Utilities has met its target of 83 percent. | | | | |

Workload Measures

| | | | | | |
|---|----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Total cost of Capital Improvement Program annually (Millions) | \$22.20 | \$20.40 | \$26.20 | \$27.20 | \$35.40 |

Budget Summary

| | | | | | | |
|-----------------------------------|----------------------------|----------------------------|---------------------------------------|--|------------------------------|-----------------------------|
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
| Dollars by Fund | | | | | | |
| Electric Fund - Operating | 53,504,506 | 50,471,721 | 69,158,197 | 66,792,512 | (2,365,685) | (3.4)% |
| Electric Supply | 85,918,737 | 93,975,231 | 107,008,613 | 104,740,510 | (2,268,103) | (2.1)% |
| Fiber Optics | 2,574,599 | 2,385,108 | 4,144,473 | 4,180,199 | 35,726 | 0.9% |
| Gas Fund - Operating | 19,079,098 | 19,025,805 | 26,768,899 | 26,810,849 | 41,951 | 0.2% |
| Gas Supply | 9,061,954 | 14,246,460 | 17,157,301 | 16,707,790 | (449,511) | (2.6)% |
| Wastewater Collection - Operating | 19,271,590 | 24,361,592 | 19,173,803 | 23,935,539 | 4,761,736 | 24.8% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Water Fund - Operating | 42,098,850 | 38,572,014 | 47,487,138 | 58,154,512 | 10,667,374 | 22.5% |
| Total | 231,509,334 | 243,037,933 | 290,898,423 | 301,321,910 | 10,423,488 | 3.6% |
| Revenues | | | | | | |
| Charges for Services | 438,985 | 588,350 | 270,000 | 270,000 | — | —% |
| Charges to Other Funds | 985,530 | 716,165 | 518,662 | 504,525 | (14,138) | (2.7)% |
| From Other Agencies | 636,666 | 512,301 | 576,632 | 576,632 | — | —% |
| Net Sales | 197,161,475 | 229,843,108 | 234,641,566 | 249,171,992 | 14,530,426 | 6.2% |
| Operating Transfers-In | 481,233 | 2,922,786 | 3,977,536 | 4,203,098 | 225,562 | 5.7% |
| Other Revenue | 11,260,334 | 9,701,750 | 14,251,610 | 11,953,278 | (2,298,332) | (16.1)% |
| Other Taxes and Fines | 420,867 | — | — | — | — | —% |
| Property Taxes | 76 | 39 | — | — | — | —% |
| Rental Income | — | 5,000 | — | — | — | —% |
| Return on Investments | 3,969,933 | 3,794,136 | 4,442,200 | 4,442,200 | — | —% |
| Total Revenues | 215,355,098 | 248,083,635 | 258,678,207 | 271,121,725 | 12,443,519 | 4.8% |
| Positions by Fund | | | | | | |
| Electric Fund | 116.38 | 113.32 | 111.23 | 111.33 | 0.10 | 0.09% |
| Fiber Optics Fund | 6.76 | 6.82 | 7.60 | 7.60 | — | —% |
| Gas Fund | 52.16 | 52.55 | 53.11 | 53.67 | 0.56 | 1.06% |
| Utilities Administration Fund | 18.12 | 18.22 | 19.21 | 19.21 | — | —% |
| Wastewater Collection Fund | 29.74 | 29.17 | 29.00 | 29.16 | 0.16 | 0.56% |
| Water Fund | 46.15 | 47.99 | 47.90 | 47.08 | (0.82) | (1.72)% |
| Total | 269.31 | 268.06 | 268.05 | 268.05 | — | —% |

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

- Completed installation of the utility underground electric system for Utility Underground District 47 (area bounded by Middlefield Road; Homer Avenue; Webster Street; Addison Avenue).
- Completed installation of fiber optic cables between Adobe Creek/East Meadow/Maybell substations to assist in substation protection and monitoring systems. Completed a substation security assessment and currently prioritizing recommendations.
- Completed coordination of Utilities interconnection requirements at two of the City Garage Solar Projects (Bryant, Webster).
- Participated in and completed the California Public Utilities Commission Fire Map development process for the state of California.
- Assisted the Regional Water Quality Control Plant with assessment of their onsite 12kV electric system, including maintenance on switchgear and infrared inspection of equipment. Replaced one 60kV circuit breaker with one more in construction.

- Customer-sited solar installations (projects in progress or completed), increased to nearly 14 megawatts in total by the end of 2017, equal to roughly 2% of load if all applications are completed. This included the commitment of nearly all of the capacity from the City's Palo Alto Clean Local Energy Accessible Now (CLEAN) program. Palo Alto was also recognized by the Solar Electric Power Association for installing the most solar per customer in the nation (both utility-scale and customer-sited).
- Fully-powered the carbon neutral electric portfolio with carbon-free energy from long-term contracted generating sources, without the need for short-term renewable energy credits, for the first time in 2017.

Initiatives

- Bring remaining solar projects online to bring Renewable Portfolio Standard (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 and new efficiency programs, including new behavioral savings and facility management training programs. Increase uptake for commercial efficiency programs.
- Seek City Council approval of an Electric Integrated Resource Plan for the 2019 through 2030 planning period.
- 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.
- Revisit strategy for promoting solar energy. Bring Palo Alto CLEAN 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.
- 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 Veteran's Affairs 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)
- Complete the connection of new underground customer service conversions in Utility Underground District 47.
- Complete utility electric work for Utility 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.
- Develop plans to ensure safe operation of the overhead electric system in the western foothills area.

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.
- Continue to facilitate voluntary local solar installations through education and programs.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs | 31.80% | 51.00% | 60.00% | 51.00% | 51.00% |
| 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 fully-powered the carbon neutral electric portfolio with carbon-free energy from long-term contracted generating sources, without the need for short-term renewable energy credits, for the first time in 2017. | | | | |

SYSTEM RELIABILITY

| | | | | | |
|---|--|----------------------------|----------------------------|------------------------------|-----------------------------|
| Goal | Provide safe and efficient delivery of electric services to our customers. | | | | |
| Objective | Provide exceptional system reliability. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Average duration of customer outages in minutes as reported using industry guidelines | 39.48 | 63.76 | 60.00 | 60.00 | 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. | | | | |

ENVIRONMENTAL SUSTAINABILITY - SOLAR

| | | | | | |
|---|---|----------------------------|----------------------------|------------------------------|-----------------------------|
| Goal | Support environmental sustainability and promote efficient use of resources. | | | | |
| Objective | Increase the penetration of local solar installations. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW) | 7.70 | 8.70 | 13.50 | 11.40 | 14.90 |
| 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 achieving a 100 percent carbon neutral electric supply portfolio and meeting 4 percent of the City's electricity needs through solar by 2023. | | | | |
| Status | Rebate funds for residential and commercial solar have been fully reserved well before the 2017 goal set by SB1. With the costs of PV systems steadily decreasing, 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of Customer Accounts (Electric) | 29,304 | 29,616 | 29,300 | 29,600 | 29,600 |
| Number of momentary outages | 26 | 1 | 0 | 1 | 1 |
| Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent" | 86 | 87 | 88 | 88 | 88 |
| Total Number of Outages | 26 | 20 | 19 | 19 | 17 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Electric Fund | 14,087,807 | 11,558,306 | 21,175,750 | 17,898,284 | (3,277,466) | (15.5)% |
| Electric Administration | 22,014,672 | 21,628,408 | 26,286,978 | 25,239,910 | (1,047,068) | (4.0)% |
| Electric Customer Service | 2,110,437 | 2,190,933 | 2,300,532 | 2,474,150 | 173,618 | 7.5% |
| Electric Demand Side Management | 3,724,006 | 4,393,262 | 6,992,874 | 6,962,177 | (30,697) | (0.4)% |
| Electric Engineering (Operating) | 1,592,025 | 1,656,522 | 1,980,111 | 2,029,395 | 49,284 | 2.5% |
| Electric Operations and Maintenance | 11,523,884 | 11,834,348 | 13,522,822 | 15,174,255 | 1,651,434 | 12.2% |
| Electric Resource Management | 84,370,412 | 91,185,173 | 103,907,742 | 101,754,850 | (2,152,892) | (2.1)% |
| Total | 139,423,243 | 144,446,952 | 176,166,809 | 171,533,021 | (4,633,788) | (2.6)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 1,767,659 | 1,897,689 | 2,270,685 | 2,403,978 | 133,293 | 5.9% |
| Other Benefits | 325,666 | 234,198 | 323,575 | 329,347 | 5,771 | 1.8% |
| Overtime | 978,506 | 946,401 | 492,003 | 504,795 | 12,792 | 2.6% |
| Pension | 2,674,415 | 2,869,831 | 3,529,404 | 3,643,765 | 114,361 | 3.2% |
| Retiree Medical | 1,417,176 | 1,537,263 | 1,617,277 | 1,555,185 | (62,093) | (3.8)% |
| Salary | 10,639,784 | 10,743,153 | 12,696,026 | 12,997,024 | 300,998 | 2.4% |
| Workers' Compensation | 254,447 | 138,287 | 405,828 | 292,351 | (113,477) | (28.0)% |
| Total Salary & Benefits | 18,057,652 | 18,366,822 | 21,334,799 | 21,726,445 | 391,646 | 1.8% |
| Allocated Charges | 4,708,298 | 2,905,159 | 9,120,926 | 9,029,051 | (91,875) | (1.0)% |
| Contract Services | 3,670,436 | 4,445,291 | 6,849,914 | 7,743,680 | 893,766 | 13.0% |
| Debt Service | 8,889,294 | 8,857,193 | 8,782,300 | 8,722,300 | (60,000) | (0.7)% |
| Equity Transfer | 11,659,000 | 12,035,000 | 12,754,000 | 12,709,000 | (45,000) | (0.4)% |
| Facilities & Equipment | 2,190 | — | 44,475 | 64,155 | 19,680 | 44.2% |
| General Expense | 1,826,521 | 2,040,146 | 3,380,080 | 3,456,870 | 76,790 | 2.3% |
| Operating Transfers-Out | 177,323 | 317,573 | 400,940 | 127,819 | (273,121) | (68.1)% |
| Rents & Leases | 5,301,644 | 5,449,402 | 5,603,447 | 5,893,136 | 289,688 | 5.2% |
| Supplies & Material | 665,283 | 639,238 | 871,207 | 924,207 | 53,000 | 6.1% |
| Transfer to Infrastructure | 273,476 | 189,972 | — | — | — | —% |
| Utility Purchase | 73,439,746 | 80,511,136 | 91,705,000 | 89,712,000 | (1,993,001) | (2.2)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Capital Improvement Program | 10,752,379 | 8,690,020 | 15,319,720 | 11,424,359 | (3,895,361) | (25.4)% |
| Total Dollars by Expense Category | 139,423,243 | 144,446,952 | 176,166,809 | 171,533,021 | (4,633,788) | (2.6)% |

| Revenues | | | | | | |
|------------------------|--------------------|--------------------|--------------------|--------------------|------------------|-------------|
| Charges for Services | 320,308 | 455,040 | 230,000 | 230,000 | — | —% |
| Charges to Other Funds | 290,667 | 306,268 | 308,566 | 294,362 | (14,204) | (4.6)% |
| Net Sales | 110,604,293 | 129,124,526 | 136,139,180 | 145,448,843 | 9,309,663 | 6.8% |
| Operating Transfers-In | 259,400 | 2,678,768 | 3,465,100 | 3,663,820 | 198,720 | 5.7% |
| Other Revenue | 8,808,047 | 7,652,336 | 11,029,000 | 8,660,000 | (2,369,000) | (21.5)% |
| Other Taxes and Fines | 420,867 | — | — | — | — | —% |
| Property Taxes | 76 | 39 | — | — | — | —% |
| Rental Income | — | 5,000 | — | — | — | —% |
| Return on Investments | 2,039,748 | 1,800,584 | 2,507,700 | 2,507,700 | — | —% |
| Total Revenues | 122,743,405 | 142,022,560 | 153,679,546 | 160,804,725 | 7,125,179 | 4.6% |

| Positions by Division | | | | | | |
|--|---------------|---------------|---------------|---------------|-------------|--------------|
| CIP Electric Fund | 32.14 | 32.14 | 31.90 | 31.90 | — | —% |
| Electric Customer Service | 13.54 | 12.07 | 11.70 | 12.00 | 0.30 | 2.56% |
| Electric Demand Side Management | 6.61 | 6.85 | 6.17 | 6.17 | — | —% |
| Electric Engineering (Operating) | 5.73 | 4.98 | 4.98 | 4.98 | — | —% |
| Electric Operations and Maintenance | 48.36 | 48.36 | 48.10 | 48.10 | — | —% |
| Electric Resource Management | 10.00 | 8.92 | 8.38 | 8.18 | (0.20) | (2.39)% |
| Total | 116.38 | 113.32 | 111.23 | 111.33 | 0.10 | 0.09% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.26 | 0.33 | 0.31 | 0.31 | — | 22,475 |
| Administrative Associate II | 4.10 | 4.00 | 3.90 | 3.90 | — | 303,162 |
| Assistant Director Administrative Services | 0.15 | 0.20 | 0.20 | 0.20 | — | 40,227 |

UTILITIES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Assistant Director Utilities Customer Support Services | 0.40 | 0.40 | 0.40 | 0.40 | — | 68,632 |
| 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 | — | 115,228 |
| Assistant Director Utilities/Resource Management | 0.50 | 0.50 | 0.50 | 0.50 | — | 88,296 |
| Business Analyst | 2.89 | 2.04 | 1.94 | 1.60 | (0.34) | 244,375 |
| Contracts Administrator | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,771 |
| Coordinator Utilities Projects | 1.80 | 1.55 | 1.55 | 1.55 | — | 147,139 |
| Customer Service Representative | 1.86 | 1.62 | 1.87 | 1.87 | — | 144,067 |
| Customer Service Specialist | 0.62 | 0.66 | 0.66 | 0.66 | — | 55,914 |
| Customer Service Specialist-Lead | 0.62 | 0.58 | 0.58 | 0.58 | — | 52,553 |
| Electric Project Engineer | 1.95 | 1.95 | 1.95 | 1.95 | — | 288,517 |
| Electric Underground Inspector | 2.00 | 2.00 | 2.00 | 2.00 | — | 206,984 |
| Electric Underground Inspector- Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 110,682 |
| Electrical Equipment Technician | — | 1.00 | 1.00 | 1.00 | — | 94,483 |
| Electrician Assistant I | 4.00 | 3.00 | 3.00 | 3.00 | — | 246,313 |
| Engineering Manager - Electric | 0.55 | 0.55 | 0.55 | 0.55 | — | 99,459 |
| Engineering Technician III | 2.40 | 2.40 | 1.40 | 1.40 | — | 136,796 |
| Heavy Equipment Operator | 2.00 | 2.00 | 2.00 | 2.00 | — | 196,497 |
| Inspector, Field Services | — | 0.25 | 0.25 | 0.25 | — | 26,361 |
| Lineperson/Cable Specialist | 11.00 | 11.00 | 11.00 | 11.00 | — | 1,439,554 |
| Lineperson/Cable Specialist-Lead | 4.00 | 4.00 | 4.00 | 4.00 | — | 560,213 |
| Manager Customer Service | 0.33 | 0.33 | 0.33 | 0.33 | — | 44,019 |
| Manager Electric Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | 155,792 |
| Manager Treasury, Debt & Investments | — | 0.30 | 0.30 | 0.30 | — | 43,181 |
| Manager Utilities Compliance | 0.15 | 0.15 | 0.15 | 0.15 | — | 25,091 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 20,205 |
| Manager Utilities Marketing Services | 0.40 | — | — | — | — | — |
| Manager Utilities Program Services | — | 0.40 | 0.40 | 0.40 | — | 52,957 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Marketing Engineer | 1.00 | — | — | — | — | — |
| Meter Reader | 2.41 | 1.99 | 1.99 | 1.99 | — | 144,002 |
| Meter Reader-Lead | 0.40 | 0.33 | 0.33 | 0.33 | — | 25,547 |
| Metering Technician | 3.00 | 3.00 | 3.00 | 3.00 | — | 370,131 |
| Metering Technician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 132,023 |
| Offset Equipment Operator | 0.48 | 0.48 | 0.48 | 0.48 | — | 33,140 |
| Overhead Underground Troubleman | 2.00 | 2.00 | 2.00 | 2.00 | — | 274,975 |
| Power Engineer | 2.30 | 2.30 | 2.30 | 2.30 | — | 320,856 |
| Principal Business Analyst | 0.34 | 0.34 | 0.34 | 0.34 | — | 49,122 |
| Project Manager | 0.75 | 0.75 | 0.75 | 0.75 | — | 76,315 |
| Resource Planner | 3.95 | 3.65 | 3.85 | 3.65 | (0.20) | 510,945 |
| SCADA Technologist | 1.00 | 1.00 | 1.00 | 1.00 | — | 149,972 |
| Senior Business Analyst | 0.68 | 0.68 | 0.68 | 1.02 | 0.34 | 139,580 |
| Senior Electrical Engineer | 3.95 | 3.95 | 3.95 | 3.95 | — | 649,217 |
| Senior Management Analyst | 0.45 | 0.10 | 0.10 | 0.10 | — | 13,275 |
| Senior Resource Planner | 4.08 | 3.80 | 3.06 | 3.06 | — | 460,275 |
| Senior Utilities Field Service Representative | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,417 |
| Street Light, Traffic Signal & Fiber Technician | 3.00 | 3.00 | 3.00 | 3.00 | — | 354,045 |
| Street Light, Traffic Signal & Fiber- Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 126,276 |
| Substation Electrician | 5.50 | 5.50 | 5.50 | 5.50 | — | 708,065 |
| Substation Electrician-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 275,540 |
| Supervising Electric Project Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 138,445 |
| Tree Maintenance Person | 1.00 | 1.00 | 1.00 | 1.00 | — | 87,402 |
| Utilities Compliance Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | 252,552 |
| Utilities Compliance Technician- Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 135,102 |
| Utilities Credit/Collection Specialist | 2.00 | 2.00 | 2.00 | 2.00 | — | 186,663 |
| Utilities Engineer Estimator | 3.25 | 3.25 | 3.25 | 3.25 | — | 396,797 |
| Utilities Field Services Representative | 0.50 | 0.50 | 0.50 | 0.50 | — | 53,364 |

UTILITIES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Utilities Key Account Representative | 1.90 | 1.60 | 1.35 | 1.35 | — | 160,793 |
| Utilities Locator | 1.95 | 1.95 | 1.95 | 1.95 | — | 191,027 |
| Utilities Marketing Program Administrator | 2.25 | 1.90 | 1.60 | 1.90 | 0.30 | 214,977 |
| Utilities Safety Officer | 0.55 | 0.55 | 0.55 | 0.55 | — | 62,531 |
| Utilities Supervisor | 5.00 | 5.00 | 5.00 | 5.00 | — | 689,874 |
| Utilities System Operator | 5.00 | 5.00 | 5.00 | 5.00 | — | 701,469 |
| Utility Engineering Estimator - Lead | — | — | 1.00 | 1.00 | — | 131,470 |
| Sub-total: Full-Time Equivalent Positions | 112.02 | 108.18 | 107.12 | 107.22 | 0.10 | 13,346,083 |
| Temporary/Hourly | 4.37 | 5.15 | 4.11 | 4.11 | — | 361,475 |
| Total Positions | 116.38 | 113.32 | 111.23 | 111.33 | 0.10 | 13,707,558 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Electric Fund |
|--|---------------|--------------------|--------------------|-------------------|
| Prior Year Budget | 111.23 | 176,166,809 | 153,679,545 | 22,487,264 |
| One-time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (353,620) | — | (353,620) |
| One-time Prior Year Budget Adjustments | — | (353,620) | — | (353,620) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustments | — | 508,152 | — | 508,152 |
| Net-zero Utilities Staffing Realignment (increase of 0.3 FTE Utilities Marketing Program Administrator positions; decrease of 0.2 FTE Resource Planner position) | 0.10 | — | — | — |
| Electric Commodity Purchases Expenditure | — | 2,053,001 | — | 2,053,001 |
| Rents & Leases Expenditure | — | 169,119 | — | 169,119 |
| Bank Card Transaction Fee | — | 80,000 | — | 80,000 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 36,855 | — | 36,855 |
| Palo Alto Green Gas Program Sales Revenue | — | — | (17,491) | 17,491 |
| Custodial Contract Funding | — | (2,923) | — | (2,923) |
| Management Development Funding | — | (5,350) | — | (5,350) |
| Equity Transfer to the General Fund (FY 2019 Projected) | — | (45,000) | — | (45,000) |
| Aerial Trucks Leasing | — | — | 120,569 | (120,569) |
| Transfer to Technology Fund (TE-05000 Radio Infrastructure Replacement) | — | (149,626) | — | (149,626) |
| Transfer from the General Fund (for Traffic Signal and Streetlight Electric Costs) | — | — | 208,151 | (208,151) |
| Capital Improvement Funding | — | (7,841,136) | (2,499,000) | (5,342,136) |
| Electric Customer Sales Revenue (8% Rate Increase) | — | — | 9,312,951 | (9,312,951) |
| General Fund Cost Allocation Plan | — | (764,220) | — | (764,220) |
| Engineering & Inspection Service Allocated Charges | — | 197 | — | 197 |
| General Liability Insurance Allocated Charges | — | 41,774 | — | 41,774 |
| Ground Maintenance Allocated Charges | — | 2,826 | — | 2,826 |
| Print & Mail Allocated Charges | — | (13,708) | — | (13,708) |
| Storm Drain Allocated Charges | — | 451 | — | 451 |
| Utilities Administration Allocated Charges | — | 676,479 | — | 676,479 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Electric Fund |
|---|---------------|--------------------|--------------------|---------------------|
| Utilities Allocated Charges | — | (21,398) | — | (21,398) |
| Vehicle Replacement & Maintenance Allocated Charges | — | 18,927 | — | 18,927 |
| General Liability Savings (one-time FY 2019 Savings) | — | (29,753) | — | (29,753) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (116,506) | — | (116,506) |
| Adjustments to Costs of Ongoing Activities | 0.10 | (5,401,839) | 7,125,180 | (12,527,019) |
| Total FY 2019 Base Budget | 111.33 | 170,411,350 | 160,804,725 | 9,606,625 |
| Budget Proposals | | | | |
| 1 Electric Overhead Maintenance Contract | — | 937,814 | — | 937,814 |
| 2 Supplemental Pension Trust Fund Contribution | — | 183,857 | — | 183,857 |
| 3 Reclassification of Business Analyst to Senior Business Analyst | — | 6,797 | — | 6,797 |
| Budget Changes | — | 1,121,671 | — | 1,121,671 |
| Total FY 2019 Proposed Budget | 111.33 | 171,533,021 | 160,804,725 | 10,728,296 |

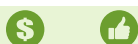


Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Electric Fund |
|--|-----------|--------------|----------|-------------------|
| 1 Electric Overhead Maintenance Contract | 0.00 | 937,814 | 0 | 937,814 |

This action augments funding to allow capacity for an electric overhead maintenance contract. In recent years, the Electric Operations Division has experienced staffing shortages in lineman positions due to retirements, employee disabilities, and a lack of qualified candidates to fill vacant positions. In FY 2015, the City entered into a contract to provide support for both maintenance and capital improvement projects; however, this contract ended prematurely. With the staffing shortage issue persisting, the department will work to seek City Council approval of a multi-year contract until staffing stabilizes. Additional funding of \$938,000 will increase appropriated funds when combined with vacancy savings to support \$1.5 million contract services support annually. With the need for the contract primarily driven by staffing shortages, the department will reassess the situation for FY 2021 to determine if this contract will continue to be needed. (Ongoing costs: \$937,814)

Performance Results



This contract will allow the department to ensure necessary maintenance work is performed to avoid potential costly fixes down the road and ensure the electric utility service remain reliable.

| | | | | |
|--|------|---------|---|---------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 183,857 | 0 | 183,857 |
|--|------|---------|---|---------|

This action transfers \$183,857 from the Electric Funds to the General Benefits Fund on a one-time basis to contribute to the City's supplemental pension trust fund. This amount represents approximately 5% of the Electric Funds' annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental pension trust will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|------|-------|---|-------|
| 3 Reclassification of Business Analyst to Senior Business Analyst | 0.00 | 6,797 | 0 | 6,797 |
|---|------|-------|---|-------|

This action reclassifies 1.0 Business Analyst to 1.0 Senior Business Analyst in the Utilities Department to align with current staffing levels and assignments. Duties assigned to this position were evaluated through the appropriate processes with the Employee Relations Division in the Human Resources Department and a settlement was reached in February 2018. This action aligns authorized staffing levels with this settlement agreement which determined the Senior Business Analysts was more commensurate with the duties assigned. (Ongoing costs: \$6,597)

Performance Results



This action ensures the table of organization is adjusted to reflect the employee relations settlement action.

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

- Continued the rebuild of the City's dark fiber-optic network to improve network performance and enable future expansion opportunities for licensing dark fiber to commercial firms and anchor institutions. Rebuild work completed: The fiber route from Palo Alto Internet Exchange at 529 Bryant Street to the Park Boulevard Substation. This phase of the project included substructure work, fiber pulling and cabinet installation.
- Completed installation of fiber optic service connections for the Department of Public Works to monitor pump stations and creek levels at 17 locations.
- Completed project design to install approximately 3,020 linear feet of fiber-optic conduit and 4 pull boxes on University Avenue.
- Issued a request for proposal to develop a business case for a Fiber-to-the-Node (FTTN) network for fiber and broadband expansion, including an expansion option to build citywide Fiber-to-the-Premises (FTTP).

Initiatives

- Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.

- Continue Capital Improvement Projects to upgrade the City's dark fiber network to enhance network capacity to enable future expansion opportunities for licensing dark fiber for commercial purposes.
- Evaluate new opportunities to expand the existing commercial dark fiber customer base in other business sectors (e.g. licensing dark fiber to the mobile service operator for network backhaul links for small cell deployments).
- Develop a plan to ensure the retention of commercial dark fiber customers due to anticipated changes in the market for business broadband services.
- Retain a management consultant to develop a business case for a FTTN network and prepare a high-level network design. Based on the findings and recommendations in the business case, engage an engineering firm to design a FTTN network, including an expansion option to build a citywide FTTP network.
- Develop policies and ordinances to support the expansion of broadband in Palo Alto and to preserve City street conditions and other critical infrastructure (e.g. Dig Once, Microtrenching and One Touch Make Ready).
- Install public Wi-Fi to unserved City facilities at Cubberley, Lucie Stern, and Golf Course.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of commercial fiber connections completed | 219 | 228 | 223 | 233 | 238 |
| 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 the 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of customer accounts | 108 | 110 | 105 | 108 | 110 |
| Number of Wholesale re-sellers | 10 | 12 | 14 | 13 | 14 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Fiber Optics Fund | 634,258 | 458,664 | 1,652,838 | 1,650,000 | (2,838) | (0.2)% |
| Fiber Optics Administration | 177,369 | 174,885 | 788,590 | 763,546 | (25,044) | (3.2)% |
| Fiber Optics Customer Service | 402,806 | 515,324 | 1,128,287 | 1,170,484 | 42,197 | 3.7% |
| Fiber Optics Operations and Maintenance | 1,360,167 | 1,236,236 | 574,757 | 596,169 | 21,412 | 3.7% |
| Total | 2,574,599 | 2,385,108 | 4,144,473 | 4,180,199 | 35,726 | 0.9% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 129,998 | 150,743 | 159,128 | 163,151 | 4,023 | 2.5% |
| Other Benefits | 20,292 | 18,999 | 24,978 | 26,007 | 1,029 | 4.1% |
| Overtime | 7,863 | 11,593 | 24,244 | 24,874 | 630 | 2.6% |
| Pension | 168,158 | 209,591 | 231,718 | 251,105 | 19,387 | 8.4% |
| Salary | 805,524 | 825,396 | 893,674 | 955,812 | 62,138 | 7.0% |
| Workers' Compensation | — | 1,166 | 26,440 | 19,047 | (7,393) | (28.0)% |
| Total Salary & Benefits | 1,131,834 | 1,217,489 | 1,360,182 | 1,439,997 | 79,814 | 5.9% |
| Allocated Charges | 475,985 | 438,939 | 616,772 | 590,597 | (26,175) | (4.2)% |
| Contract Services | 193,240 | 134,006 | 458,300 | 454,646 | (3,654) | (0.8)% |
| Facilities & Equipment | — | — | — | 2,457 | 2,457 | —% |
| General Expense | 3,982 | 3,161 | 14,000 | 13,900 | (100) | (0.7)% |
| Operating Transfers-Out | 103,818 | 103,915 | 122,837 | 113,684 | (9,152) | (7.5)% |
| Rents & Leases | 71,650 | 73,038 | 76,914 | 79,326 | 2,412 | 3.1% |
| Supplies & Material | 6,323 | — | 9,000 | 9,000 | — | —% |
| Transfer to Infrastructure | 17,141 | 13,756 | — | — | — | —% |
| Capital Improvement Program | 570,626 | 400,805 | 1,486,468 | 1,476,592 | (9,877) | (0.7)% |
| Total Dollars by Expense Category | 2,574,599 | 2,385,108 | 4,144,473 | 4,180,199 | 35,726 | 0.9% |
| Revenues | | | | | | |
| Charges for Services | 25,702 | 28,052 | — | — | — | —% |
| Charges to Other Funds | 5,300 | — | — | — | — | —% |
| Net Sales | 4,474,071 | 4,526,098 | 4,890,810 | 4,989,512 | 98,702 | 2.0% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|-----------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Other Revenue | 1,417 | 1,181 | 200,000 | 200,000 | — | —% |
| Return on Investments | 443,557 | 499,412 | 366,400 | 366,400 | — | —% |
| Total Revenues | 4,950,048 | 5,054,743 | 5,457,210 | 5,555,912 | 98,702 | 1.8% |

Positions by Division

| | | | | | | |
|---|-------------|-------------|-------------|-------------|----------|-----------|
| CIP Fiber Optics Fund | 0.79 | 0.79 | 0.79 | 0.79 | — | —% |
| Fiber Optics Customer Service | 2.84 | 2.90 | 3.68 | 3.68 | — | —% |
| Fiber Optics Operations and Maintenance | 3.13 | 3.13 | 3.13 | 3.13 | — | —% |
| Total | 6.76 | 6.82 | 7.60 | 7.60 | — | —% |

Staffing

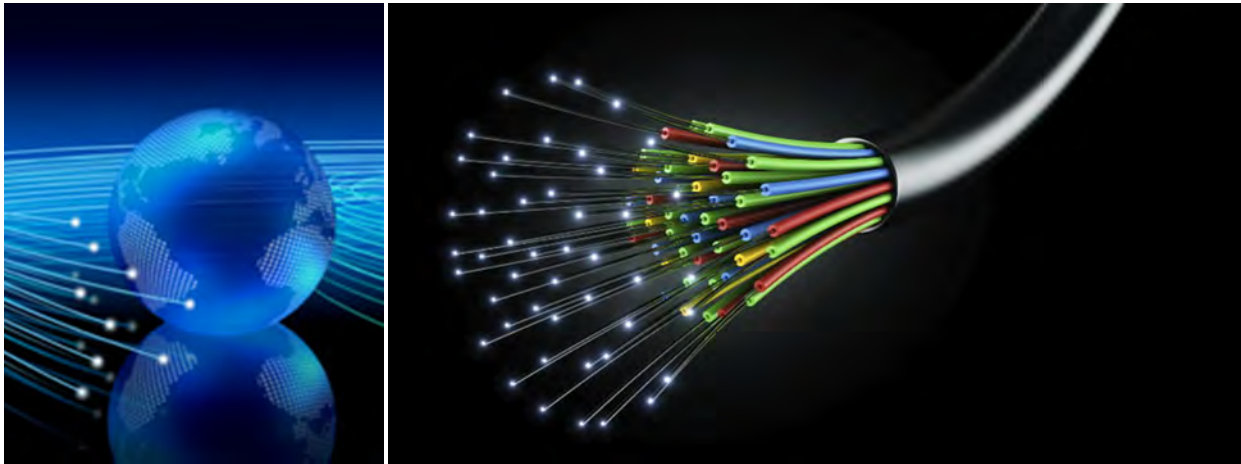
| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Administrative Associate II | — | 0.10 | 0.20 | 0.20 | — | 15,547 |
| Assistant Director Utilities Customer Support Services | 0.20 | 0.20 | 0.20 | 0.20 | — | 34,316 |
| Assistant Director Utilities Engineering | 0.05 | 0.05 | 0.05 | 0.05 | — | 9,745 |
| Business Analyst | 0.10 | 0.20 | 0.30 | 0.30 | — | 45,820 |
| Electric Project Engineer | 0.05 | 0.05 | 0.05 | 0.05 | — | 7,398 |
| Manager Utilities Compliance | 0.10 | 0.10 | 0.10 | 0.10 | — | 16,727 |
| Manager Utilities Credit & Collection | 0.40 | 0.40 | 0.40 | 0.40 | — | 53,880 |
| Manager Utilities Marketing Services | 0.20 | — | — | — | — | — |
| Manager Utilities Program Services | — | 0.20 | 0.20 | 0.20 | — | 26,478 |
| Manager Utilities Telecommunications | 1.00 | 1.00 | 1.00 | 1.00 | — | 137,488 |
| Power Engineer | 0.40 | 0.40 | 0.40 | 0.40 | — | 55,801 |
| Senior Electrical Engineer | 0.05 | 0.05 | 0.05 | 0.05 | — | 8,146 |
| Street Light, Traffic Signal & Fiber Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | 236,030 |
| Street Light, Traffic Signal & Fiber- Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 126,276 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Utilities Key Account Representative | 0.60 | 0.70 | 0.80 | 0.80 | — | 95,285 |
| Utilities Locator | 0.03 | 0.03 | 0.03 | 0.03 | — | 2,939 |
| Sub-total: Full-Time Equivalent Positions | 6.18 | 6.48 | 6.78 | 6.78 | — | 871,877 |
| Temporary/Hourly | 0.58 | 0.34 | 0.82 | 0.82 | — | 78,071 |
| Total Positions | 6.76 | 6.82 | 7.60 | 7.60 | — | 949,948 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Fiber Optics Fund |
|---|-------------|------------------|------------------|-----------------------------|
| Prior Year Budget | 7.60 | 4,144,473 | 5,457,210 | (1,312,737) |
| One-time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (22,250) | — | (22,250) |
| Transfer to Technology Fund (TE-10001 Utilities Customer Billing Software Replacement) | — | 350 | — | 350 |
| One-time Prior Year Budget Adjustments | — | (21,900) | — | (21,900) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustment | — | 87,404 | — | 87,404 |
| Fiber Optics Revenue | — | — | (101,298) | 101,298 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 2,457 | — | 2,457 |
| Rents and Leases Expenditure | — | 2,412 | — | 2,412 |
| Management Development Funding | — | (100) | — | (100) |
| Custodial Contract Funding | — | (3,654) | — | (3,654) |
| Capital Improvement Funding | — | (9,857) | 200,000 | (209,857) |
| General Fund Cost Allocation Plan | — | (69,977) | — | (69,977) |
| General Liability Insurance Allocated Charges | — | 2,722 | — | 2,722 |
| Utilities Administration Allocated Charges | — | 43,086 | — | 43,086 |
| General Liability Savings (one-time FY 2019 Savings) | — | (1,938) | — | (1,938) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (7,590) | — | (7,590) |
| Adjustments to Costs of Ongoing Activities | — | 44,964 | 98,702 | (53,738) |
| Total FY 2019 Proposed Budget | 7.60 | 4,167,537 | 5,555,912 | (1,388,375) |
| Budget Proposals | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 12,661 | — | 12,661 |
| Budget Changes | — | 12,661 | — | 12,661 |
| Total FY 2019 Proposed Budget | 7.60 | 4,180,199 | 5,555,912 | (1,375,713) |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Fiber Optics Fund |
|--|-----------|--------------|----------|-----------------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 12,661 | 0 | 12,661 |

This action transfers \$12,661 from the Fiber Optics Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental Pension Trust Fund. This amount represents approximately 5% of the Fiber Optics Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental Pension Trust Fund will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

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 Gas Plan to buy carbon offsets equal to Palo Alto's annual gas use as a transitional measure while we focus on reducing natural gas use. Established a partnership with a non-governmental organization in the City of Palo Alto's Sister City of Oaxaca, Mexico to fund forestry carbon offsets to fulfill some of the program's offset needs. Purchased the remaining needed offsets from a U.S. forestry and U.S. dairy waste digester project.
- Completed the design of a Gas Main Replacement (GMR) 22 project for the downtown area to replace approximately 19,500 linear feet of gas main pipelines and 1,400 service pipelines.
- Completed the gas pipe coating project for exposed pipe at bridge crossings.
- Completed the security camera project at Gas Receiving Stations 1, 2, and 4.
- Started on the design of the Acrylonitrile Butadiene Styrene (ABS)/tenite service replacement project to replace approximately 160 gas service pipelines at various locations.

Initiatives

- Complete design and start construction of the ABS/tenite service replacement project to replace approximately 220 gas service pipelines at various locations.
- Install 19,440 linear feet of gas main pipelines and 367 service pipelines on University Avenue and various streets in the Downtown District for the Upgrade Downtown and Gas Main Replacement (GMR) 22 projects.

- Implement Phase II of the Crossbore Gas Safety Program to inspect high priority sanitary sewer laterals.
- Complete the gas cost of service study; the previous 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 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 (base year 2013).
- Reduce the carbon intensity of the gas portfolio in accordance with the Sustainability and Climate Action Plan (S/CAP) using offsets.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of Grade 1 leaks responded to within 24 hours | 100% | 100% | 100% | 100% | 100% |
| 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. | | | | |

UTILITIES

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of gas system surveyed by walking | 100% | 0% | 100% | 100% | 100% |
| Percentage of gas system surveyed by mobile (vehicle) | 100% | 100% | 100% | 100% | 100% |
| 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. The Federal Department of Transportation (DOT) regulations require a survey of the entire City once every five years. In addition to a 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 DOT requirements. | | | | |
| Status | <p>The department is meeting the requirements and repairing all discovered gas leaks in a timely manner.</p> <p>The department did not perform a walking survey in 2017.</p> | | | | |

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Natural gas savings achieved annually through efficiency programs | 286,317 | 228,707 | 287,000 | 287,000 | 301,000 |
| Description | The department measures specific savings achieved from the installation of natural gas efficiency improvements, which are tracked through energy efficiency incentive programs. The Department can also track overall savings by customer class. Much of the non-residential savings were achieved through third party contractors who help large customers 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 2017 gas efficiency savings were above the annual target for the tenth year in a row. As the cost of gas decreases, the Department anticipates a decline in the type of large commercial gas savings projects that made up the majority of this year's savings. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|--------------------------------------|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of Customer Accounts (Gas) | 23,467 | 23,637 | 23,460 | 23,460 | 23,637 |
| Number of gas leaks repaired | 109 | 82 | 50 | 24 | 50 |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Gas Fund | 3,298,187 | 2,694,478 | 6,052,844 | 5,417,183 | (635,661) | (10.5)% |
| Gas Administration | 9,729,505 | 10,476,335 | 12,283,724 | 12,182,201 | (101,524) | (0.8)% |
| Gas Customer Service | 1,364,272 | 1,440,930 | 1,693,417 | 1,779,485 | 86,067 | 5.1% |
| Gas Demand Side Management | 565,553 | 855,204 | 1,593,290 | 1,547,073 | (46,217) | (2.9)% |
| Gas Engineering (Operating) | 425,602 | 354,827 | 567,176 | 561,931 | (5,245) | (0.9)% |
| Gas Operations and Maintenance | 4,158,721 | 4,321,176 | 5,550,022 | 6,632,739 | 1,082,717 | 19.5% |
| Gas Resource Management | 8,599,212 | 13,129,316 | 16,185,726 | 15,398,027 | (787,699) | (4.9)% |
| Total | 28,141,053 | 33,272,265 | 43,926,200 | 43,518,639 | (407,561) | (0.9)% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 819,155 | 905,632 | 1,053,572 | 1,089,891 | 36,320 | 3.4% |
| Other Benefits | 136,962 | 94,385 | 149,353 | 153,760 | 4,407 | 3.0% |
| Overtime | 325,581 | 241,406 | 188,249 | 193,144 | 4,894 | 2.6% |
| Pension | 1,116,780 | 1,234,331 | 1,511,446 | 1,571,349 | 59,903 | 4.0% |
| Retiree Medical | 543,452 | 594,708 | 625,662 | 667,617 | 41,955 | 6.7% |
| Salary | 3,603,977 | 3,484,177 | 5,406,444 | 5,569,839 | 163,395 | 3.0% |
| Workers' Compensation | 64,978 | 101,734 | 173,330 | 124,864 | (48,466) | (28.0)% |
| Total Salary & Benefits | 6,610,886 | 6,656,373 | 9,108,056 | 9,370,463 | 262,407 | 2.9% |
| Allocated Charges | 2,550,031 | 2,771,186 | 3,938,355 | 4,441,226 | 502,871 | 12.8% |
| Contract Services | 573,304 | 896,927 | 1,446,000 | 2,463,313 | 1,017,313 | 70.4% |
| Debt Service | 248,930 | 226,747 | 802,615 | 802,615 | — | —% |
| Equity Transfer | 6,194,000 | 6,726,000 | 6,733,000 | 6,563,000 | (170,000) | (2.5)% |
| Facilities & Equipment | — | — | 19,790 | 19,039 | (751) | (3.8)% |
| General Expense | 348,019 | 465,031 | 780,274 | 769,134 | (11,140) | (1.4)% |
| Operating Transfers-Out | 375,638 | 457,658 | 899,639 | 640,642 | (258,997) | (28.8)% |
| Rents & Leases | 688,649 | 713,115 | 728,615 | 759,870 | 31,254 | 4.3% |
| Supplies & Material | 445,378 | 324,485 | 497,216 | 488,816 | (8,400) | (1.7)% |
| Transfer to Infrastructure | 100,119 | 71,969 | — | — | — | —% |
| Utility Purchase | 8,127,485 | 12,562,932 | 15,586,773 | 14,671,556 | (915,217) | (5.9)% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Capital Improvement Program | 1,878,613 | 1,399,844 | 3,385,866 | 2,528,965 | (856,901) | (25.3)% |
| Total Dollars by Expense Category | 28,141,053 | 33,272,265 | 43,926,200 | 43,518,639 | (407,561) | (0.9)% |

| Revenues | | | | | | |
|------------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------|
| Charges for Services | 20,982 | 24,303 | 20,000 | 20,000 | — | —% |
| Charges to Other Funds | 216,628 | 219,023 | 95,587 | 98,072 | 2,486 | 2.6% |
| Net Sales | 29,021,397 | 35,214,383 | 34,740,465 | 36,160,635 | 1,420,170 | 4.1% |
| Other Revenue | 984,314 | 957,753 | 1,060,510 | 1,091,935 | 31,425 | 3.0% |
| Return on Investments | 448,615 | 506,216 | 526,300 | 526,300 | — | —% |
| Total Revenues | 30,691,936 | 36,921,679 | 36,442,861 | 37,896,942 | 1,454,080 | 4.0% |

| Positions by Division | | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|
| CIP Gas Fund | 17.10 | 17.10 | 15.80 | 15.80 | — | —% |
| Gas Customer Service | 8.41 | 8.78 | 9.03 | 9.13 | 0.10 | 1.11% |
| Gas Demand Side Management | 0.34 | 1.34 | 1.94 | 1.54 | (0.40) | (20.62)% |
| Gas Engineering (Operating) | 1.15 | 1.40 | 1.40 | 1.40 | — | —% |
| Gas Operations and Maintenance | 22.38 | 22.43 | 23.98 | 24.14 | 0.16 | 0.67% |
| Gas Resource Management | 2.77 | 1.50 | 0.96 | 1.66 | 0.70 | 72.99% |
| Total | 52.16 | 52.55 | 53.11 | 53.67 | 0.56 | 1.06% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.26 | 0.23 | 0.23 | 0.23 | — | 16,675 |
| Administrative Associate II | 0.65 | 0.75 | 0.85 | 0.85 | — | 66,074 |
| Assistant Director Administrative Services | 0.10 | 0.05 | 0.05 | 0.05 | — | 10,057 |
| Assistant Director Utilities Customer Support Services | 0.20 | 0.20 | 0.20 | 0.20 | — | 34,316 |
| 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 | — | 28,807 |

UTILITIES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Assistant Director Utilities/Resource Management | 0.25 | 0.25 | 0.25 | 0.25 | — | 44,148 |
| Business Analyst | 0.83 | 1.28 | 1.48 | 1.15 | (0.33) | 175,644 |
| Cathodic Protection Technician Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 105,001 |
| Cathodic Technician | 1.00 | 1.00 | 1.00 | 1.00 | — | 128,908 |
| Cement Finisher | 0.25 | 0.25 | 0.68 | 0.68 | — | 64,093 |
| Contracts Administrator | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,771 |
| Coordinator Utilities Projects | 1.51 | 1.26 | 1.26 | 1.26 | — | 142,864 |
| Customer Service Representative | 1.50 | 1.62 | 1.87 | 1.87 | — | 144,067 |
| Customer Service Specialist | 0.50 | 0.68 | 0.68 | 0.68 | — | 57,608 |
| Customer Service Specialist-Lead | 0.50 | 0.58 | 0.58 | 0.58 | — | 52,553 |
| Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 261,350 |
| Engineering Manager - Electric | 0.15 | 0.15 | 0.15 | 0.15 | — | 27,125 |
| Engineering Manager - WGW | 0.33 | 0.33 | 0.33 | 0.33 | — | 51,885 |
| Engineering Technician III | 0.70 | 0.70 | 0.70 | 0.70 | — | 68,398 |
| Equipment Operator | 0.43 | 0.43 | — | — | — | — |
| Gas and Water Meter Measurement and Control Technician | — | — | 3.20 | 3.20 | — | 335,418 |
| Gas and Water Meter Measurement and Control Technician - Lead | — | — | 0.80 | 0.80 | — | 89,730 |
| Gas System Technician | 2.00 | — | — | — | — | — |
| Gas System Technician II | 0.90 | 2.90 | — | — | — | — |
| Heavy Equipment Operator | 2.57 | 2.52 | 2.52 | 2.52 | — | 247,586 |
| Heavy Equipment Operator - Install/Repair | — | 0.65 | 0.65 | 0.65 | — | 67,355 |
| Inspector, Field Services | 1.17 | 1.42 | 1.42 | 1.42 | — | 149,730 |
| Maintenance Mechanic-Welding | 1.00 | 1.00 | 1.00 | 1.00 | — | 104,895 |
| Manager Customer Service | 0.33 | 0.33 | 0.33 | 0.33 | — | 44,019 |
| Manager Treasury, Debt & Investments | — | 0.10 | 0.10 | 0.10 | — | 14,394 |
| Manager Utilities Compliance | 0.25 | 0.25 | 0.25 | 0.25 | — | 41,818 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 20,205 |
| Manager Utilities Marketing Services | 0.20 | — | — | — | — | — |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Manager Utilities Operations WGW | 0.20 | 0.20 | 0.20 | 0.20 | — | 31,683 |
| Manager Utilities Program Services | — | 0.20 | 0.20 | 0.20 | — | 26,478 |
| Meter Reader | 1.92 | 1.98 | 1.98 | 1.98 | — | 143,278 |
| Meter Reader-Lead | 0.32 | 0.33 | 0.33 | 0.33 | — | 25,547 |
| Principal Business Analyst | 0.33 | 0.33 | 0.33 | 0.33 | — | 47,677 |
| Program Assistant I | 0.33 | 0.33 | 0.33 | 0.33 | — | 26,026 |
| Project Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 140,646 |
| Resource Planner | 0.95 | 0.65 | (0.05) | 0.65 | 0.70 | 90,990 |
| Restoration Lead | 0.43 | 0.43 | 0.43 | 0.43 | — | 44,063 |
| SCADA Technologist | 0.20 | 0.20 | 0.20 | 0.20 | — | 29,994 |
| Senior Business Analyst | 0.66 | 0.66 | 0.66 | 0.99 | 0.33 | 135,475 |
| Senior Engineer | 2.70 | 2.70 | 2.70 | 2.70 | — | 390,235 |
| Senior Management Analyst | 0.05 | — | — | — | — | — |
| Senior Mechanic | 0.33 | 0.33 | 0.33 | 0.33 | — | 36,343 |
| Senior Resource Planner | 0.77 | 0.30 | 0.46 | 0.46 | — | 67,898 |
| Senior Utilities Field Service Representative | 0.41 | 0.41 | 0.41 | 0.41 | — | 46,808 |
| Substation Electrician | 0.10 | 0.10 | 0.10 | 0.10 | — | 12,874 |
| Supervisor Inspection Services | 0.29 | — | — | — | — | — |
| Utilities Engineer Estimator | 0.85 | 0.85 | 0.85 | 0.85 | — | 102,036 |
| Utilities Field Services Representative | 1.75 | 1.75 | 1.75 | 1.75 | — | 186,774 |
| Utilities Install Repair-Lead-Welding Certified | 1.30 | 1.30 | 1.30 | 1.30 | — | 151,109 |
| Utilities Install Repair-Welding Certified | 1.95 | 1.95 | 1.95 | 1.95 | — | 195,343 |
| Utilities Install/Repair | 4.45 | 3.85 | 3.85 | 3.85 | — | 400,676 |
| Utilities Install/Repair Assistant | 0.65 | 0.65 | 0.65 | 0.65 | — | 57,374 |
| Utilities Install/Repair-Lead | 1.98 | 1.98 | 1.98 | 1.98 | — | 208,183 |
| Utilities Key Account Representative | 0.35 | 0.45 | 0.50 | 0.50 | — | 59,553 |
| Utilities Locator | 0.29 | 0.29 | 0.29 | 0.29 | — | 28,409 |
| Utilities Marketing Program Administrator | 0.35 | 0.70 | 1.00 | 0.70 | (0.30) | 79,202 |
| Utilities Safety Officer | 0.20 | 0.20 | 0.20 | 0.20 | — | 22,739 |

UTILITIES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Utilities Supervisor | 2.08 | 2.37 | 2.37 | 2.37 | — | 273,403 |
| Water System Operator II | 0.66 | 0.66 | 0.66 | 0.66 | — | 64,818 |
| Sub-total: Full-Time Equivalent Positions | 49.03 | 49.68 | 51.14 | 51.54 | 0.40 | 5,771,109 |
| Temporary/Hourly | 3.13 | 2.88 | 1.97 | 2.13 | 0.16 | 125,669 |
| Total Positions | 52.16 | 52.55 | 53.11 | 53.67 | 0.56 | 5,896,778 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Gas Fund |
|--|--------------|-------------------|-------------------|------------------|
| Prior Year Budget | 53.11 | 43,926,200 | 36,442,862 | 7,483,338 |
| One-time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (148,937) | — | (148,937) |
| One-time Prior Year Budget Adjustments | — | (148,937) | — | (148,937) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustments | — | 312,167 | — | 312,167 |
| Net-zero Utilities Staffing Realignment (increase of 0.7 FTE Resource Planner and 0.16 FTE Journey Level Laborer - H positions; decrease of 0.3 FTE Utilities Marketing Program Administrator positions) | 0.56 | — | — | — |
| Rents & Leases Expenditure | — | 19,254 | — | 19,254 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 17,199 | — | 17,199 |
| Transfer to Water Fund (WS-02014 - Water, Gas, Wastewater Utility GIS Data) | — | 13,421 | — | 13,421 |
| Management Development Funding | — | (3,470) | — | (3,470) |
| Custodial Contract Funding | — | (5,037) | — | (5,037) |
| Transfer to Technology Fund (TE-05000 Radio Infrastructure Replacement) | — | (58,311) | — | (58,311) |
| Transfer to Electric Fund (EL-11014 - Smart Grid Technology Installation) | — | (120,000) | — | (120,000) |
| Equity Transfer to General Fund (FY 2019 Projected) | — | (170,000) | — | (170,000) |
| Capital Improvement Funding | — | (889,344) | 31,425 | (920,769) |
| Gas Commodity Purchases Expenditure | — | (915,217) | 189,751 | (1,104,968) |
| Gas Customer Sales Revenue (4% Rate Increase) | — | — | 1,232,904 | (1,232,904) |
| General Fund Cost Allocation Plan | — | 123,078 | — | 123,078 |
| Engineering & Inspection Services Allocated Charges | — | 119 | — | 119 |
| General Liability Insurance Allocated Charges | — | 17,842 | — | 17,842 |
| Ground Maintenance Allocated Charges | — | 1,871 | — | 1,871 |
| Print & Mail Allocated Charges | — | 12,696 | — | 12,696 |
| Storm Drain Allocated Charges | — | 8 | — | 8 |
| Street Cut Allocated Charges | — | 1,034 | — | 1,034 |
| Utilities Administration Allocated Charges | — | 351,528 | — | 351,528 |
| Utilities Allocated Charges | — | 56 | — | 56 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Gas Fund |
|---|--------------|--------------------|-------------------|--------------------|
| Vehicle Replacement & Maintenance Allocated Charges | — | 9,042 | — | 9,042 |
| General Liability Savings (One-time FY 2019 Savings) | — | (12,708) | — | (12,708) |
| Workers' Compensation Savings (One-time FY 2019 Savings) | — | (49,760) | — | (49,760) |
| Adjustments to Costs of Ongoing Activities | 0.56 | (1,344,531) | 1,454,080 | (2,798,611) |
| Total FY 2019 Base Budget | 53.67 | 42,432,732 | 37,896,942 | 4,535,790 |
| Budget Proposals | | | | |
| 1 Crossbore Gas Safety Program - Phase II Contract | — | 1,000,000 | — | 1,000,000 |
| 2 Supplemental Pension Trust Fund Contribution | — | 79,311 | — | 79,311 |
| 3 Reclassification of Business Analyst to Senior Business Analyst | — | 6,597 | — | 6,597 |
| Budget Changes | — | 1,085,908 | — | 1,085,908 |
| Total FY 2019 Proposed Budget | 53.67 | 43,518,639 | 37,896,942 | 5,621,698 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Gas Fund |
|--|-----------|--------------|----------|--------------|
| 1 Crossbore Gas Safety Program - Phase II Contract | 0.00 | 1,000,000 | 0 | 1,000,000 |

This action increases funding in contract services for Phase II of the Crossbore Safety Program. Launched in FY 2012, this program ensures that there are no natural gas lines inadvertently installed or cross bored through sewer laterals as these setups can lead to potentially hazardous situations. In Phase I, approximately 40% of total laterals (7,000 out of 18,000) were inspected and cleared. Phase II of the program will inspect and repair approximately 2,000 sewer laterals that have been categorized as high-risk cross bores. Phase II is expected to cost between \$3 million to \$4 million and will take 3 to 4 years to complete. (Ongoing costs: \$1,000,000)

Performance Results



Proactively examining and repairing crossbores will prevent potentially hazardous situations such as gas leaks in the future.

| | | | | |
|--|------|--------|---|--------|
| 2 Supplemental Pension Trust Fund Contribution | 0.00 | 79,311 | 0 | 79,311 |
|--|------|--------|---|--------|

This action transfers \$79,311 from the Gas Funds to the General Benefits Fund on a one-time basis to contribute to the City's supplemental Pension Trust Fund. This amount represents approximately 5% of the Gas Funds' annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental Pension Trust Fund will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|------|-------|---|-------|
| 3 Reclassification of Business Analyst to Senior Business Analyst | 0.00 | 6,597 | 0 | 6,597 |
|---|------|-------|---|-------|

This action reclassifies 1.0 Business Analyst to 1.0 Senior Business Analyst in the Utilities Department to align with current staffing levels and assignments. Duties assigned to this position were evaluated through the appropriate processes with the Employee Relations Division in the Human Resources Department and a settlement was reached in February 2018. This action aligns authorized staffing levels with this settlement agreement which determined the Senior Business Analysts was more commensurate with the duties assigned. (Ongoing costs: \$6,597)

Performance Results



This action ensures the table of organization is adjusted to reflect the employee relations settlement action.

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

- Substantially completed two major capital improvement projects for the sanitary sewer system (Sanitary Sewer Replacement (SSR) projects 24, 25, 26 and 27). This accounts for approximately 42,485 linear feet of sanitary sewer mains, 659 sewer laterals and 114 manholes in University South, Professorville and Old Palo Alto neighborhoods for SSR 24/25/26; and approximately 15,151 linear feet of wastewater main pipelines, 247 lateral pipelines and 42 manholes in Downtown North, Crescent Park, Community Center and Duveneck/St. Francis neighborhoods for SSR 27.

Initiatives

- Conduct a cost of service study for wastewater collection; the previous study was completed in 2011.

- Implement Phase II of the Crossbore Gas Safety Program to inspect high priority sanitary sewer laterals.
- Begin design of SSR project 28 to replace approximately 21,000 linear feet of sewer main pipelines in the Charleston Meadows and Leland Manor/Garland neighborhoods.
- Acquire and deploy proven systems management technologies and replace a legacy sewer and sanitary overflow tracking software.

Goals and Objectives

GOAL 1

Maintain and provide reliable and cost-effective wastewater services to customers.

Objectives:

- Clean and maintain sewer mains in commercial areas on a quarterly basis.
- Clean and video a minimum of 17%, or 3,060, 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.
- Maintain a fleet of dependable vehicles to provide high quality cleaning and servicing of the sewer system.

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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Number of miles of sewer lines cleaned/treated in a fiscal year | 133 | 61 | 145 | 132 | 75 |
| Percentage of sewer laterals inspected annually | 17% | 19% | 18% | 19% | 18% |
| 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 SSMP, all the City's sewer mains must be cleaned within 30 months. | | | | |
| Status | The City is meeting the objectives of its SSMP; through the implementation of an aggressive sewer main cleaning, the number of blockages and overflows has decreased. The division is on target to complete inspection of 19%, or 3,447, laterals of 18,141 in the City. | | | | |

Workload Measures

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Number of Customer Accounts (Wastewater) | 22,016 | 22,216 | 22,010 | 22,010 | 22,010 |
| Number of sewage overflows in a fiscal year | 95 | 100 | 65 | 80 | 63 |
| Percent of sewage spill responses within two hours | 100% | 94% | 100% | 98% | 100% |
| Percent of surveyed residents rating the quality of the Sewer Service as good/excellent | 88% | 88% | 88% | 88% | 89% |
| Percent of miles of sewer lines replaced | 1.50% | 1.20% | 1.50% | 1.50% | 1.50% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Wastewater Collection Fund | 5,300,945 | 10,265,576 | 2,188,157 | 6,631,085 | 4,442,928 | 203.0% |
| Wastewater Collection Administration | 1,962,889 | 2,379,821 | 2,847,999 | 2,708,907 | (139,092) | (4.9)% |
| Wastewater Collection Customer Service | 255,586 | 274,932 | 301,679 | 332,034 | 30,354 | 10.1% |
| Wastewater Collection Engineering (Operating) | 347,062 | 291,893 | 480,976 | 479,537 | (1,439) | (0.3)% |
| Wastewater Collection Operations and Maintenance | 11,405,108 | 11,149,370 | 13,354,992 | 13,783,976 | 428,984 | 3.2% |
| Total | 19,271,590 | 24,361,592 | 19,173,803 | 23,935,539 | 4,761,736 | 24.8% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 519,724 | 541,581 | 667,936 | 621,177 | (46,759) | (7.0)% |
| Other Benefits | 67,991 | 50,285 | 76,568 | 78,258 | 1,690 | 2.2% |
| Overtime | 271,686 | 250,958 | 147,159 | 150,985 | 3,826 | 2.6% |
| Pension | 606,146 | 673,275 | 838,155 | 867,095 | 28,940 | 3.5% |
| Retiree Medical | 124,755 | 136,521 | 143,626 | 259,629 | 116,003 | 80.8% |
| Salary | 2,332,607 | 2,741,131 | 2,968,946 | 3,050,134 | 81,188 | 2.7% |
| Workers' Compensation | 22,645 | 31,589 | 95,475 | 68,779 | (26,697) | (28.0)% |
| Total Salary & Benefits | 3,945,556 | 4,425,340 | 4,937,866 | 5,096,057 | 158,191 | 3.2% |
| Allocated Charges | 936,248 | 918,413 | 2,607,743 | 2,600,579 | (7,163) | (0.3)% |
| Contract Services | 171,722 | 114,936 | 247,640 | 248,986 | 1,346 | 0.5% |
| Debt Service | 46,777 | 42,568 | 129,001 | 129,001 | — | —% |
| Facilities & Equipment | — | 214 | 3,000 | 12,828 | 9,828 | 327.6% |
| General Expense | 47,240 | 59,133 | 122,160 | 125,420 | 3,260 | 2.7% |
| Operating Transfers-Out | 338,264 | 414,853 | 393,160 | 294,055 | (99,105) | (25.2)% |
| Rents & Leases | 373,180 | 396,092 | 399,647 | 419,562 | 19,915 | 5.0% |
| Supplies & Material | 320,224 | 272,399 | 385,618 | 380,618 | (5,000) | (1.3)% |
| Transfer to Infrastructure | 57,499 | 50,002 | — | — | — | —% |
| Utility Purchase | 8,769,780 | 8,390,646 | 9,915,579 | 10,276,371 | 360,792 | 3.6% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Capital Improvement Program | 4,265,100 | 9,276,997 | 32,389 | 4,352,062 | 4,319,672 | 13,336.7% |
| Total Dollars by Expense Category | 19,271,590 | 24,361,592 | 19,173,803 | 23,935,539 | 4,761,736 | 24.8% |
| Revenues | | | | | | |
| Charges for Services | 20,972 | 20,955 | 10,000 | 10,000 | — | —% |
| Charges to Other Funds | 30,107 | 30,107 | 30,107 | 30,890 | 783 | 2.6% |
| Net Sales | 16,296,938 | 18,237,556 | 17,957,112 | 19,835,873 | 1,878,760 | 10.5% |
| Other Revenue | 511,434 | 245,565 | 1,057,820 | 1,069,995 | 12,175 | 1.2% |
| Return on Investments | 299,684 | 215,909 | 266,500 | 266,500 | — | —% |
| Total Revenues | 17,159,136 | 18,750,093 | 19,321,539 | 21,213,257 | 1,891,718 | 9.8% |
| Positions by Division | | | | | | |
| CIP Wastewater Collection Fund | 12.52 | 12.52 | 12.52 | 12.52 | — | —% |
| Wastewater Collection Customer Service | 3.06 | 2.19 | 2.22 | 2.22 | — | —% |
| Wastewater Collection Engineering (Operating) | 1.15 | 1.40 | 1.40 | 1.40 | — | —% |
| Wastewater Collection Operations and Maintenance | 13.02 | 13.06 | 12.86 | 13.02 | 0.16 | 1.26% |
| Total | 29.74 | 29.17 | 29.00 | 29.16 | 0.16 | 0.56% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.25 | 0.23 | 0.23 | 0.23 | — | 16,675 |
| Administrative Associate II | 0.40 | 0.40 | 0.40 | 0.40 | — | 31,094 |
| 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 | — | 19,205 |
| Associate Engineer | 0.50 | — | — | — | — | — |
| Business Analyst | 0.50 | 0.75 | 0.75 | 0.75 | — | 114,551 |
| Cement Finisher | 0.50 | 0.50 | 0.76 | 0.76 | — | 71,633 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Contracts Administrator | 0.05 | 0.05 | 0.05 | 0.05 | — | 5,885 |
| Coordinator Utilities Projects | 1.35 | 1.10 | 1.10 | 1.10 | — | 124,722 |
| Customer Service Representative | 1.38 | 1.20 | 1.45 | 1.45 | — | 111,710 |
| Customer Service Specialist | 0.46 | — | — | — | — | — |
| Customer Service Specialist-Lead | 0.46 | 0.25 | 0.25 | 0.25 | — | 22,652 |
| Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 130,675 |
| Engineering Manager - Electric | 0.15 | 0.15 | 0.15 | 0.15 | — | 27,125 |
| Engineering Manager - WGW | 0.34 | 0.34 | 0.34 | 0.34 | — | 53,457 |
| Engineering Technician III | 0.45 | 0.45 | 0.45 | 0.45 | — | 43,970 |
| Equipment Operator | 0.26 | 0.26 | — | — | — | — |
| Heavy Equipment Operator | 2.13 | 0.23 | 0.23 | 0.23 | — | 22,597 |
| Heavy Equipment Operator - Install/Repair | — | 3.15 | 3.15 | 3.15 | — | 300,957 |
| Industrial Waste Investigator | — | 0.50 | 0.50 | 0.50 | — | 54,257 |
| Inspector, Field Services | 1.43 | 1.68 | 1.68 | 1.68 | — | 177,145 |
| Maintenance Mechanic-Welding | 0.20 | 0.20 | 0.20 | 0.20 | — | 20,979 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 20,205 |
| 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 | — | 26,815 |
| Project Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 281,293 |
| Restoration Lead | 0.26 | 0.26 | 0.26 | 0.26 | — | 26,643 |
| Senior Engineer | 1.30 | 1.30 | 1.30 | 1.30 | — | 190,307 |
| Senior Mechanic | 0.33 | 0.33 | 0.33 | 0.33 | — | 36,343 |
| Supervisor Inspection Services | 0.42 | — | — | — | — | — |
| Utilities Engineer Estimator | 0.47 | 0.47 | 0.47 | 0.47 | — | 55,366 |
| Utilities Field Services Representative | 1.25 | 1.25 | 1.25 | 1.25 | — | 133,410 |
| Utilities Install Repair-Lead-Welding Certified | 0.24 | 0.24 | 0.24 | 0.24 | — | 27,897 |
| Utilities Install Repair-Welding Certified | 0.36 | 0.36 | 0.36 | 0.36 | — | 36,063 |
| Utilities Install/Repair | 5.50 | 4.25 | 4.25 | 4.25 | — | 442,305 |
| Utilities Install/Repair-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 227,162 |
| Utilities Locator | 0.39 | 0.39 | 0.39 | 0.39 | — | 38,205 |

UTILITIES

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Utilities Safety Officer | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,369 |
| Utilities Supervisor | 1.30 | 1.72 | 1.72 | 1.72 | — | 183,671 |
| Sub-total: Full-Time Equivalent Positions | 28.77 | 28.15 | 28.40 | 28.40 | — | 3,163,103 |
| Temporary/Hourly | 0.98 | 1.02 | 0.60 | 0.76 | 0.16 | 50,669 |
| Total Positions | 29.74 | 29.17 | 29.00 | 29.16 | 0.16 | 3,213,772 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Wastewater Collection Fund |
|--|--------------|-------------------|-------------------|---|
| Prior Year Budget | 29.00 | 19,173,803 | 19,321,540 | (147,737) |
| One-time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (83,380) | — | (83,380) |
| One-time Prior Year Budget Adjustments | — | (83,380) | — | (83,380) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustments | — | 185,600 | — | 185,600 |
| Net-zero Utilities Staffing Realignment (increase of 0.16 FTE Journey Level Laborer - H position) | 0.16 | — | — | — |
| Capital Improvement Funding | — | 4,315,432 | 12,175 | 4,303,257 |
| Wastewater Treatment Expenses | — | 360,792 | — | 360,792 |
| Bank Card Transaction Fee | — | 15,100 | — | 15,100 |
| Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data) | — | 13,421 | — | 13,421 |
| Rents and Leases Expenditure | — | 9,915 | — | 9,915 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 9,828 | — | 9,828 |
| Engineering and Inspection Services Allocated Charges | — | 242 | — | 242 |
| Management Development Funding | — | (1,840) | — | (1,840) |
| Custodial Contract Funding | — | (3,654) | — | (3,654) |
| Transfer to Technology Fund (TE-05000 Radio Infrastructure Replacement) | — | (70,013) | — | (70,013) |
| Wastewater Collection Customer Sales Revenue (11% Rate Increase) | — | — | 1,879,542 | (1,879,542) |
| General Fund Cost Allocation Plan | — | (200,968) | — | (200,968) |
| General Liability Insurance Allocated Charges | — | 9,828 | — | 9,828 |
| Print & Mail Allocated Charges | — | (935) | — | (935) |
| Street Cut Fee Allocated Charges | — | 2,067 | — | 2,067 |
| Survey Fee Allocated Charges | — | 534 | — | 534 |
| Utilities Administration Allocated Charges | — | 182,942 | — | 182,942 |
| Utilities Allocated Charges | — | 293 | — | 293 |
| Vehicle Replacement & Maintenance Allocated Charges | — | 7,091 | — | 7,091 |
| General Liability Savings (one-time FY 2019 Savings) | — | (7,000) | — | (7,000) |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Wastewater Collection Fund |
|--|--------------|-------------------|-------------------|--------------------------------|
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (27,409) | — | (27,409) |
| Adjustments to Costs of Ongoing Activities | 0.16 | 4,801,267 | 1,891,717 | 2,909,550 |
| Total FY 2019 Base Budget | 29.16 | 23,891,690 | 21,213,257 | 2,678,433 |
| Budget Adjustments | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 43,849 | — | 43,849 |
| Total Budget Adjustments | | 43,849 | | 43,849 |
| Total FY 2019 Proposed Budget | 29.16 | 23,935,539 | 21,213,257 | 2,722,282 |

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Wastewater Collection Fund |
|--|-----------|--------------|----------|--------------------------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 43,849 | 0 | 43,849 |

This action transfers \$43,849 from the Wastewater Collection Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental Pension Trust Fund. This amount represents approximately 5% of the Wastewater Collection Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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 contributing to the supplemental Pension Trust Fund will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

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, the engineering division is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

Accomplishments

- Collaborated 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 non-potable and potable reuse options. Woodward & Curran were contracted to complete the plan.
- Started construction of a Water Main Replacement project (WMR 26) to replace approximately 11,000 linear feet of water main pipelines, 200 service pipelines, and 40 fire hydrants with approximately 29% completed this year. Completed design of water main replacement for Upgrade Downtown to replace approximately 3,155 linear feet of water main pipelines, 52 service pipelines, and 10 fire hydrants.
- Completed the construction of Montebello Reservoir steel water tank rehabilitation and seismic upgrade, including a new roof, interior and exterior coatings, a new control valve, and paving. Completed the remaining roof coating portion in the construction of Boronda Reservoir concrete water tank rehabilitation project.

UTILITIES

- Retained a consultant to review storage and operational needs. Consultant will develop a water model that will assist in the storage and operational recommendations.
- Engaged a consultant to perform a geological investigation of the foundation leaks at the Mayfield Tank to provide a report containing results of the subsurface explorations and laboratory testing and recommend repair alternatives.
- Completed two transmission main repairs in the foothills area west of Highway 280.
- Completed the first annual water loss audit (SB 555) to the State Water Resource Control Board (SWRCB).
- Completed over 70 customer service projects.

Initiatives

- Complete the geological study of Mayfield tank site to assess the stability of the reservoir and begin repairs based on the findings.
- Continue construction of Water Main Replacement (WMR) 26 and Upgrade Downtown projects to replace approximately 14,000 linear feet of water main pipelines, 250 service pipelines, and 50 fire hydrants.
- Complete design for WMR project 27 in Oak Creek and University Avenue neighborhoods.
- Start and complete the preliminary design report for the Corta Madera tank replacement project. This will include a topographic survey and a geotechnical report for the site.
- Start and complete the transmission main repair and valve installation at the intersection of Page Mill and Old Page Mill Road.
- Complete collaboration with Public Works and Santa Clara Valley Water District on evaluation of recycled water options, including evaluating the economic potential of a Palo Alto recycled water system.

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 (e.g. 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 customers. | | | | |
| Objective | Ensure drinking water meets all regulatory standards. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of customer-owned water backflow prevention devices in compliance | 90% | 91% | 94% | 91% | 92% |
| 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 provides regulations for the City and its 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 90-95 percent on an annual basis. There are 3,856 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Annual savings achieved through water efficiency programs as a percentage of total sales | 1.96% | 1.91% | 0.91% | 1.91% | 1.94% |
| 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 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 goal to reduce expected water use by 20 percent by 2020. | | | | |
| Status | Water efficiency program savings were significantly higher starting FY 2015 through FY 2017 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 acceptable levels of program participation; however, staff expects program participation to decrease after the current rainy winter. | | | | |

WATER QUALITY

| | | | | | |
|---|--|----------------------------|----------------------------|------------------------------|-----------------------------|
| Goal | Ensure the provision of safe and clean drinking water for customers. | | | | |
| Objective | Safe testing of drinking water to meet all regulatory standards. | | | | |
| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
| Percentage of samples passed from all sampling stations | 100% | 100% | 100% | 100% | 100% |
| 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 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2018 Estimated | FY 2019 Proposed |
|---|--------------------|--------------------|--------------------|----------------------|---------------------|
| Percent of miles of water mains replaced | 0.70% | 0.20% | 0.70% | 1.00% | 1.00% |
| Number of Customer Accounts (Water) | 19,994 | 20,213 | 20,000 | 20,213 | 20,213 |
| Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent" | 87% | 88% | 88% | 88% | 88% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Division | | | | | | |
| CIP Water Fund | 9,082,022 | 3,453,732 | 6,127,567 | 15,072,824 | 8,945,257 | 146.0% |
| Water Administration | 6,871,823 | 7,038,937 | 8,884,495 | 8,879,778 | (4,717) | (0.1)% |
| Water Customer Service | 2,082,194 | 1,488,960 | 2,201,670 | 2,282,720 | 81,051 | 3.7% |
| Water Engineering (Operating) | 409,183 | 355,852 | 538,106 | 537,839 | (267) | (0.0)% |
| Water Operations and Maintenance | 5,433,991 | 5,291,117 | 7,531,885 | 7,681,920 | 150,035 | 2.0% |
| Water Resource Management | 18,219,637 | 20,943,416 | 22,203,416 | 23,699,431 | 1,496,015 | 6.7% |
| Total | 42,098,850 | 38,572,014 | 47,487,138 | 58,154,512 | 10,667,374 | 22.5% |
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 750,434 | 822,738 | 957,649 | 958,317 | 669 | 0.1% |
| Other Benefits | 114,286 | 94,370 | 140,523 | 142,932 | 2,409 | 1.7% |
| Overtime | 250,524 | 231,860 | 267,963 | 274,930 | 6,967 | 2.6% |
| Pension | 1,025,830 | 1,165,780 | 1,397,443 | 1,428,203 | 30,760 | 2.2% |
| Retiree Medical | 260,618 | 285,198 | 300,042 | 427,827 | 127,784 | 42.6% |
| Salary | 4,949,770 | 4,627,885 | 5,117,401 | 5,154,784 | 37,383 | 0.7% |
| Workers' Compensation | 89,580 | 225,163 | 164,608 | 118,581 | (46,027) | (28.0)% |
| Total Salary & Benefits | 7,441,043 | 7,452,994 | 8,345,630 | 8,505,574 | 159,944 | 1.9% |
| Allocated Charges | 2,867,207 | 3,212,511 | 4,410,152 | 4,613,901 | 203,749 | 4.6% |
| Contract Services | 806,550 | 155,818 | 827,806 | 819,002 | (8,804) | (1.1)% |
| Debt Service | 1,813,658 | 1,757,088 | 3,222,606 | 3,222,606 | — | —% |
| Facilities & Equipment | — | — | 2,000 | 16,711 | 14,711 | 735.6% |
| General Expense | 443,919 | 417,045 | 666,070 | 667,170 | 1,100 | 0.2% |
| Operating Transfers-Out | 251,541 | 317,220 | 649,055 | 486,353 | (162,702) | (25.1)% |
| Rents & Leases | 1,803,087 | 1,862,485 | 2,931,563 | 3,003,388 | 71,825 | 2.5% |
| Supplies & Material | 544,371 | 413,824 | 609,982 | 610,982 | 1,000 | 0.2% |
| Transfer to Infrastructure | 112,692 | 84,211 | — | — | — | —% |
| Utility Purchase | 17,626,020 | 20,075,377 | 21,090,000 | 22,620,000 | 1,530,000 | 7.3% |
| Capital Improvement Program | 8,388,762 | 2,823,442 | 4,732,275 | 13,588,826 | 8,856,551 | 187.2% |
| Total Dollars by Expense Category | 42,098,850 | 38,572,014 | 47,487,138 | 58,154,512 | 10,667,374 | 22.5% |

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|------------------------|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Revenues | | | | | | |
| Charges for Services | 51,021 | 60,000 | 10,000 | 10,000 | — | —% |
| Charges to Other Funds | 442,829 | 160,766 | 84,403 | 81,201 | (3,202) | (3.8)% |
| From Other Agencies | 636,666 | 512,301 | 576,632 | 576,632 | — | —% |
| Net Sales | 36,764,774 | 42,740,545 | 40,913,999 | 42,737,130 | 1,823,131 | 4.5% |
| Operating Transfers-In | 221,833 | 244,018 | 512,436 | 539,278 | 26,842 | 5.2% |
| Other Revenue | 955,122 | 844,915 | 904,280 | 931,348 | 27,068 | 3.0% |
| Return on Investments | 738,329 | 772,015 | 775,300 | 775,300 | — | —% |
| Total Revenues | 39,810,575 | 45,334,560 | 43,777,050 | 45,650,889 | 1,873,839 | 4.3% |

| | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|---------------|----------------|
| Positions by Division | | | | | | |
| CIP Water Fund | 9.05 | 9.05 | 8.03 | 8.03 | — | —% |
| Water Customer Service | 9.01 | 9.68 | 9.66 | 9.66 | — | —% |
| Water Engineering (Operating) | 1.12 | 1.37 | 1.35 | 1.35 | — | —% |
| Water Operations and Maintenance | 25.44 | 25.44 | 25.34 | 25.01 | (0.32) | (1.28)% |
| Water Resource Management | 1.53 | 2.44 | 3.52 | 3.02 | (0.50) | (14.19)% |
| Total | 46.15 | 47.99 | 47.90 | 47.08 | (0.82) | (1.72)% |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|---|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Account Specialist | 0.25 | 0.23 | 0.23 | 0.23 | — | 16,675 |
| Administrative Associate II | 0.85 | 0.75 | 0.65 | 0.65 | — | 50,527 |
| Assistant Director Utilities Customer Support Services | 0.20 | 0.20 | 0.20 | 0.20 | — | 34,316 |
| 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 | — | 28,807 |
| Assistant Director Utilities/Resource Management | 0.25 | 0.25 | 0.25 | 0.25 | — | 44,148 |
| Business Analyst | 1.68 | 1.73 | 1.53 | 1.20 | (0.33) | 183,281 |
| Cement Finisher | 0.25 | 0.25 | 0.56 | 0.56 | — | 52,782 |
| Contracts Administrator | 0.10 | 0.10 | 0.10 | 0.10 | — | 11,771 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|--------------------|--------------------|------------------------------|-------------------------------|-----------------------|-------------------|
| Coordinator Utilities Projects | 1.34 | 1.09 | 1.09 | 1.09 | — | 123,588 |
| Customer Service Representative | 1.26 | 1.56 | 1.81 | 1.81 | — | 139,444 |
| Customer Service Specialist | 0.42 | 0.66 | 0.66 | 0.66 | — | 55,914 |
| Customer Service Specialist-Lead | 0.42 | 0.59 | 0.59 | 0.59 | — | 53,459 |
| Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 130,675 |
| Engineering Manager - Electric | 0.15 | 0.15 | 0.15 | 0.15 | — | 27,125 |
| Engineering Manager - WGW | 0.33 | 0.33 | 0.33 | 0.33 | — | 51,885 |
| Engineering Technician III | 0.45 | 1.45 | 0.45 | 0.45 | — | 43,970 |
| Equipment Operator | 0.31 | 0.31 | — | — | — | — |
| Gas and Water Meter Measurement and Control Technician | — | — | 0.80 | 0.80 | — | 83,855 |
| Gas and Water Meter Measurement and Control Technician - Lead | — | — | 0.20 | 0.20 | — | 22,432 |
| Gas System Technician II | 0.10 | 0.10 | — | — | — | — |
| Heavy Equipment Operator | 2.00 | 1.95 | 1.95 | 1.95 | — | 191,584 |
| Heavy Equipment Operator - Install/Repair | — | 0.20 | 0.20 | 0.20 | — | 20,523 |
| Inspector, Field Services | 1.40 | 1.65 | 1.65 | 1.65 | — | 173,982 |
| Maintenance Mechanic-Welding | 0.80 | 0.80 | 0.80 | 0.80 | — | 83,916 |
| Manager Customer Service | 0.34 | 0.34 | 0.34 | 0.34 | — | 45,353 |
| Manager Utilities Compliance | 0.50 | 0.50 | 0.50 | 0.50 | — | 83,637 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 20,205 |
| Manager Utilities Marketing Services | 0.20 | — | — | — | — | — |
| Manager Utilities Operations WGW | 0.50 | 0.50 | 0.50 | 0.50 | — | 79,206 |
| Manager Utilities Program Services | — | 0.20 | 0.20 | 0.20 | — | 26,478 |
| Meter Reader | 1.67 | 2.03 | 2.03 | 2.03 | — | 146,896 |
| Meter Reader-Lead | 0.28 | 0.34 | 0.34 | 0.34 | — | 26,321 |
| Power Engineer | 0.30 | 0.30 | 0.30 | 0.30 | — | 41,851 |
| Principal Business Analyst | 0.33 | 0.33 | 0.33 | 0.33 | — | 47,677 |
| Program Assistant I | 0.33 | 0.33 | 0.33 | 0.33 | — | 26,026 |
| Project Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 281,293 |
| Resource Planner | 0.10 | 0.70 | 1.20 | 0.70 | (0.50) | 97,989 |
| Restoration Lead | 0.31 | 0.31 | 0.31 | 0.31 | — | 31,766 |

Staffing

| Job Classification | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Salary |
|--|-----------------|-----------------|------------------------|-------------------------|--------------------|------------------|
| SCADA Technologist | 0.80 | 0.80 | 0.80 | 0.80 | — | 119,977 |
| Senior Business Analyst | 0.66 | 0.66 | 0.66 | 0.99 | 0.33 | 135,475 |
| Senior Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 141,922 |
| Senior Mechanic | 0.34 | 0.34 | 0.34 | 0.34 | — | 37,444 |
| Senior Resource Planner | 0.55 | 1.10 | 1.68 | 1.68 | — | 255,845 |
| Senior Utilities Field Service Representative | 0.49 | 0.49 | 0.49 | 0.49 | — | 55,941 |
| Senior Water Systems Operator | 2.00 | 2.00 | 2.00 | 2.00 | — | 222,769 |
| Substation Electrician | 0.40 | 0.40 | 0.40 | 0.40 | — | 51,496 |
| Supervisor Inspection Services | 0.29 | — | — | — | — | — |
| Utilities Engineer Estimator | 0.43 | 0.43 | 0.43 | 0.43 | — | 50,453 |
| Utilities Field Services Representative | 1.50 | 1.50 | 1.50 | 1.50 | — | 160,092 |
| Utilities Install Repair-Lead-Welding Certified | 0.46 | 0.46 | 0.46 | 0.46 | — | 53,469 |
| Utilities Install Repair-Welding Certified | 0.69 | 0.69 | 0.69 | 0.69 | — | 69,121 |
| Utilities Install/Repair | 2.05 | 1.90 | 1.90 | 1.90 | — | 197,736 |
| Utilities Install/Repair Assistant | 0.35 | 0.35 | 0.35 | 0.35 | — | 30,893 |
| Utilities Install/Repair-Lead | 1.02 | 1.02 | 1.02 | 1.02 | — | 107,246 |
| Utilities Key Account Representative | 0.15 | 0.25 | 0.35 | 0.35 | — | 41,687 |
| Utilities Locator | 0.34 | 0.34 | 0.34 | 0.34 | — | 33,307 |
| Utilities Marketing Program Administrator | 0.40 | 0.40 | 0.40 | 0.40 | — | 45,258 |
| Utilities Safety Officer | 0.15 | 0.15 | 0.15 | 0.15 | — | 17,054 |
| Utilities Supervisor | 2.62 | 2.91 | 2.91 | 2.91 | — | 360,684 |
| Water Meter Cross Connection Technician | 2.00 | — | — | — | — | — |
| Water System Operator I | — | 1.00 | — | — | — | — |
| Water System Operator II | 3.34 | 3.34 | 3.34 | 3.34 | — | 328,016 |
| Sub-total: Full-Time Equivalent Positions | 42.95 | 45.26 | 45.29 | 44.79 | (0.50) | 5,134,228 |
| Temporary/Hourly | 3.21 | 2.73 | 2.61 | 2.29 | (0.32) | 186,165 |
| Total Positions | 46.15 | 47.99 | 47.90 | 47.08 | (0.82) | 5,320,393 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Water Fund |
|---|--------------|-------------------|-------------------|------------------|
| Prior Year Budget | 47.90 | 47,487,138 | 43,777,050 | 3,710,089 |
| One-time Prior Year Budget Adjustments | | | | |
| Supplemental Pension Trust Fund Contribution | — | (140,385) | — | (140,385) |
| One-time Prior Year Budget Adjustments | — | (140,385) | — | (140,385) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salaries and Benefits Adjustments | — | 207,201 | — | 207,201 |
| Net-zero Utilities Staffing Realignment (decrease of 0.5 FTE Resource Planner and 0.32 FTE Journey Level Laborer - H positions) | (0.82) | — | — | — |
| Capital Improvement Funding | — | 8,830,458 | (875,438) | 9,705,896 |
| Water Commodity Purchases Expenditure | — | 1,530,000 | — | 1,530,000 |
| Rents and Leases Expenditure | — | 56,825 | — | 56,825 |
| Silicon Valley Regional Communications Systems (SVRCS) Radio Subscription (CMR #8658) | — | 15,561 | — | 15,561 |
| Bay Area Water Supply & Conservation Agency Fee | — | 12,000 | — | 12,000 |
| Engineering & Inspection Service Allocated Charges | — | 119 | — | 119 |
| Management Development Funding | — | (1,230) | — | (1,230) |
| Custodial Contract Funding | — | (3,654) | — | (3,654) |
| Transfer to Electric Fund (EL-11014 - Smart Grid Installation) | — | (10,000) | — | (10,000) |
| Transfer to Technology Fund (TE-05000 Radio Infrastructure Replacement) | — | (65,433) | — | (65,433) |
| Water Customer Sales Revenue (4% Rate Increase) | — | — | 2,749,277 | (2,749,277) |
| General Fund Cost Allocation Plan | — | (163,676) | — | (163,676) |
| General Liability Insurance Allocated Charges | — | 16,944 | — | 16,944 |
| Ground Maintenance Allocated Charges | — | 258 | — | 258 |
| Print & Mail Allocated Charges | — | (5,191) | — | (5,191) |
| Storm Drain Allocated Charges | — | 40 | — | 40 |
| Street Cut Allocated Charges | — | 1,034 | — | 1,034 |
| Utilities Administration Allocated Charges | — | 251,843 | — | 251,843 |
| Utilities Allocated Charges | — | 104,733 | — | 104,733 |
| Vehicle Replacement & Maintenance Allocated Charges | — | 10,651 | — | 10,651 |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Water Fund |
|---|---------------|-------------------|-------------------|-------------------|
| General Liability Savings (one-time FY 2019 Savings) | — | (12,068) | — | (12,068) |
| Workers' Compensation Savings (one-time FY 2019 Savings) | — | (47,256) | — | (47,256) |
| Adjustments to Costs of Ongoing Activities | (0.82) | 10,729,157 | 1,873,839 | 8,855,318 |
| Total FY 2019 Base Budget | 47.08 | 58,075,910 | 45,650,889 | 12,425,022 |
| Budget Proposals | | | | |
| 1 Supplemental Pension Trust Fund Contribution | — | 72,005 | — | 72,005 |
| 2 Reclassification of Business Analyst to Senior Business Analyst | — | 6,597 | — | 6,597 |
| Budget Changes | — | 78,602 | — | 78,602 |
| Total FY 2019 Proposed Budget | 47.08 | 58,154,512 | 45,650,889 | 12,503,623 |



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Water Fund |
|--|-----------|--------------|----------|----------------|
| 1 Supplemental Pension Trust Fund Contribution | 0.00 | 72,005 | 0 | 12,661 |

This action transfers \$72,005 from the Water Fund to the General Benefits Fund on a one-time basis to contribute to the City's supplemental Pension Trust Fund. This amount represents approximately 5% of the Water Fund's annual pension contribution. Contributing to the Pension Trust Fund will further 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



Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Water Fund |
|--------------------|-----------|--------------|----------|----------------|
|--------------------|-----------|--------------|----------|----------------|

Proactively contributing to the supplemental Pension Trust Fund will allow the City to prefund pension costs and continue to address the GASB 68 Net Pension Liabilities (NPL).

| | | | | |
|---|------|-------|---|-------|
| 2 Reclassification of Business Analyst to Senior Business Analyst | 0.00 | 6,597 | 0 | 6,597 |
|---|------|-------|---|-------|

This action reclassifies 1.0 Business Analyst to 1.0 Senior Business Analyst in the Utilities Department to align with current staffing levels and assignments. Duties assigned to this position were evaluated through the appropriate processes with the Employee Relations Division in the Human Resources Department and a settlement was reached in February 2018. This action aligns authorized staffing levels with this settlement agreement which determined the Senior Business Analysts was more commensurate with the duties assigned. (Ongoing costs: \$6,597)

Performance Results



This action ensures the table of organization is adjusted to reflect the employee relations settlement action.

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 costs 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 2019, the annualization of one-time items that appeared in the Fiscal Year 2018 Budget, including the \$0.5 million Operations Reserve, the \$0.4 million Salary Reserve, and the \$150,000 set aside for the Parking Evaluation Study. In Fiscal Year 2019, various adjustments are proposed including the elimination of the Airport Fund Transfer, which was a loan from the General Fund to the Airport, and the addition of one-time funding for the November 2018 City Council Elections.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Category | | | | | | |
| Cubberly - Lease Payments to PAUSD | 5,584,808 | 5,642,424 | 5,923,685 | 6,101,395 | 177,710 | 3.0% |
| Contingent Accounts | | | | | | |
| City Manager | — | — | 250,000 | 250,000 | — | —% |
| City Council | — | — | 225,000 | 225,000 | — | —% |
| City Attorney | — | — | 100,000 | 100,000 | — | —% |
| Human Resources | — | — | 50,000 | 50,000 | — | —% |
| Human Services Resource Allocation Process (HSRAP) | — | 4,025 | 50,000 | 50,000 | — | —% |
| Innovations & Special Events | — | — | 50,000 | 50,000 | — | —% |
| Budget Operational Reserve | — | — | 500,000 | — | (500,000) | (100.0)% |
| Salary Reserve | — | — | 400,000 | — | (400,000) | (100.0)% |
| Other | | | | | | |
| Contract Services | — | 14,112 | 40,000 | 120,000 | 80,000 | 200.0% |
| Debt Service | 430,791 | 432,150 | 432,271 | 612,948 | 180,677 | 41.8% |
| General Expense | 46,590 | 130,186 | 236,756 | 89,012 | (147,744) | (62.4)% |
| Operating Transfers-Out | 5,061,723 | 6,538,924 | 4,874,446 | 4,450,215 | (424,230) | (8.7)% |
| Rents & Leases | 172,886 | 177,506 | 177,786 | 177,127 | (659) | (0.4)% |
| Transfer to Infrastructure | 29,365,580 | 22,859,355 | 24,980,569 | 25,172,648 | 192,079 | 0.8% |
| Total Dollars by Expense | 40,662,378 | 35,798,682 | 38,290,513 | 37,448,345 | (842,167) | (2.2)% |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net General Fund |
|--|-----------|--------------------|----------|--------------------|
| Prior Year Budget | — | 38,290,513 | — | 38,290,513 |
| One-Time Prior Year Budget Adjustments | | | | |
| FY 2018 Operations Reserve | — | (500,000) | — | (500,000) |
| Salary Reserve | — | (400,000) | — | (400,000) |
| Citywide Parking Evaluation Study | — | (150,000) | — | (150,000) |
| One-Time Prior Year Budget Adjustments | — | (1,050,000) | — | (1,050,000) |
| Adjustments to Costs of Ongoing Activities | | | | |
| Transfer to Electric Fund (COSA Transfer) | — | 208,151 | — | 208,151 |
| Infrastructure Transfer | — | 192,079 | — | 192,079 |
| Debt Service Expenditure (Golf Course, FY 2018) | — | 180,677 | — | 180,677 |
| Cubberley Lease Payments to PAUSD | — | 177,710 | — | 177,710 |
| Transfer to Technology Fund (Technology Surcharge) | — | 28,045 | — | — |
| Transfer to Public Art Fund | — | 15,174 | — | 15,174 |
| Transfer to University Avenue Parking Fund | — | 11,920 | — | 11,920 |
| Property Tax Administration | — | 2,256 | — | 2,256 |
| Rent and Leases | — | (659) | — | (659) |
| Program and Project Costs (Grant-writing funding) | — | (20,000) | — | (20,000) |
| Transfer to Debt Service Funds (Downtown Parking COP Debt) | — | (72,221) | — | (67,221) |
| Airport Fund Transfer (FY 2018, \$200,000 Loan) | — | (200,000) | — | (200,000) |
| Information Technology Capital Transfer (TE-05000) | — | (415,300) | — | (415,300) |
| Adjustments to Costs of Ongoing Activities | — | 107,832 | — | (123,364) |
| Total FY 2019 Base Budget | — | 37,348,345 | — | 37,117,149 |
| Budget Adjustments | | | | |
| 1 FY 2019 Council Election Costs | — | 100,000 | — | 100,000 |
| Total Budget Adjustments | — | 100,000 | — | 100,000 |
| Total FY 2019 Proposed Budget | — | 37,448,345 | — | 37,217,149 |

Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net General Fund |
|----------------------------------|-----------|--------------|----------|------------------|
| 1 FY 2019 Council Election Costs | 0.00 | 100,000 | 0 | 100,000 |

This action adds \$100,000 in one-time funding for the General City Council Election to be held in November of 2018. This funding is sufficient for the at-large City Council Election that is anticipated to be held as the City Council transitions from nine members to seven members. If any additional election items are brought forward for consideration, such as a ballot measure or other item, additional funding would be required. (Ongoing costs: \$0).

Performance Results



This funding supports the democratic process for electing City Council Members.

Employee Information





CITY OF
**PALO
ALTO**

EMPLOYEE INFORMATION

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 \$2.2 million increase in employee pension, healthcare costs, and other benefits costs from the Fiscal Year (FY) 2018 Adopted Budget amount of \$61.89 million to the Fiscal Year 2019 Budget amount of \$64.1 million. This increase is primarily driven by increases in the pension rate and health care costs partially offset by a citywide decrease of 17.6 benefitted positions, or 1.7 percent from FY 2018 Adopted Budget staffing levels (1,058.95 positions to 1,041.35 positions). Of these changes in the Table of Organization, the elimination of 11.0 positions was approved by the City Council during Fiscal Year 2018. An additional 6.60 benefitted positions are recommended to be eliminated in this Operating Budget document.

PENSION COSTS

The City of Palo Alto provides a defined pension benefit to its employees through the State of California Pension Retirement System (CalPERS), which manages and administers the program. The CalPERS program maintains two trust accounts: 1) a plan for safety employees (sworn fire and police personnel); and 2) a plan for miscellaneous employees (all other non-safety personnel employed by the City such as field personnel, administrative support, and managers). Annually, CalPERS provides actuarial reports detailing the latest status of the City of Palo Alto Pension trust plans for employees and retirees. These actuarial reports are used to calculate the Actuarial Determined Contribution (ADC) to the trust for the pension obligations.

This budget includes the most recent pension rates from these valuation reports, as of June 30, 2016. When compared to the prior fiscal year, Fiscal Year 2019 employer contribution rates, represent an average year-over-year increase of 9.9 percent.

- Miscellaneous plan rate increased 2.4 percentage points, a year-over-year 7.9 percent growth, from an employer contribution rate of 30.2 percent to 32.6 percent
- Safety plan rate increased 5.9 percentage points, a year-over-year 11.9 percent growth, from an employer contribution rate of 49.7 percent to 55.6 percent.

With the passage of the California Public Employees' Pension Reform Act (PEPRA), the City has three retirement benefit tiers for Miscellaneous and Safety Plans. As of 2018, approximately 40 percent of the City's employees are either in Tier 2 or Tier 3.

GENERAL BENEFITS FUND

Consistent with FY 2018, CalPERS calculates the pension liability as a normal cost (percent of payroll) and a flat dollar amount to pay down the Unfunded Accrued Liability (UAL). This budget assumes the pre-payment of the UAL portion of the annual pension cost, which confers savings to the City. In FY 2019, prepayment of the UAL generates \$938,000 in savings across the organization, of which \$588,000 is realized in the General Fund. These savings are calculated by CalPERS.

The City's mounting pension obligations remain an important context for ongoing service delivery. The CalPERS board is working to de-risk the pension plan through various actions. In December 2016, the CalPERS board voted to lower the rate of return to 7.0 percent from 7.5 percent. Beginning in FY 2019, this decrease will be phased in over three years reaching the 7.0 percent discount rate in FY 2021. In anticipation of this lowered rate of return, and to proactively address the City's unfunded pension liability the Finance Committee and staff have met multiple times during FY 2018.

On September 19th, 2017, the CalPERS Annual Valuation Reports were transmitted to the Finance Committee and discussed as part of CMR #8509 Review and Discuss CalPERS Pension Annual Valuation Reports <https://www.cityofpaloalto.org/civicax/filebank/documents/61211>. According to these valuation reports, the City's current Unfunded Accrued Liability totals \$404.7 million (\$143.0 million for the Safety Plan and \$261.7 million for the Miscellaneous Plan), and the plans are 64.0% funded (the Safety Plan is 63.6% funded while the Miscellaneous Plan is 64.2% funded.)

On October 17, 2017, staff returned to the Finance Committee to review and discuss strategies to address the City's pension liability as part of CMR #8579: City's Pension Liability Discussion and Strategies <https://www.cityofpaloalto.org/civicax/filebank/documents/61485>. This discussion included a detailed presentation from the City's actuarial services consultant, Bartel and Associates, discussing the City's specific pension outlook.

On December 6, 2017, as part of CMR #8676: FY 2019 - FY 2028 Long Range Financial Forecast and City Pension Liabilities <https://www.cityofpaloalto.org/civicax/filebank/documents/62316> the City modeled alternative assumptions that demonstrated the impact of changes to the discount rate on the City's General Fund budget.

As discussed during these public meetings, the City has identified ways to incrementally address the City's pension liabilities. This budget continues the past practice of allocating funding to the City's irrevocable IRS Section 115 Pension Trust Fund ("Trust Fund") using available funding on a one-time basis. The City Council first approved establishing a 115 Pension Trust Fund as part of CMR #7553 on January 23, 2017 <https://www.cityofpaloalto.org/civicax/filebank/documents/55487>, authorizing an initial deposit of \$2.1 million in General Fund proceeds, or approximately 10 percent of the General Fund Pension annual cost. When combined with the recommended contribution in this budget, the City Council has approved deposits of \$7.5 million (\$4.6 million from the General 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. Contributions through the FY 2019 Proposed Budget are detailed below:

- FY 2017 Mid-year deposited \$2.1 million from the General Fund, approximately 10 percent of the City's annual pension contribution, establishing the Trust Fund;

- FY 2018 Adopted Budget deposited \$1.4 million from other funds throughout the City, matching the 10 percent of annual pension costs that established the trust from the General Fund in the prior year;
- FY 2018 Mid-year deposited \$2.0 million from all funds, representing approximately 5.0 percent of the City's annual pension contribution (\$1.3 million in General Fund); and
- FY 2019 Proposed Budget recommends a \$2.0 million deposit from all funds, representing approximately 5.0 percent of the City's annual pension contribution (\$1.2 million in General Fund).

This FY 2019 Proposed Operating Budget reflects a recommended budget adjustment in each department section where the additional contributions to the Trust Fund are budgeted for FY 2019. Although these are one-time adjustments, the City continues to prudently contribute available funds to the Trust Fund at least on an annual basis. In FY 2019, one-time savings were identified; the Workers' Compensation Fund and General Liability Fund had accumulated excess fund balance due to prior year savings. The City will continue to proactively strategize how to address the increased pension costs and growing unfunded liability through continued deposits to the Trust Fund as well as other mechanisms such as:

- Managing full-time benefitted position authorization levels. This Fiscal Year 2019 Budget reduces nearly 2 percent of benefitted position when compared to FY 2018.
- One-time surpluses resulting from excess revenues or expense savings at year-end will continue to be brought forward for City Council consideration as potential contributions to the Trust Fund.
- Continue to strive to contain costs with measures such as cost sharing with employees. In FY 2016, labor contracts approved an employee pick-up of a portion of the employer pension contribution (upon completion of an amendment to the City's contract with CalPERS). These contracts stipulated up to a 3.0 percent contribution cost share with safety groups and up to a 1.0 percent contribution cost share with miscellaneous groups SEIU and the management group.

It is anticipated that staff will return to the Finance Committee with a range of potential policies and procedures to incrementally address the City's pension liabilities for consideration. These options are intended to identify a path forward for the City to address its pension obligations on an ongoing basis in order to mitigate implications on service delivery.

HEALTHCARE COSTS

The Fiscal Year 2019 budget for healthcare is based on the health plan choices employees made for Calendar Year 2018. The FY 2018 budget presumed a four percent increase in dental and vision costs; however, the City enjoyed favorable rate decreases from Calendar Year 2017 to Calendar Year 2018 of more than 10 percent for dental and more than 3.0 percent for vision, driven primarily by decreased utilization. This one-time decrease is not expected to continue in the near future, and increases of four percent for both dental and vision rates, effective January 1, 2019, are assumed in the FY 2019 Operating Budget. All bargaining units except the Utilities Management Professional Association of Palo Alto (UMPAPA) are on the flat rate medical plan; UMPAPA uses a 90/10 contribution structure. For calendar year 2019, the budget models a four percent annual increase in flat rate medical costs. Ongoing increases in healthcare and other

GENERAL BENEFITS FUND

benefit costs are an important factor in labor negotiations; staff will continue to monitor labor negotiations and align budgeted funds as necessary.

Consistent with the Fiscal Year 2018 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 contracted at a blended rate, they are the same regardless of age or active versus retired status, with the exception of Medicare premiums. Despite the contractually blended rate, 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 and identified as a retiree medical cost. In Fiscal Year 2019, the City's 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 \$2.2 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 Actuarial Determined Contribution (ADC) for Retiree Healthcare in the Retiree Health Benefits Fund. Additional discussion of Retiree Healthcare costs and the ADC are located in the Retiree Health Benefits Fund section of this document.

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Healthcare | 17,697,809 | 18,249,553 | 18,845,038 | 19,104,761 | 259,723 | 1.4% |
| Other Benefits | 613,967 | 609,884 | 1,090,740 | 1,118,506 | 27,767 | 2.5% |
| Pension | 26,076,879 | 28,812,075 | 39,304,074 | 41,435,938 | 2,131,864 | 5.4% |
| Salary | 513,382 | 279,010 | 23,422 | 24,571 | 1,148 | 4.9% |
| Total Salary & Benefits | 44,902,036 | 47,950,521 | 59,263,275 | 61,683,776 | 2,420,501 | 4.1% |
| Contract Services | 172,858 | 128,773 | 215,200 | 220,795 | 5,595 | 2.6% |
| General Expense | 150 | (196) | — | — | — | —% |
| Operating Transfers-Out | 2,102,000 | 2,203,000 | 2,411,030 | 2,197,000 | (214,030) | (8.9)% |
| Total Dollars by Expense Category | 47,177,044 | 50,282,099 | 61,889,505 | 64,101,571 | 2,212,067 | 3.6% |
| Revenues | | | | | | |
| Charges for Services | 12 | 485 | — | — | — | —% |
| Operating Transfers-In | — | 2,055,000 | 1,427,044 | 1,991,729 | 564,684 | 39.6% |
| Other Revenue | 46,924,554 | 52,322,332 | 59,733,098 | 61,361,570 | 1,628,472 | 2.7% |
| Return on Investments | 63,865 | 50,385 | 15,765 | 16,175 | 410 | 2.6% |
| Total Revenues | 46,988,431 | 54,428,202 | 61,175,907 | 63,369,473 | 2,193,566 | 3.6% |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net |
|--|-------------|-------------------|-------------------|----------------|
| Prior Year Budget | 0.48 | 61,889,505 | 61,175,907 | 713,598 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Salary and Benefits | — | 1,166 | — | 1,166 |
| Citywide Pension | — | 1,567,179 | — | 1,567,179 |
| Implied Subsidy Transfer to the Retiree Healthcare Fund | — | (214,030) | — | (214,030) |
| Citywide Dental Insurance | — | (229,958) | — | (229,958) |
| Citywide Healthcare Insurance | — | 488,398 | — | 488,398 |
| Citywide Vision Insurance | — | 1,283 | — | 1,283 |
| PARs Contributions and Expenses | — | 564,685 | 564,684 | 1 |
| Department Charges for General Benefits | — | — | 1,628,472 | (1,628,472) |
| Return on Investments | — | — | 410 | (410) |
| Administrative Costs | — | 8,343 | — | 8,343 |
| Commuter Program (CMR #8265, Approved on December 4, 2017) | — | 25,000 | — | 25,000 |
| Adjustments to Costs of Ongoing Activities | — | 2,212,066 | 2,193,566 | 18,500 |
| Total FY 2019 Proposed Budget | 0.48 | 64,101,571 | 63,369,473 | 732,098 |

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 payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. The City's actuarial consultant, Bartel Associates, recently completed their June 30, 2017 actuarial study. This study captured investment gains for the Retiree Healthcare Trust Fund as of June 30, 2017, lowered the assumed investment returns from 7.25 percent to 6.75 percent, and restated the City's Fiscal Year 2019 annual Actuarial Determined Contribution (ADC). The City's ADC for FY 2019 is \$16.0 million, or a 5.5% decrease from FY 2018, representing the favorable performance of this Trust Fund and the positive impacts of the City's proactive funding.

The June 30, 2017 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 ADC includes both the normal cost for the plan for FY 2019 as well as the amortization towards the Unfunded Actuarial Accrued Liability (UAAL). According to the valuation as of June 30, 2017, approximately 34 percent of the UAAL is attributable to current active employees, and 66 percent is attributable to retirees. The City has established an irrevocable trust fund to account for assets accumulated to offset the retiree medical costs for current and future retirees. The annual ADC is fully funded in The City's General Fund, Enterprise Funds, and Other Funds. Respectively, the General Fund, Enterprise Funds, and Other Funds contribute 64 percent, 30 percent, and 6 percent of the ADC cost.

As stated above, the ADC assumed for the Fiscal Year 2019 budget is \$16.0 million. However, the charges to the City's funds are budgeted at \$13.8 million. The difference of \$2.2 million represents the City's implied subsidy for retiree healthcare. There is a requirement, first imposed in Fiscal Year 2017, 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 performed to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs. This difference is known as the 'implied subsidy'. In Fiscal Year 2019, 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 \$2.2 million, and a transfer from the General Benefits Fund of \$2.2 million to the Retiree Health Benefits Fund has been established. This transfer reflects the full payment of the City's annual ADC for Retiree Healthcare in the Retiree Health Benefits Fund.

RETIREE HEALTH BENEFIT FUND OVERVIEW

Budget Summary

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change \$ | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Dollars by Category | | | | | | |
| Salary & Benefits | | | | | | |
| Other Benefits | 71,237 | 66,286 | 60,000 | 61,560 | 1,560 | 2.6% |
| Retiree Medical | 14,372,057 | 16,365,000 | 16,938,000 | 15,997,000 | (941,000) | (5.6)% |
| Total Salary & Benefits | 14,443,294 | 16,431,286 | 16,998,000 | 16,058,560 | (939,440) | (5.5)% |
| Total Dollars by Expense Category | 14,443,294 | 16,431,286 | 16,998,000 | 16,058,560 | (939,440) | (5.5)% |
| Revenues | | | | | | |
| Operating Transfers-In | 2,102,000 | 2,203,000 | 2,411,030 | 2,197,000 | (214,030) | (8.9)% |
| Other Revenue | 12,343,188 | 13,808,255 | 14,526,970 | 13,800,000 | (726,970) | (5.0)% |
| Return on Investments | 69,922 | 73,868 | 57,700 | 59,200 | 1,500 | 2.6% |
| Total Revenues | 14,515,110 | 16,085,122 | 16,995,700 | 16,056,200 | (939,500) | (5.5)% |

Budget Reconciliation

| | Positions | Expenditures | Revenues | Net |
|---|-----------|-------------------|-------------------|--------------|
| Prior Year Budget | — | 16,998,000 | 16,995,700 | 2,300 |
| Adjustments to Costs of Ongoing Activities | | | | |
| Citywide Retiree Health Benefits Adjustment | — | (726,970) | (726,970) | — |
| Implied Subsidy Transfer from the General Benefits Fund | — | (214,030) | (214,030) | — |
| Administrative Costs | — | 1,560 | — | 1,560 |
| Return on Investments | — | — | 1,500 | (1,500) |
| Adjustments to Costs of Ongoing Activities | — | (939,440) | (939,500) | 60 |
| Total FY 2019 Proposed Budget | — | 16,058,560 | 16,056,200 | 2,360 |



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Table of Organization

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| General Fund | | | | | | |
| Administrative Services | | | | | | |
| Account Specialist | 4.95 | 5.88 | 4.88 | 4.63 | -0.25 | (5.12)% |
| Account Specialist-Lead | 4.59 | 4.05 | 3.05 | 3.45 | 0.40 | 13.11% |
| Accountant | 3.00 | 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 | 1.00 | 1.00 | 0.00 | 0.00% |
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Assistant Director Administrative Services | 1.75 | 1.65 | 1.65 | 1.65 | 0.00 | 0.00% |
| Buyer | 2.00 | 1.00 | 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 | 2.70 | 2.70 | 0.00 | 0.00% |
| Director Administrative Services/CFO | 0.70 | 0.80 | 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% |
| Management Analyst | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 0.00% |
| Manager Accounting | 1.00 | 1.00 | 1.00 | 0.00 | -1.00 | (100.00)% |
| Manager Budget | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | 100.00% |
| Manager Real Property | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Manager Revenue Collections | 0.70 | 0.62 | 0.62 | 0.62 | 0.00 | 0.00% |
| Manager Treasury, Debt & Investments | 1.00 | 0.60 | 0.60 | 0.60 | 0.00 | 0.00% |
| Manager, Finance | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 0.00% |
| Payroll Analyst | 2.00 | 2.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Principal Management Analyst | 0.00 | 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Senior Management Analyst | 4.20 | 4.90 | 4.90 | 2.30 | -2.60 | (53.06)% |
| Storekeeper | 0.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Storekeeper-Lead | 1.00 | 0.20 | 0.20 | 0.20 | 0.00 | 0.00% |
| Warehouse Supervisor | 0.50 | 0.20 | 0.20 | 0.20 | 0.00 | 0.00% |
| Total Administrative Services | 38.09 | 38.60 | 38.60 | 38.15 | -0.45 | (1.17)% |
| City Attorney | | | | | | |
| Assistant City Attorney | 1.00 | 1.00 | 3.00 | 3.00 | 0.00 | 0.00% |
| Chief Assistant City Attorney | 0.00 | 0.00 | 1.00 | 1.00 | 0.00 | 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 | 1.00 | 1.00 | 0.00 | 0.00% |
| Legal Fellow | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |

TABLE OF ORGANIZATION

Table of Organization

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Legal Services Administrator | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Principal Attorney | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Secretary to City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Senior Assistant City Attorney | 2.00 | 2.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Deputy City Attorney | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Legal Secretary | 1.00 | 1.00 | 1.00 | 0.00 | -1.00 | (100.00)% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Total City Attorney | 11.00 | 11.00 | 11.00 | 10.00 | -1.00 | (9.09)% |
| City Auditor | | | | | | |
| Administrative Assistant | 0.00 | 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Performance Auditor I | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Performance Auditor II | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | 100.00% |
| Senior Performance Auditor | 2.00 | 2.00 | 2.00 | 1.00 | -1.00 | (50.00)% |
| Total City Auditor | 5.00 | 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 | 0.00 | -0.75 | (100.00)% |
| Total City Clerk | 5.75 | 5.75 | 5.75 | 5.00 | -0.75 | (13.04)% |
| 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 | 0.00 | 0.00 | 0.00 | 0.00% |
| Assistant City Manager/Utilities General Manager | 0.00 | 0.00 | 0.25 | 0.25 | 0.00 | 0.00% |
| Assistant to the City Manager | 0.00 | 0.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Chief Communications Officer | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Chief Sustainability Officer | 0.00 | 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 | 2.00 | 2.00 | 0.00 | 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 | 0.00 | 0.00 | 0.00 | 0.00% |

Table of Organization

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Total City Manager | 9.00 | 9.00 | 10.25 | 10.25 | 0.00 | 0.00% |
| Community Services | | | | | | |
| 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 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 | 3.00 | -1.00 | (25.00)% |
| 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 | 3.60 | 3.60 | 0.00 | 0.00% |
| 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 | 4.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Manager Human Services | 1.00 | 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 | 12.50 | 12.50 | 11.00 | 11.00 | 0.00 | 0.00% |
| Program Assistant I | 7.00 | 8.00 | 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 | 0.10 | 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 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Theater Specialist | 1.00 | 1.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Volunteer Coordinator | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Total Community Services | 77.42 | 78.42 | 78.77 | 77.77 | -1.00 | (1.27)% |
| Development Services | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Administrative Associate II | 3.02 | 3.00 | 3.00 | 2.80 | -0.20 | (6.67)% |

TABLE OF ORGANIZATION

Table of Organization

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Administrative Associate III | 1.01 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Assistant Chief Building Official | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Assistant Director Public Works | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Associate Engineer | 0.16 | 0.02 | 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 | 4.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Building/Planning Technician | 1.80 | 2.30 | 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 | 0.00 | 0.00 | 0.01 | 0.01 | 0.00% |
| Code Enforcement Officer | 0.40 | 0.40 | 0.40 | 0.40 | 0.00 | 0.00% |
| Code Enforcement-Lead | 0.20 | 0.20 | 0.20 | 0.20 | 0.00 | 0.00% |
| Deputy Chief/Fire Marshal | 0.85 | 0.80 | 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 | 0.64 | 0.64 | 0.64 | 0.00 | 0.00% |
| Engineering Technician III | 2.10 | 1.78 | 1.78 | 1.78 | 0.00 | 0.00% |
| Fire Fighter | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Fire Inspector | 4.00 | 3.20 | 3.20 | 3.20 | 0.00 | 0.00% |
| Hazardous Materials Inspector | 1.90 | 1.60 | 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 | 0.35 | 0.35 | 0.35 | 0.00 | 0.00% |
| Inspector, Field Services | 0.70 | 0.68 | 0.68 | 0.68 | 0.00 | 0.00% |
| Landscape Architect Park Planner | 0.00 | 0.00 | 0.00 | 0.50 | 0.50 | 0.00% |
| Management Analyst | 1.01 | 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 | 2.00 | 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Planner | 0.25 | 0.17 | 0.17 | 0.15 | -0.02 | (11.76)% |
| Planning Arborist | 0.25 | 0.25 | 0.29 | 0.00 | -0.29 | (100.00)% |
| Plans Check Engineer | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Project Engineer | 0.13 | 0.03 | 0.03 | 0.03 | 0.00 | 0.00% |
| Project Manager | 0.07 | 0.07 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Engineer | 0.68 | 0.46 | 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 | 0.36 | 0.24 | 0.24 | 0.25 | 0.01 | 4.17% |

Table of Organization

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Senior Technologist | 0.00 | 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Total Development Services | 39.32 | 36.53 | 36.50 | 36.51 | 0.01 | 0.03% |
| Fire | | | | | | |
| 40-Hour Training Battalion Chief | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| 40-Hour Training Captain | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Administrative Associate II | 2.00 | 2.00 | 2.00 | 2.20 | 0.20 | 10.00% |
| 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 | 0.05 | 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 | 26.00 | -4.00 | (13.33)% |
| Fire Captain | 21.00 | 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 | 41.00 | 41.00 | 34.00 | -7.00 | (17.07)% |
| Fire Inspector | 0.00 | 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% |
| Hazardous Materials Inspector | 0.00 | 0.30 | 0.30 | 0.30 | 0.00 | 0.00% |
| Police Chief | 0.00 | 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 | 106.50 | 108.65 | 108.65 | 97.85 | -10.80 | (9.94)% |
| Human Resources | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Human Resources Representative | 2.00 | 2.00 | 3.00 | 3.00 | 0.00 | 0.00% |
| Human Resources Technician | 4.00 | 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% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Senior Human Resources Administrator | 4.00 | 4.00 | 3.00 | 3.00 | 0.00 | 0.00% |
| Senior Management Analyst | 1.00 | 1.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Total Human Resources | 16.00 | 16.00 | 16.00 | 16.00 | 0.00 | 0.00% |

Library

| | | | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Administrative Assistant | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Administrative Associate III | 0.00 | 0.00 | 1.00 | 1.00 | 0.00 | 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 | 7.00 | 7.00 | 7.00 | 7.00 | 0.00 | 0.00% |
| Library Assistant | 0.00 | 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 | 12.50 | 12.50 | 12.50 | 11.50 | -1.00 | (8.00)% |
| Management Analyst | 0.00 | 0.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Management Assistant | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Manager Library Services | 4.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Senior Librarian | 8.50 | 9.00 | 9.00 | 9.00 | 0.00 | 0.00% |
| Supervising Librarian | 2.00 | 2.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Total Library | 48.00 | 48.50 | 48.50 | 47.50 | -1.00 | (2.06)% |

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 | 0.00 | -1.00 | (100.00)% |
| Program Assistant II | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 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 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Management Analyst | 0.00 | 0.00 | 0.00 | 0.75 | 0.75 | 0.00% |
| Total Office of Sustainability | 1.00 | 1.00 | 1.00 | 1.75 | 0.75 | 75.00% |

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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |

Table of Organization

| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Administrative Associate III | 2.00 | 3.00 | 3.00 | 2.59 | -0.41 | (13.67)% |
| Assistant Director PCE | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Associate Engineer | 1.00 | 1.00 | 0.73 | 0.65 | -0.08 | (10.96)% |
| Associate Planner | 0.10 | 0.10 | 0.10 | 0.37 | 0.27 | 270.00% |
| Building/Planning Technician | 0.20 | 0.70 | 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 | 1.00 | 1.00 | 0.99 | -0.01 | (1.00)% |
| Chief Transportation Official | 0.50 | 0.70 | 0.43 | 0.64 | 0.21 | 48.84% |
| Code Enforcement Officer | 1.60 | 1.60 | 1.60 | 1.60 | 0.00 | 0.00% |
| Code Enforcement-Lead | 0.80 | 0.80 | 0.80 | 0.80 | 0.00 | 0.00% |
| Coordinator Transportation Systems Management | 0.85 | 0.60 | 0.88 | 0.74 | -0.14 | (15.91)% |
| Director Planning/Community Environment | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Management Analyst | 0.40 | 0.88 | 0.98 | 0.80 | -0.18 | (18.37)% |
| Manager Planning | 2.00 | 2.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Parking Operations-Lead | 0.30 | 0.20 | 0.00 | 0.10 | 0.10 | 0.00% |
| Planner | 3.00 | 3.83 | 3.83 | 3.85 | 0.02 | 0.52% |
| Program Assistant II | 0.00 | 0.35 | 0.60 | 0.00 | -0.60 | (100.00)% |
| Project Engineer | 1.65 | 1.15 | 0.50 | 0.80 | 0.30 | 60.00% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 0.88 | -0.12 | (12.00)% |
| Senior Planner | 7.64 | 6.70 | 6.51 | 6.63 | 0.12 | 1.84% |
| Senior Project Engineer | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Traffic Engineering-Lead | 1.00 | 0.10 | 0.38 | 0.65 | 0.27 | 71.05% |
| Transportation Planning Manager | 0.20 | 0.85 | 0.20 | 0.41 | 0.21 | 105.00% |
| Total Planning and Community Environment | 31.04 | 31.56 | 30.24 | 30.20 | -0.04 | (0.13)% |

Police

| | | | | | | |
|-------------------------------|------|------|------|------|------|-------|
| Administrative Assistant | 1.00 | 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 | 1.00 | 1.00 | 0.00 | 0.00% |
| Communications Technician | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Community Service Officer | 8.50 | 8.50 | 7.50 | 7.50 | 0.00 | 0.00% |
| Court Liaison Officer | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| 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% |
| 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 | 1.00 | 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 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Public Safety Dispatcher | 0.00 | 16.00 | 16.00 | 16.00 | 0.00 | 0.00% |
| Public Safety Dispatcher I | 2.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Public Safety Dispatcher II | 14.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Public Safety Dispatcher-Lead | 4.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Public Safety Manager I | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Public Safety Manager II | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Public Safety Program Manager | 2.00 | 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 | 155.00 | 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 | 2.65 | 2.65 | 2.65 | 0.00 | 0.00% |
| Administrative Associate III | 0.00 | 0.01 | 0.01 | 0.01 | 0.00 | 0.00% |
| Assistant Director Public Works | 0.85 | 0.87 | 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 | 0.00 | -1.00 | (100.00)% |
| Building Serviceperson-Lead | 1.80 | 1.80 | 1.00 | 1.00 | 0.00 | 0.00% |
| Cement Finisher | 3.00 | 3.00 | 3.00 | 2.00 | -1.00 | (33.33)% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|-------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Cement Finisher-Lead | 0.26 | 0.26 | 0.26 | 0.26 | 0.00 | 0.00% |
| Coordinator Public Works Projects | 1.00 | 0.50 | 1.50 | 1.50 | 0.00 | 0.00% |
| Director Public Works/City Engineer | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Electrician | 0.80 | 0.80 | 0.80 | 0.80 | 0.00 | 0.00% |
| Engineer | 0.40 | 0.66 | 0.66 | 0.66 | 0.00 | 0.00% |
| Engineering Technician III | 1.20 | 1.47 | 1.47 | 1.47 | 0.00 | 0.00% |
| Equipment Operator | 3.46 | 3.46 | 3.46 | 2.46 | -1.00 | (28.90)% |
| 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 | 0.00 | 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 | 5.55 | 4.05 | 4.05 | 0.00 | 0.00% |
| Heavy Equipment Operator | 2.33 | 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 | 0.10 | 0.11 | 0.11 | 0.11 | 0.00 | 0.00% |
| Landscape Architect Park Planner | 0.10 | 0.10 | 0.10 | 0.60 | 0.50 | 500.00% |
| Management Analyst | 0.70 | 0.70 | 0.70 | 0.70 | 0.00 | 0.00% |
| Manager Facilities | 0.90 | 0.90 | 0.90 | 0.90 | 0.00 | 0.00% |
| Manager Maintenance Operations | 1.20 | 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 | 0.05 | 0.05 | 0.05 | 0.00 | 0.00% |
| Planning Arborist | 0.75 | 0.75 | 0.71 | 0.00 | -0.71 | (100.00)% |
| Project Engineer | 0.40 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00% |
| Project Manager | 1.93 | 2.58 | 2.65 | 2.65 | 0.00 | 0.00% |
| Senior Engineer | 0.57 | 0.79 | 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 | 0.10 | 0.10 | 0.10 | 0.10 | 0.00 | 0.00% |
| Surveyor, Public Works | 0.10 | 0.33 | 0.33 | 0.33 | 0.00 | 0.00% |
| Traffic Controller Maintainer-Lead | 0.00 | 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 | 54.59 | 55.93 | 54.66 | 51.45 | -3.21 | (5.87)% |
| Total General Fund | 600.71 | 603.94 | 602.92 | 585.43 | -17.49 | (2.90)% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|---------------------------------------|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Enterprise Fund | | | | | | |
| Public Works | | | | | | |
| Account Specialist | 0.45 | 0.30 | 0.30 | 0.30 | 0.00 | 0.00% |
| Accountant | 0.40 | 0.40 | 0.40 | 0.40 | 0.00 | 0.00% |
| 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 | 1.99 | 2.99 | 2.99 | 0.00 | 0.00% |
| Business Analyst | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Buyer | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Chemist | 3.00 | 3.00 | 3.00 | 3.00 | 0.00 | 0.00% |
| Chief Sustainability Officer | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Coordinator Public Works Projects | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Deputy Chief/Fire Marshal | 0.07 | 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 | 0.90 | 0.90 | 0.90 | 0.00 | 0.00% |
| Engineering Technician III | 0.20 | 0.25 | 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Facilities Technician | 0.00 | 0.00 | 1.50 | 1.50 | 0.00 | 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 | 1.15 | 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Management Analyst | 1.30 | 2.30 | 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 | 4.90 | 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 | 1.96 | 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% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Manager Watershed Protection | 0.95 | 0.95 | 0.95 | 0.95 | 0.00 | 0.00% |
| Plant Mechanic | 0.00 | 7.00 | 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% |
| Project Engineer | 1.83 | 1.83 | 1.83 | 1.83 | 0.00 | 0.00% |
| Project Manager | 0.35 | 1.35 | 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 | 1.00 | 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 | 3.76 | 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 | 1.00 | 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 | 1.00 | 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 | 0.35 | 0.12 | 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Total Public Works | 95.12 | 98.69 | 101.19 | 101.19 | 0.00 | 0.00% |
| | | | | | | |
| Utilities | | | | | | |
| Account Specialist | 2.55 | 1.70 | 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 | 7.00 | 7.00 | 0.00 | 0.00% |
| Assistant City Manager/Utilities General Manager | 0.00 | 0.00 | 0.75 | 0.75 | 0.00 | 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% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Associate Engineer | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Business Analyst | 7.00 | 7.00 | 7.00 | 6.00 | -1.00 | (14.29)% |
| 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% |
| Cement Finisher | 1.00 | 1.00 | 2.00 | 2.00 | 0.00 | 0.00% |
| Chief Sustainability Officer | 0.00 | 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 | 6.00 | 6.00 | 6.00 | 0.00 | 0.00% |
| Customer Service Representative | 6.00 | 6.00 | 7.00 | 7.00 | 0.00 | 0.00% |
| 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 | 1.00 | 1.00 | 0.00 | 0.00% |
| Director Administrative Services/CFO | 0.20 | 0.20 | 0.20 | 0.20 | 0.00 | 0.00% |
| Director Utilities | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Electrician Assistant I | 4.00 | 3.00 | 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 | 5.00 | 3.00 | 3.00 | 0.00 | 0.00% |
| Equipment Operator | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Gas and Water Meter Measurement and Control Technician | 0.00 | 0.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Gas and Water Meter Measurement and Control Technician - Lead | 0.00 | 0.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Gas System Technician | 2.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Gas System Technician II | 1.00 | 3.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Hazardous Materials Inspector | 0.06 | 0.06 | 0.06 | 0.06 | 0.00 | 0.00% |
| Heavy Equipment Operator | 8.70 | 6.70 | 6.70 | 6.70 | 0.00 | 0.00% |
| Heavy Equipment Operator - Install/ Repair | 0.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Industrial Waste Investigator | 0.00 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00% |
| Inspector, Field Services | 4.00 | 5.00 | 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% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Manager Communications | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Manager Customer Service | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Manager Customer Service and Meter Reading | 0.00 | 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% |
| Manager Treasury, Debt & Investments | 0.00 | 0.40 | 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 | 0.00 | 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Manager Utilities Strategic Business | 0.00 | 1.00 | 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 | 0.00 | 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 | 0.00 | 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 | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Principal Management Analyst | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Program Assistant I | 2.50 | 2.50 | 1.50 | 1.50 | 0.00 | 0.00% |
| 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 | 6.00 | 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 | 3.00 | 1.00 | 50.00% |
| Senior Deputy City Attorney | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Electrical Engineer | 4.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Senior Engineer | 5.00 | 5.00 | 5.00 | 5.00 | 0.00 | 0.00% |
| Senior Management Analyst | 2.40 | 0.70 | 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 | 0.00 | 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% |

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|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Senior Technologist | 0.00 | 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Storekeeper-Lead | 0.00 | 0.80 | 0.80 | 0.80 | 0.00 | 0.00% |
| Street Light, Traffic Signal & Fiber Technician | 5.00 | 5.00 | 5.00 | 5.00 | 0.00 | 0.00% |
| Street Light, Traffic Signal & Fiber Technician Apprentice | 0.00 | 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 | 0.00 | 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 | 1.00 | 1.00 | 0.00 | 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 | 10.00 | 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 | 3.00 | 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 | 12.00 | 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 | 1.00 | 1.00 | 0.00 | 0.00% |
| Warehouse Supervisor | 0.50 | 0.80 | 0.80 | 0.80 | 0.00 | 0.00% |
| Water Meter Cross Connection Technician | 2.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Water System Operator I | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|--|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Water System Operator II | 4.00 | 4.00 | 4.00 | 4.00 | 0.00 | 0.00% |
| Total Utilities | 255.97 | 254.92 | 256.67 | 256.67 | 0.00 | 0.00% |
| Total Enterprise Fund | 351.09 | 353.61 | 357.86 | 357.86 | 0.00 | 0.00% |
| 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 | 1.09 | 0.20 | 22.47% |
| Assistant Director Public Works | 0.58 | 0.58 | 0.58 | 0.58 | 0.00 | 0.00% |
| Associate Engineer | 2.69 | 2.69 | 2.96 | 3.04 | 0.08 | 2.70% |
| Associate Planner | 0.00 | 0.00 | 0.00 | 0.31 | 0.31 | 0.00% |
| Cement Finisher | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Cement Finisher-Lead | 0.74 | 0.74 | 0.74 | 0.74 | 0.00 | 0.00% |
| Chief Transportation Official | 0.50 | 0.30 | 0.52 | 0.36 | -0.16 | (30.77)% |
| Contracts Administrator | 0.60 | 0.60 | 0.60 | 0.60 | 0.00 | 0.00% |
| Coordinator Public Works Projects | 1.00 | 1.50 | 1.30 | 1.30 | 0.00 | 0.00% |
| Coordinator Transportation Systems Management | 0.15 | 0.90 | 0.62 | 0.76 | 0.14 | 22.58% |
| Engineer | 2.98 | 2.80 | 2.80 | 2.80 | 0.00 | 0.00% |
| Engineering Technician III | 0.50 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00% |
| Facilities Technician | 0.00 | 0.00 | 1.50 | 1.50 | 0.00 | 0.00% |
| Heavy Equipment Operator | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Inspector, Field Services | 1.20 | 1.21 | 1.21 | 1.21 | 0.00 | 0.00% |
| Landscape Architect Park Planner | 0.90 | 0.90 | 0.90 | 0.90 | 0.00 | 0.00% |
| Management Analyst | 1.39 | 0.89 | 0.79 | 0.82 | 0.03 | 3.80% |
| Manager Facilities | 0.10 | 0.10 | 0.10 | 0.10 | 0.00 | 0.00% |
| Manager Maintenance Operations | 1.65 | 0.65 | 0.65 | 0.65 | 0.00 | 0.00% |
| Parking Operations-Lead | 0.00 | 0.30 | 1.00 | 0.35 | -0.65 | (65.00)% |
| Program Assistant I | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Program Assistant II | 0.00 | 0.20 | 0.40 | 0.00 | -0.40 | (100.00)% |
| Project Engineer | 4.99 | 6.49 | 7.14 | 6.84 | -0.30 | (4.20)% |
| Project Manager | 1.80 | 1.15 | 1.15 | 1.15 | 0.00 | 0.00% |
| Senior Engineer | 1.99 | 1.99 | 1.99 | 1.99 | 0.00 | 0.00% |
| Senior Management Analyst | 0.60 | 0.60 | 0.60 | 0.72 | 0.12 | 20.00% |
| Senior Planner | 0.00 | 0.70 | 0.85 | 0.72 | -0.13 | (15.29)% |
| Senior Project Engineer | 0.00 | 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 | 0.63 | 0.63 | 0.63 | 0.63 | 0.00 | 0.00% |
| Surveyor, Public Works | 0.55 | 0.55 | 0.55 | 0.55 | 0.00 | 0.00% |

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|---|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Traffic Engineering-Lead | 0.00 | 0.90 | 0.62 | 0.35 | -0.27 | (43.55)% |
| Transportation Planning Manager | 0.70 | 0.15 | 0.50 | 0.35 | -0.15 | (30.00)% |
| Total Capital Project Fund | 28.83 | 30.61 | 33.79 | 32.61 | -1.18 | (3.49)% |
| Printing and Mailing Services | | | | | | |
| Manager Revenue Collections | 0.10 | 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% |
| Senior Management Analyst | 0.00 | 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 | 1.62 | 1.62 | 1.87 | 0.25 | 15.43% |
| Account Specialist-Lead | 0.41 | 0.95 | 0.95 | 0.55 | -0.40 | (42.11)% |
| Administrative Associate II | 0.20 | 0.20 | 0.20 | 0.20 | 0.00 | 0.00% |
| Administrative Associate III | 0.00 | 0.00 | 0.00 | 0.21 | 0.21 | 0.00% |
| Associate Planner | 0.00 | 0.00 | 0.00 | 0.42 | 0.42 | 0.00% |
| Building Serviceperson-Lead | 0.20 | 0.20 | 0.00 | 0.00 | 0.00 | 0.00% |
| Chief Transportation Official | 0.00 | 0.00 | 0.05 | 0.00 | -0.05 | (100.00)% |
| Community Service Officer | 0.50 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00% |
| Coordinator Public Works Projects | 0.00 | 0.00 | 0.20 | 0.20 | 0.00 | 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 | 0.00 | 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 | 0.45 | 0.45 | 0.45 | 0.00 | 0.00% |
| Management Analyst | 0.00 | 0.02 | 0.02 | 0.17 | 0.15 | 750.00% |
| 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 | 0.20 | 0.28 | 0.28 | 0.28 | 0.00 | 0.00% |
| Parking Operations-Lead | 0.70 | 0.50 | 0.00 | 0.55 | 0.55 | 0.00% |
| Planner | 0.75 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Program Assistant II | 0.00 | 0.45 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Management Analyst | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Planner | 0.00 | 0.36 | 0.40 | 0.40 | 0.00 | 0.00% |
| Senior Project Engineer | 0.00 | 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 | 0.10 | 0.00 | 0.30 | 0.24 | -0.06 | (20.00)% |
| Total Special Revenue Funds | 9.22 | 9.69 | 9.13 | 10.20 | 1.07 | 11.72% |

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| | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted Budget | FY 2019 Proposed Budget | FY 2019 Change FTE | FY 2019 Change % |
|---|--------------------|--------------------|------------------------------|-------------------------------|--------------------------|---------------------|
| Technology Fund | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Assistant Director Administrative Services | 0.00 | 0.10 | 0.10 | 0.10 | 0.00 | 0.00% |
| Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Desktop Technician | 5.00 | 6.00 | 6.00 | 6.00 | 0.00 | 0.00% |
| Director Administrative Services/CFO | 0.10 | 0.00 | 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Manager Information Technology | 4.00 | 4.00 | 4.00 | 3.00 | -1.00 | (25.00)% |
| Manager Information Technology Security | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Principal Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Principal Management Analyst | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Senior Business Analyst | 2.00 | 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 | 15.00 | 16.00 | 17.00 | 18.00 | 1.00 | 5.88% |
| Technologist | 2.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| Total Technology Fund | 34.10 | 35.10 | 36.10 | 36.10 | 0.00 | 0.00% |
| 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 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |

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| Workers' Compensation Program Fund | | | | | | |
| Total Workers' Compensation Program Fund | 0.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00% |
| | | | | | | |
| Total Other Funds | 90.30 | 94.55 | 98.17 | 98.06 | -0.11 | (0.11)% |
| | | | | | | |
| Total Citywide Positions | 1,042.10 | 1,052.10 | 1,058.95 | 1,041.35 | -17.60 | (1.66)% |

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 2019 Budget assumes a BSR ending balance of \$41.0 million or 19.16 percent; this is \$1.4 million above the Council approved 18.5 percent target.

| | FY 2013 Actuals | FY 2014 Actuals | FY 2015 Actuals | FY 2016 Actuals | FY 2017 Actuals | FY 2018 Adopted | FY 2019 Proposed |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Ending BSR Balance (in millions) | \$30.4 | \$33.1 | \$48.2 | \$49.5 | \$48.1 | \$39.1 | \$41.0 |
| % of Total Expenses | 18.50% | 19.33% | 25.96% | 24.06% | 22.87% | 18.63% | 19.16% |

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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.

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 2018, 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. The City is currently moving forward with updates to ratings as part of the upcoming issuance of debt for the golf course remodel. 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 financial institutions (such as the Federal Reserve System) are monitored carefully to make prudent investments and assess the condition of the City’s portfolio.

FINANCIAL POLICIES

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.

In 2018, City staff is evaluating possible recommendations to the City Council for changes to the Investment Policy and other financial practices to encourage investments that support sound environmental, social, and governance (ESG) investing. This includes, encouraging investments in entities that support community well-being through safe and environmentally sound practices and fair labor practices and equality of rights. Also, administratively, staff doesn't invest in entities that manufacture tobacco products, firearms, or nuclear weapons and production and/or drilling of fossil fuels. Staff will be looking at making a recommendation to formalize this practice in the Investment Policy.

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 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.



CITY OF
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ALTO**

Americans with Disabilities Act



CITY OF
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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



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