At places memorandums:

- Palo Alto Transportation Management Association (PATMA) letter and corresponding budget adjustment (Item #3c)
- Additional information and corrections:
  - current crossing guard locations,
  - adjustments to municipal fees (inadvertent omission),
  - survey responses as of 5/11 @3pm

Survey Responses
Budget Survey

• Budget survey released on May 5, 2021

• Survey closes May 21 at 12 p.m.

• First summary of results received to date incorporated in the May 12 At-Places Finance Committee report

• Next summary will be provided as an At-Places for the May 17 Finance Committee Update at the Council Meeting
QUESTION 1
Please prioritize the following Citywide Service Areas.
1. Community/Library Services
2. Public Safety
3. Planning/Transportation
4. Strategic Support

QUESTION 2
From the list of FY 2021-22 Proposed Budget reductions listed below, please prioritize up to ten (10) items that are the most important to you to restore if funding becomes available. Ranking #1 means this item is your highest priority service to be restored, if additional funding is available.
1. Neighborhood Libraries and Maintain Distribution Services
2. Children's Theatre Operations and Production Staffing
3. Arts Center Operating Hours & Programming and Increase Fees
4. Sports and Recreation Programming and Increase Fees
5. Crossing Guard Services 50%
6. Police Patrol Staffing
7. Teen Center Operations and Use the Think Fund/Bryant Street Garage Fund
8. Investment in the City's Infrastructure Catch-up and Keep-up
9. Emergency Incident Response Services Brown Out (Fire Station 2)
10. Junior Museum and Zoo Marketing Resources

Summary Results May 4-May 11
• Total visitors: 673
• Total responses: 526
BUDGET SURVEY SUMMARY RESULTS

QUESTION 3
If you could balance the budget through alternative funding sources, how would you rank the following funding sources? Funds would be used to provide City services such as libraries, community services, and public safety.
Rank one (1) is the highest priority for use/pursuit.
1. Reduce City Reserves by 25%
2. Advance the 2nd Year American Rescue Program Act (ARPA) Funding set aside for FY 2022-23 in FY 2021-22
3. Reduce City Reserves by 10%
4. Establish a New Revenue (requires voter approval; e.g. a business tax or a charge on customer utility bills)
5. Increase an Existing Tax (requires voter approval)
6. Reduce City Reserves by 50%
7. Reduce City Reserves by 65%

- Question 4 is an open field, for general comments. Staff is still reviewing these comments
**‘PARKING LOT’ AS OF 5/12/21 AT 9 AM**

<table>
<thead>
<tr>
<th>Date</th>
<th>Finance Committee Adjustments to Budget*</th>
<th>FY 2022 GF</th>
<th>Dept</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance - ARPA Reserve</td>
<td>$ 3,192,580</td>
<td></td>
</tr>
<tr>
<td>11-May</td>
<td>Add Phase 4 Charleston/Arastradero Corridor Project in FY 2023 CIP plan +$3M; staff to provide options for offset</td>
<td>-</td>
<td>PWD</td>
</tr>
</tbody>
</table>

**Parking Lot Issues**

<table>
<thead>
<tr>
<th>Date</th>
<th>Parking Lot Issues</th>
<th>Amount (cost)/savings or</th>
<th>Dept</th>
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<tbody>
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<td>JMZ Ticket Pricing Analysis @ $10 entry</td>
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<td>Fire Bgt Adj: Emerg. Incident Brown Out (FS#22)</td>
<td>(709,000)</td>
<td>FIR</td>
</tr>
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</table>

Remaining: $ 3,192,580

**FY 2022 Council Contingency**

<table>
<thead>
<tr>
<th>Date</th>
<th>FY 2022 Council Contingency</th>
<th>FY 2022 GF</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-May</td>
<td>Beginning Balance</td>
<td>$ 125,000</td>
</tr>
</tbody>
</table>

Total: $ (2,676,400)

Budget Stabilization Reserve 6/30/21 est = $37.8M or @ 18.5% target (as of 5/11/21)
Council range is 15% to 20% of Adopted expenses, currently estimated at $205.6M

* Pending, the FY 2022 Proposed Budget assumes $1.6 million in General Fund savings from labor concessions. This cannot be achieved unilaterally and requires mutual agreement. If not achieved, alternative funding will need to be identified as outlined in the balancing strategy.
FOR CONSIDERATION: EXAMPLE BALANCING ADJUSTMENTS

**EXAMPLE**

<table>
<thead>
<tr>
<th>Finance Committee Adjustments to Budget*</th>
<th>FY 2022 GF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance - ARPA Reserve</td>
<td>$ 3,192,580</td>
</tr>
<tr>
<td>Revised ARPA Allocation ($1.2M over 24 months)</td>
<td>600,000</td>
</tr>
<tr>
<td>Budget Stabilization Reserve (maintain at ~17.3%)</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Restore FY 2022 Proposed Budget Adjustments</td>
<td>(4,000,000)</td>
</tr>
<tr>
<td>E.G. Equivalent of Police, Fire, Library, Community Services</td>
<td>(660,000)</td>
</tr>
<tr>
<td>Adjust New JMZ Fees from $18 to $12</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remaining: $ 1,132,580</td>
</tr>
</tbody>
</table>

*This presumes the City achieves labor concessions from all groups.*
COUNCIL POLICY PARAMETER ASSUMPTIONS

- Review of service delivery – City as primary provider or alternative service providers (i.e. non-profits)
- Use of alternative one-time funding sources (i.e. ARPA, SUMC, donations/fees)
  - Revised ARAP allocation, $13.7M
- Long Range Financial Forecast Scenario B
  - Preliminary Q3 revenue estimates
- Level and use of reserves (15-20% range)
- Debt Financing
- Proactive funding of long-term obligations

Preliminary Q3 Revenues, +$2M to $3.3M
Increase FY 2021 estimated BSR from $35.8M to $37.8M (roughly 18.5% target)
- Property Tax
- Sales Tax
- Transient Occupancy Tax
+ Documentary Transfer Tax
JOIN THE BUDGET CONVERSATION

Save the date on the following ways for the community to join the budget conversations:

- Finance Committee FY 2021-22 Budget Preview: May 4, At 2:00 P.M.
- Online Survey to be Released: May 5
- Budget Town Hall: FY 2021-22 Budget Discussion May 6, 6:00 P.M. – Recording Available
- Finance Committee Budget Hearings: May 11, 12, 25, All Hearings Begin At 9:00 A.M.
- Finance Committee Update at Council: May 17
- City Council Budget Adoption: June 21, at 5 P.M.
ITEM #2
FY 2022 PROPOSED BUDGET HEARINGS
COMMUNITY AND LIBRARY SERVICES
SERVICE AREA

Community Services & Library Departments
Ops Pg. 185 – 203, 245-253
## FY 2022 PROPOSED BUDGET SUMMARY

<table>
<thead>
<tr>
<th>Department</th>
<th>General Fund Revenue</th>
<th>General Fund Expenses</th>
<th>General Fund FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Services</td>
<td>$11,974,991</td>
<td>$28,987,248</td>
<td>103.72</td>
</tr>
<tr>
<td>Library</td>
<td>$116,116</td>
<td>$8,354,023</td>
<td>39.59</td>
</tr>
</tbody>
</table>
Balancing Strategy
Increase cost-recovery for some programs, pause programs/events with low cost-recovery or that promote gatherings, reduce operating hours or close some facilities, scale back or eliminate contracts

Major Proposed Changes in General Fund
- Reduce operating hours and programming at Art Center, Cubberley Artist Studio Program (CASP), and Baylands Interpretive Center (-$235,000)
- Increase fees and cost recovery levels, and recognition of revenue to offset teen service ($141,000 rev/-$55,000 exp)
- Restoration of Foothills Supervising Ranger and recognition of vehicle entry fee revenue ($343,000 rev/$150,000 exp)
- Reduce administrative and programmatic staffing (-$170,000)
- Reduce staff support for Cubberley and Children’s Theatre operations and productions (-$162,000)
- Decrease marketing funding for Enjoy! Catalogue and Junior Museum and Zoo (JMZ) (-$120,000)
FY 2022 DEPARTMENT OUTLOOK (COMM. SVC.)

- CSD will continue to offer recreation, theatre, and art classes and programs, striving for high cost-recovery levels
- Park, playground, and open space areas will be open and maintained for safety
- Programming and opportunities for teens will continue to be offered with some reductions
- The new JMZ will open with new animals and exhibits and improved accessibility
- CSD will continue collaborations with our nonprofit partners
- Funding for human services needs through HSRAP remains consistent with FY 2021 levels
FY 2022 BUDGET SUMMARY (LIBRARY)

Balancing Strategy
Eliminate service hours at 3 neighborhood Library branches. Adjust service delivery to focus on two full-service libraries open 6 days per week. Consolidate services to increase efficiency with available staffing resources, down from FY 2020 by 35% FTE, or 50% total number of positions.

Major Proposed Changes in General Fund
• Close all Neighborhood Library Branches, Downtown, Children’s (reduced from Full-Service to Neighborhood Branches in FY 2021), and College Terrace, to the public (-$532,000)
  • Up to 75% of the Children’s Library collection will be moved to nearby Rinconada Library
  • Customers can pick up holds at Rinconada and Mitchell Park Libraries or at Holds Machines/Library-on-Demand Vending Machines planned to be installed at Downtown and College Terrace Libraries
FY 2022 DEPARTMENT OUTLOOK (LIBRARY)

• The Library Services Department continues to nurture innovation, discovery and delight through connecting our diverse community through knowledge, resources and opportunities.

• Two libraries would remain open to support patrons.

• Programming will continue to be offered at approximately 50% of FY 2020 levels.

• Continue to provide technology and support for those seeking education and professional development in this time of economic crisis.
## SERVICE AREA SUMMARY

<table>
<thead>
<tr>
<th>Community &amp; Library Services Area</th>
<th>General Fund FY 2020 Adopted (Pre-Pandemic)</th>
<th>General Fund FY 2022 Proposed</th>
<th>% change</th>
<th>FY 2020 Adopted General Fund FTE (Pre-Pandemic)</th>
<th>FY 2022 Proposed General Fund FTE</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$41.2 M</td>
<td>$37.3 M</td>
<td>(9.4%)</td>
<td>186.19 FTE</td>
<td>143.31 FTE</td>
<td>(23.0%)</td>
</tr>
</tbody>
</table>
FY 2022 PROPOSED BUDGET HEARINGS

PLANNING & TRANSPORTATION SERVICES AREA

PLANNING & DEVELOPMENT SERVICES DEPARTMENT, OFFICE OF TRANSPORTATION, & SPECIAL REVENUE FUNDS

OPS PG. 87-106, 159-168, 263-276

May 12, 2021
## FY 2022 PROPOSED BUDGET SUMMARY (MAY 12)

<table>
<thead>
<tr>
<th>Department</th>
<th>General Fund Revenue</th>
<th>General Fund Expenses</th>
<th>General Fund FTE</th>
<th>All Funds Revenue</th>
<th>All Funds Expenses</th>
<th>All Funds FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning &amp; Development</td>
<td>$15,834,447</td>
<td>$17,527,059</td>
<td>54.96</td>
<td>$18,651,447</td>
<td>$17,893,612</td>
<td>55.84</td>
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<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Transportation</td>
<td>$201,332</td>
<td>$1,746,209</td>
<td>5.20</td>
<td>$4,539,885</td>
<td>$6,734,219</td>
<td>14.78</td>
</tr>
</tbody>
</table>
PLANNING & DEVELOPMENT SERVICES

OPERATING PG. 87-106, 263-276
FY 2022 BUDGET SUMMARY (PLANNING & DEVELOPMENT SERVICES)

Balancing Strategy
Assessing the resource needs for each program area and reducing service delivery models to maintain critical programming at minimal operational levels.

Major Proposed Changes in General Fund
• Current Planning Staffing Reduction (-$138,000)
• Planning Travel & Training Reduction (-$31,000)
• Data Analysis Resource Adjustment ($56,000)
• Development Services Inspection and Plan Check Support, offset by the Development Services reserve for prior year works in progress ($746,000)
FY 2022 DEPARTMENT OUTLOOK (PLANNING AND DEVELOPMENT SERVICES)

• Customer Service
  • Restore in person transactions
  • Strengthen online permit services / website
  • Implement a customer service feedback loop
  • Improve complaint responsiveness (pdsdirector@cityofpaloalto.org)

• Process Improvements
  • Revise and recommit to permit review times
  • Streamline and track energy permits (PV, ESS, EVCS, Hot Water Heat Pumps)
  • Strengthen Project Coordinator’s oversight of building permits

• Data Analysis
  • Integrate systems to allow comprehensive access to historical and current land and development information through the application process (Online Permitting Services, GIS and Accela)
  • Creation of the Land Use and Development Open Data portal
    • Access to critical City, County, Regional data impacting land use and development
FY 2022 BUDGET SUMMARY (OFFICE OF TRANSPORTATION)

Balancing Strategy
The Office of Transportation continues to pursue new revenue streams and shift resources in order to maintain service delivery of its core projects and programming.

Major Proposed Changes in General and Special Revenue Fund
• Decrease on-call engineering, traffic data and parking study consultant contracts (-$69,000)
• Dedicated grant funding reimbursement for .60 FTE Coordinator – Transportation Systems Management (-$60,000)
• Reduce support of local bicycle education and encouragement programming (-$46,000)
• Reduce travel, training, and membership expenses (-$25,000)
FY 2021 DEPARTMENT OUTLOOK (OFFICE OF TRANSPORTATION)

Focus available resources in the following major areas:

• Reduction of single-occupancy vehicle trips
• Parking management including garages and lots, on-street, and residential district parking in business districts
• Railroad crossing/grade separation planning and community engagement
• Monitor operational improvements and modifications of the transportation and traffic systems
• Continue Safe Routes to School educating families to safely walk, bicycle, bus, and carpool to school.
## SERVICE AREA SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>General Fund FY 2020 Adopted (Pre-Pandemic)</th>
<th>General Fund FY 2022 Proposed</th>
<th>% change</th>
<th>FY 2020 Adopted General Fund FTE (Pre-Pandemic)</th>
<th>FY 2022 Proposed General Fund FTE</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning &amp; Transportation Services</strong></td>
<td>$22.7 M</td>
<td>$19.3 M</td>
<td>(15.0%)</td>
<td>72.05</td>
<td>60.16</td>
<td>(16.5%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Other Funds FY 2020 Adopted (Pre-Pandemic)</th>
<th>Other Funds FY 2022 Proposed</th>
<th>% change</th>
<th>FY 2020 Adopted Other Funds FTE (Pre-Pandemic)</th>
<th>FY 2022 Proposed Other Funds FTE</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning &amp; Transportation Services</strong></td>
<td>$7.2 M</td>
<td>$5.4 M</td>
<td>(26.0%)</td>
<td>11.39</td>
<td>10.46</td>
<td>(8.2%)</td>
</tr>
</tbody>
</table>
ITEM #4

FY 2022 PROPOSED BUDGET HEARINGS

FY 2022 Budget Hearing Continuation

May 12, 2021

www.cityofpaloalto.org/budget
### Finance Committee Adjustments to Budget*

<table>
<thead>
<tr>
<th>Date</th>
<th>FY 2022 GF</th>
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<tbody>
<tr>
<td>11-May</td>
<td>$ 3,192,580</td>
<td>PWD</td>
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### Parking Lot Issues

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<td>11-May</td>
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<td>POL</td>
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<td>(47,450)</td>
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<td>Fire Bgt Adj: Emerg. Incident Brown Out (FS#22)</td>
<td>(709,000)</td>
<td>FIR</td>
</tr>
<tr>
<td>12-May</td>
<td>Library Bgt Adj: Neighborhood Lib Closure</td>
<td>(544,918)</td>
<td>LIB</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Art Center Hours/Program/fees</td>
<td>(208,025)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Eliminate CSD Admin Support</td>
<td>(152,200)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Sports and Recreation Staffing</td>
<td>(38,202)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: (JMZ) Marketing Reduction</td>
<td>(50,000)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Cubberley Theater Admin</td>
<td>(94,123)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Children’s Theater Operations &amp; Production</td>
<td>(68,224)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Elim Baylands Interpretive Cntr Hrs</td>
<td>(15,321)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>CSD Bgt Adj: Elim Cubberley Artist Studio</td>
<td>(12,173)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>Add $125K to CSD at staff's discretion</td>
<td>(125,000)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>Establish Council Uncertainty Reserve</td>
<td>(500,000)</td>
<td>CSD</td>
</tr>
<tr>
<td>12-May</td>
<td>SRF Bgt Adj: TMA Funding</td>
<td>(350,000)</td>
<td>OOT</td>
</tr>
<tr>
<td>12-May</td>
<td>PDS Bgt Adj: curr planning staff</td>
<td>(138,146)</td>
<td>PDS</td>
</tr>
</tbody>
</table>

**Total:** $ (4,972,732)

### Council Contingency

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Council range is 15% to 20% of Adopted expenses, currently estimated at $205.6M
**TAX REVENUE UPDATE**

Mid-year projections approved by Council on March 1\(^\text{st}\) (CMR 11872, p. 17)

<table>
<thead>
<tr>
<th>Revenue &amp; Other Sources</th>
<th>Actual 2019</th>
<th>Actual 2020</th>
<th>Adopted 2021</th>
<th>Projected % chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Taxes</td>
<td>36,508</td>
<td>30,563</td>
<td>20,500</td>
<td>25,030 22.1%</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>47,327</td>
<td>51,089</td>
<td>52,000</td>
<td>53,173 2.3%</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>25,649</td>
<td>18,554</td>
<td>14,900</td>
<td>4,830 -67.6%</td>
</tr>
<tr>
<td>Documentary Transfer Tax</td>
<td>6,923</td>
<td>6,903</td>
<td>4,700</td>
<td>6,875 46.3%</td>
</tr>
<tr>
<td>Utility Users Tax</td>
<td>16,402</td>
<td>16,140</td>
<td>15,100</td>
<td>14,080 -6.8%</td>
</tr>
<tr>
<td>Other Taxes and Fines</td>
<td>1,888</td>
<td>1,172</td>
<td>1,925</td>
<td>392 -79.6%</td>
</tr>
</tbody>
</table>

Subtotal: Taxes 134,697 124,421 109,125 104,380 -4.3%

---

**Adjustments**

- Prelim. Q3 Adjustments:
  - Sales Taxes: +$1M to $1.5M
  - Property Taxes: -$0.5M to $0.8M
  - Transient Occupancy Tax: -$2.4M to $3M
ITEM #5

FY 2022 PROPOSED BUDGET HEARINGS
FY 2022 MUNICIPAL FEE SCHEDULE
Staff Report #12193
Background & Fee Adjustment Summary

❖ User Fee Cost Recovery Level Policy
  • Low: 0% to 30%
  • Medium: 30.1% to 70%
  • High*: 70.1% to 100.0%

*Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit to full cost recovery

❖ General Rate of Increase = 2.0%

❖ FY 2022 Proposed Municipal Fee Schedule Summary
  • 21 new fees
  • 28 deleted fees
  • 37 changed fees
New & Deleted Fees p. 3-7

❖ New Fees
• Rental Discount – 30% off basic rate (non-profit rate for all Cubberley theater rentals)
• Alarm Registration Fees – Municipal code amendment to definition of False Alarm
• Pre-Application Staff Consultation Fee – recover and offset staff costs for services

❖ Deleted Fees
• Animal Services Adoptions-Cockatiels (consolidated and merged into one fee)
• Overdue Materials-Link+ (obsolete, services no longer provided)
• Bicycle-Change of Ownership (obsolete, fee no longer required)
Changed Fees (Attachment A)

Examples of Changed Fees included in Attachment A

❖ Fee Study
  • Park, Community Center, and Library Development Impact Fee Justification Study (CMR 12163)

❖ Market value and service delivery model
  • Locker Rental and Synthetic Turf Field

❖ Cost recovery level
  • Utility Standards-Project Plan Set (Up to 25 sheets)
FY 2022 PROPOSED BUDGET HEARINGS
INFRASTRUCTURE AND ENVIRONMENT SERVICE AREA
Public Works & Utilities Departments
Ops Pg. 289-339 & 341-392
ITEM #6
www.cityofpaloalto.org/budget
## FY 2022 PROPOSED BUDGET SUMMARY (MAY 12)

<table>
<thead>
<tr>
<th>Department</th>
<th>General Fund Revenue</th>
<th>General Fund Expenses</th>
<th>General Fund FTE</th>
<th>All Funds Revenue</th>
<th>All Funds Expenses</th>
<th>All Funds FTE</th>
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<td>Utilities</td>
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<td>$286,905,078</td>
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FY 2022 BUDGET SUMMARY (UTILITIES – ELECTRIC)

Balancing Strategy
To achieve a second year of 0% rate increases, reserves will be drawn down to minimal guideline levels. Electric load is 10% lower compared to historical trends.

Major Proposed Changes in Electric Fund
- Reallocate 2.24 FTE from various utilities funds to Electric fund to support electrification, S/CAP and advanced metering infrastructure
- 5% rate increases in FY 2023 and 2024 to bring reserves back to target guidelines
- Electric will be required to drawdown ~ $15 M in supply, distribution and CIP reserves
- Additional contract expense for line crew until internally staffed
- Increased capital investment in the electric distribution system due to system age
FY 2022 DEPARTMENT OUTLOOK
(UTL – ELECTRIC)

• Potential low hydroelectric supply
• Expand education, communication and implementation of building electrification
• Citywide evaluation of electrical distribution system
• Test and pilot phases for advanced metering infrastructure project
FY 2022 BUDGET SUMMARY (UTILITIES – FIBER)

Balancing Strategy
FY 2022 CPI rate increase of 2.0% proposed for EDF-1 rate per contractual agreement. Majority of Fiber customers are on EDF-3 rates and unaffected by CPI increase. Fiber Fund reserves of approximately $37 M may be drawn for Fiber expansion efforts.

Major Proposed Changes in Fiber Fund
• Reallocate 0.20 FTE from Fiber to Electric Fund
• Pause Fiber Optics Network Rebuild CIP until the detailed engineering design of the fiber backbone and Fiber-to-the-Home (FTTH) distribution network is completed.
FY 2022 DEPARTMENT OUTLOOK (UTL – FIBER)

• Accelerate and complete community education and engagement of FTTH
• Conduct a residential and commercial broadband survey
• Develop a business plan and financing model for FTTH
• Explore joint trenching opportunities with other capital projects and abandoned infrastructure to reduce cost for FTTH
FY 2022 BUDGET SUMMARY (UTILITIES - GAS)

Balancing Strategy
The UAC and Finance Committee recommends 3% rate increase for FY 2022. Gas sales is 6% lower compared to historical trends.

Major Proposed Changes in Gas Fund
• Reallocate 0.26 FTE from Gas to Electric Fund
• 5% rate increases in FY 2023 through 2025 to bring reserves back to target guidelines
• Increase supply costs of $2.5M or 18%*(i.e. transmission, carbon offsets)
• Resume crossbore safety inspection program ($1.8M)
• Reduce $2M in Gas Main Replacement Project 24 to minimize rate increase
Balancing Strategy
The UAC and Finance Committee recommends 3% rate increase for FY 2022. Projected revenue loss of $0.9M in FY 2022 from commercial and restaurant due to pandemic.

Major Proposed Changes in Wastewater Collection Fund
- Reallocated 1.0 FTE to Electric
- 3% rate increase in FY 2023 and 5% annually in FY 2024 through FY 2026
- Regional Water Quality Control Plant needs rehabilitation (~ $310M) resulting in annual 7.9% increase in treatment costs
- Deferred Sewer Main Replacement CIPs by one year and reduced size of project by $1.6M to minimize rate increases
Balancing Strategy
No rate change is recommended in FY 2022. Operations reserves are above maximum guideline due to delays in capital improvement projects.

Major Proposed Changes in Water Fund
• Reallocate 0.78 FTE from Water to Electric Fund
• 5% rate increases in FY 2023 through 2026
• SFPUC projects an average water supply rate increase of 7% from FY 2023 through FY 2025
• Install back-up generators at emergency wells
• Replace or seismically rehabilitate three reservoirs
Balancing Strategy
The strategy evaluated the balance of in-house work, capital improvement program construction work, and contractor work to identify services that could be reduced in the short term without serious long-term consequences, including reduction of vacant positions.

Major Proposed Changes in General Fund
- Eliminate 3.46 FTE (Business Operations; Structures & Grounds; Traffic) (exp -$369,000)
- Shift cost of public restrooms in downtown area from General Fund to University Avenue Parking District Fund (Facilities) (exp -$198,000)
- Reduce contract services (Streets; Traffic) (exp -$65,000)
- Adjust revenues for encroachment permit fees (Engineering Services) (rev +$70,000)
FY 2022 DEPARTMENT OUTLOOK (PUBLIC WORKS)

• Facilities will continue to provide maintenance and custodial services for City Buildings emphasizing COVID-19 recovery, with longer response times and delays in completing some preventative maintenance.

• Traffic operations will continue to provide traffic control services, with reduced capacity for special events support.

• Sidewalks and Streets groups will work closely with the capital program to partially mitigate temporary reductions to capital projects.

• Work on the S/CAP will be a priority, with a department-level emphasis on planning for electrification of the Fleet and City Buildings.
FY 2022 BUDGET SUMMARY (PUBLIC WORKS – OTHER FUNDS)

Balancing Strategy
Reductions are not proposed for Public Works enterprise funds. Refuse Fund is not proposing a rate increase for FY 2022. A FY 2022 rate increase of 2% is proposed for the Stormwater Management Fund.

Major Proposed Changes in Enterprise and Internal Service Funds
- Eliminate 1.0 FTE in the Vehicle Replacement Fund (exp -$100,000)
- Reduce contract services for fueling in the Vehicle Replacement Fund (exp - $100,000)
- Add a part time General Laborer in the Airport Fund (exp +$31,000)
- Increase contract services for hangar door maintenance at the Airport (exp +$75,000)
FY 2022 DEPARTMENT OUTLOOK (PW-OTHER FUNDS)

• Fleet will continue to coordinate with departments to prioritize vehicle replacements in response to budget reductions

• Study of Fleet EV opportunities and charger infrastructure needs in progress and to be completed

• The Airport will complete the third and final phase of the Airport Apron project, utilizing a 100% FAA grant

• Initiatives to rebuild the RWQCP will continue with commencement of two significant capital projects.

• The first of the 13 high priority Stormwater Management projects is complete, with the next 3 completing design
<table>
<thead>
<tr>
<th>Infrastructure &amp; Environment</th>
<th>FY 2020 Adopted General Fund (Pre-Pandemic)</th>
<th>FY 2022 Proposed General Fund</th>
<th>% change</th>
<th>FY 2020 Adopted General Fund FTE (Pre-Pandemic)</th>
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<tr>
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<th>FY 2020 Adopted Other Funds (Pre-Pandemic)</th>
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<th>FY 2020 Adopted Other Funds FTE (Pre-Pandemic)</th>
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FY 2022 PROPOSED BUDGET HEARINGS

INTERNAL SERVICE DEPARTMENTS, COUNCIL APPOINTED OFFICERS, & NON-DEPARTMENTAL

OPS PG. 119-183, 235-244, 393-400

ITEM #7

May 12, 2021

www.cityofpaloalto.org/budget
<table>
<thead>
<tr>
<th>Department</th>
<th>General Fund Revenue</th>
<th>General Fund Expenses</th>
<th>General Fund FTE</th>
<th>All Funds Revenue</th>
<th>All Funds Expenses</th>
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FY 2022 BUDGET SUMMARY (ADMINISTRATIVE SERVICES)

Balancing Strategy
Maintain work and required financial reporting. Reorganize and restructure areas such as accounting, procurement, and revenue collections in order to share resources working to minimize impacts and delays to City processes in accounting, procurement, and revenue collections.

Major Proposed Changes in General Fund
• Administrative programming and vehicle maintenance reductions (-$102,000)
• Credit card surcharge implementation (+$50,000 rev)
• Procurement staff realignment (-$49,000)
• Revenue collections staffing reduction (-$30,000)
FY 2022 DEPARTMENT OUTLOOK (ASD)

- Quarterly financial and investment reporting, the Annual Financial Report, and the annual budget process will continue such as the Long Range Financial Report, Mid-Year Budget review, and budget adoption.
- Redeploying staff and balancing delays in processing timeline with internal control risk such as changes in purchasing and payment processing.
- Continue to process biweekly payroll for all City employees
- Property management, treasury services, and warehouse management will continue
- Revenue collections will continue in a modified format
Balancing Strategy
Human Resources does not plan to eliminate or discontinue services, given the nature of the work, the balancing strategy will require reductions in personnel hours and redistributing resources into critical programs to meet operational needs.

Major Proposed Changes in General Fund
• Reduce staff resources ($-230,000)
FY 2022 DEPARTMENT OUTLOOK (HR)

• Guiding and supporting workforce safety and health through COVID-19 and shelter-in-place orders.

• Implementing Federal Families First legislation

• Implementing workforce reductions, leading safe return-to-work strategies, meeting legal obligations related to unions, and assisting with organizational issues related to the budget and ongoing pandemic.

• Continue HR strategies focused on new employee orientation, staffing and recruitment management, talent and skill development, performance assessments, safety and wellness programs; and to support employee relations, compensation, job classification, risk management, and organization development
Balancing Strategy
Positioning the department for operational efficiency by reducing overlapping responsibilities and span of control

Major Proposed Changes in the Information Technology Fund
• Reduction of Technology Project Management and Enterprise Staffing (-$658,000)
• Cyber Security Staffing Consolidation; reduction of IT Security Manager and Restoration of Chief Information Officer (CIO) ($75,000)
FY 2022 DEPARTMENT OUTLOOK (IT)

• Continue with the implementation of
  • ERP (Enterprise Resource Planning) Upgrade (Phase 2)
  • GIS (Geographic Information System) Modernization
  • Council Chambers Audio Visual and ADA Upgrades
  • Cybersecurity Strategic Plan

• Provide a broad range of high-quality technology-related solutions to employees, departments, council members, and the community; support and improve essential technology infrastructure
Balancing Strategy
City Attorney’s Office has recognized one-time salary savings in order to restore staffing and continuing education to necessary levels. This will allow the department to function effectively and fulfill essential duties.

Major Proposed Changes in General Fund
• Restore 0.5 FTE Legal Fellow position and funding for minimum travel and training needed ($92,000)
• Recognize one-time savings from underfilling 1.00 FTE Assistant City Attorney with the equivalent of 1.00 FTE Deputy City Attorney (-$92,000)
FY 2022 DEPARTMENT OUTLOOK (ATTORNEY)

- Continue to provide legal support and services to the City Council, City Manager and departments.
- The Attorney’s Office will focus on new priorities in the City government organization during the COVID-19 recovery phase.
Balancing Strategy
The City Auditor’s Office will realign services provided to the available budget. The balancing strategy may include a reduction of audit activities, a reduction of budget for ad hoc or other services, continuing to limit travel to reduce out of pocket expenses. The realignment of services to the available budget will be reflected in the FY22 audit plan as well as through future approval of Task Orders.

Major Proposed Changes in General Fund
• City Auditor Services Contract Reduction by -$75,000 (Baker Tilly Contract)
FY 2022 DEPARTMENT OUTLOOK (AUDITOR)

• Conduct audit activities in accordance with the Audit Plan approved in March 2021
• Perform the FY22 Risk Assessment and make updates to the Audit Plan as needed
• Assist in management of the FY21 financial audit, and manage the process to solicit proposals for the FY22 audit
• Begin audit follow up work on completed audit activities to ensure corrective actions are implemented
• Undergo a peer review by the Association of Local Government Auditors
**FY 2022 BUDGET SUMMARY (CITY CLERK’S OFFICE)**

**Balancing Strategy**

The City Clerk’s Office eliminated funding for transcription services to keep the department’s budget fiscally sustainable with minimal impacts to the community and other City departments. This balancing strategy realizes additional savings as it will result in the reduction of the amount of staffing required at each City Council and Standing Committee meetings, as well as the removal of minutes transcription review.

**Major Proposed Changes in General Fund**

- Meeting and Public Hearing Support Services Reduction (-$63,000)
FY 2022 DEPARTMENT OUTLOOK (CLERK)

- Continue to provide support and services to the City Council, staff and the community while working to maintain transparency and public participation in the legislative process.
- Focus on a successful transition back to City Hall for all Council and Standing Committee meetings.
- Successful administration of the November 2022 Election, which will include Council Members and potential initiatives, will be a major focus for the City Clerk’s Office.
Balancing Strategy
Maintain current service levels with minimal impacts to overall City finances.

Major Proposed Changes in General Fund
• None
FY 2022 DEPARTMENT OUTLOOK (CCO)

• The City Council will continue to provide leadership and management to the City government organization while working with the Council Appointed Officers Offices to maintain and enhance Palo Alto’s quality of life.

• Focus on current Council Priorities
  • Economic Recovery
  • Housing for Social and Economic Balance
  • Social Justice
  • Climate Change – Protection and Adaptation
Balancing Strategy

To balance the need to lower costs while still working to achieve current Council priorities and expectations for the organization, the CMO realigned services provided while also reducing expenses in staffing categories and contract expenses to keep the department’s budget balanced and fiscally sustainable.

Major Proposed Changes in General Fund

- Communications Staffing and Programming (-$73,000)
- Federal Lobbyist and National Citizen’s Survey (-$68,000)
FY 2022 DEPARTMENT OUTLOOK (CMO)

• The City Manager’s Office will continue to provide leadership and management to the City government organization while working with the City Council to maintain and enhance Palo Alto’s quality of life.

• The City Manager’s Office will focus on priorities that support residents, local businesses, and the City government organization during the COVID-19 recovery phase.

• Continue citywide strategic focus areas including legislative affairs, race and equity, business support and coordination, communications and community engagement, City 311 service request process review, sister city support, and other citywide efforts.
FY 2022 BUDGET SUMMARY (NON-DEPARTMENTAL)

Balancing Strategy

Non-Departmental includes things not associated with specific departments like the payments associated with the month-to-month Cubberley Lease to PAUSD and the Transfer to Infrastructure as well as contingencies for various departments.

Major Proposed Changes in General Fund

- Reserve: Utilities Transfer Litigation (Equity Transfer) ($8.4M)
- Reserve: Remaining American Recovery Plan Act Funding ($3.2M) excludes revised ARPA allocation
- Reserve: Strategic Investments ($0.8M)
- Reserve: Transition Costs for FY 2021 & 2022 Budget Implementation ($0.8M)
- Labor Concessions All Employee Groups (-$1.6M)
### SERVICE AREA SUMMARY

<table>
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<tr>
<th></th>
<th>General Fund FY 2020 Adopted (Pre-Pandemic)</th>
<th>General Fund FY 2022 Proposed</th>
<th>% change</th>
<th>FY 2020 Adopted General Funds FTE (Pre-Pandemic)</th>
<th>FY 2022 Proposed General Fund FTE</th>
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