



FINANCE COMMITTEE SUMMARY MINUTES

Special Meeting
May 11, 2022

The Finance Committee of the City of Palo Alto met on this date at the Community Meeting Room and via virtual teleconference at 9:00 A.M.

Present: DuBois (Chair), Filseth, Kou

Absent: None

ORAL COMMUNICATIONS

Ken Horowitz hoped that there would be further discussion of the Cubberley Community Center Redevelopment Proposal before the full Board. He was concerned that the feasibility study would not begin until 2026.

ACTION ITEMS

1) Fiscal Year 2022 Budget Hearing

Budget Manager Jessie Deschamps presented to the Finance Committee (Committee) the Fiscal Year (FY 2023) proposed operating and capital budgets. Staff will review the parking lot, Committee request for additional information, and items for follow-up anticipated to be transmitted with the wrap-up memo.

2) Community and Library Services

Budget Manager Jessie Deschamps reported the Community Services and Library Departments have an operating expense of \$42.9 million in FY 2023 Proposed Budget, which represents an increase of 7.3% over FY 2022 adopted budget. Staffing will increase overall by 8.6%. Community Services is responsible for approximately \$12.5 million in revenue and \$32.7 million in expenses, while the Library Department is responsible for estimated \$115,000 in revenue and \$10 million in expenditures.

a) Community Services

Community Services Director Kristen O'Kane clarified the Full Time Employee (FTE) includes hourly staff. The reinvestment strategy includes Community Services which will restore classes and programs, special events, and the

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summer concert series. The strategy will also seek to improve customer service by restoring operating hours and staffing at community centers, and increase resources for parks and open spaces throughout Palo Alto (City). Some major proposed changes in the General Fund include adding one Park Ranger in the Baylands Nature Preserve, restoration of a Program Assistant II at Lucie Stern, and Children's Theatre production and staffing restoration. Community Services Department (CSD) will strive to meet the community demand for recreation, theater, art and science classes, camps, and programs. Parks, playgrounds, and open space areas will be open with additional staff to maintain safety. Programming and opportunities for teens and youth mental health support will continue. Junior Museum and Zoo (JMZ) anticipates adding new animals, exhibits, and improvements to ticketing software. Collaborations with nonprofit partners and community-based organizations will continue, and opportunities to provide accessible programs for people with disabilities will be explored.

Chair DuBois commented the Key Performance Indicator (KPI) goal for online registration could be higher.

Ms. O'Kane acknowledged there was an increase during the pandemic. The one-on-one registration process appears to be preferred by many members of the community.

Chair DuBois believed one benefit of the pandemic was the ability to accomplish more online in a more cost-efficient manner, it is important to directly link goals to KPIs, and questioned if a staff of 125 would be considered full strength after the current year.

Ms. O'Kane responded priority was to restore staffing lost at the program level and there is still a gap at the administrative level. More facilities are anticipated to re-open in the summer.

In response to Council Member Filseth who inquired the timeframe it takes to add staff, Ms. O'Kane explained it can be a few weeks for hourly employees and moves quicker for regular employees.

Council Member Filseth inquired if a deterministic factor was behind the rise in service charges for 2023 over 2020.

Ms. O'Kane indicated that the charges to the JMZ may be one factor.

In reply to Council Member Filseth's inquiry of the annual revenue for the JMZ Ms. O'Kane advised that the year to date (YTD) revenue is \$1.1 million and the year-end estimates for revenue is \$1.4 million under FY 2022.

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Chair DuBois asked how Youth Challenge International (YCI) might be made an ongoing funding arrangement rather than year-to-year.

Ms. O’Kane explained the original funding was to provide three years of funding for YCI, which was matched the County’s grant. Three years was provided to establish the program and use both City of Palo Alto and the County as funding sources for more funding.

City Manager Ed Shikada noted that the broader discussion around the City’s support for non-profits is important. The City auditor’s office is currently doing a non-profit audit and should identify steps the City should take for agreements overall. Some efforts in parallel, can help rationalize and identify where consistency may be better served.

Chair DuBois commented YCI and United Nations Film Festival (UNAFF) should be put in the parking lot.

Council Member Filseth questioned if the Committee was headed into a position in which every non-profit that requests \$30,000 dollars would be a Council decision.

Chair DuBois suggested that is why there is some referral on what the policy is, however, there is a majority of Council support for YCI; there is a need for Council to consider appropriate limitations.

Vice Mayor Kou stated two referrals to the parking lot which are part of the City’s priorities for this year are Healthy Cities and Healthy Communities. YCI is through a colleague’s memo to assist funding. She supported mental health, which is also part of Council’s priorities. The United Nations Association Film Festival (UNAFF) films have a lot to do with sustainability and supports the City’s sustainability priority, and indicated she would support placing them in the parking lot and then referring to Policy and Services to prepare a policy.

Chair DuBois questioned if the ticketing system would pay for itself and incrementally generate more revenue.

Ms. O’Kane replied it should bring in more visitors because staff has received many complaints about using the current software system, and indicated that the Children’s Theater would as well.

Chair DuBois inquired what was causing the substantial drop in FY 2023 net profit for the golf course.

Ms. O’Kane explained when preparing the budget, staff projections are typically based on the previous three years performance. While an increase

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was observed during the pandemic, these numbers are based on roughly eighteen months' worth of revenue.

Chair DuBois asked if \$300,000 dollars profit per year was expected.

Ms. O'Kane replied the 2019 projection was based on the original pro forma, which could be considered pre-pandemic.

Chair DuBois inquired if the City is doing better than planned with the quality of the course.

Ms. O'Kane responded that it is possible.

Chair DuBois stated the Magical Bridge has been doing a lot of programming and fundraising on their own and questioned why City involvement is desired.

Ms. O'Kane advised staff has been working with the Magical Bridge Foundation to identify how more programming for predominantly special needs youth could be provided. Staff has a partnership with the Children's Theater who provides sensory friendly performances and classes. Taking the effort to get the playground into the community without having any programming would be a missed opportunity. Staff hopes to use Magical Bridge to learn more effective ways to engage community outreach.

MOTION By Chair DuBois, seconded by Vice Mayor Kou to add to the parking lot funding for Youth Connectedness Initiative and UNAFF Film Festival

MOTION PASSED: 3-0

b) Library

Library Director Gayathri Kanth reported six full-time staff and fifteen part-time staff have been hired to date. There are five permanent hourly staff vacancies. Top priorities include restoring service hours, and reimplementing programs and activities. Proposed changes in the General Fund include restoring 7.90 FTE to adequately staff the library's increase in hours open, programming, services that enhance community wellness, and to provide professional development opportunities for current and new staff to better ensure a trained and skilled workforce.

Council Member Filseth emphasized the 700-attendees for the Author Event and inquired if most were via Zoom.

Ms. Kanth explained it was a virtual program and staff is considering doing both in-person and virtual.

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Council Member Filseth questioned if there is a way to determine how many attendees are from Palo Alto.

Ms. Kanth answered not fully, however people were asked to register and so staff could track if they are library card holders, and many thanks to the Lane Center Program, the Maker Fair and Palo Alto Reads Sustainability Program will be sponsored by a private donor, which will attract attention from around the world in a positive manner.

Chair DuBois asked if it was required to be a Palo Alto resident to obtain a library card.

Ms. Kanth answered no.

Council Member Filseth inquired how to ensure the Palo Alto community is being adequately served versus a broader segment of the population.

Ms. Kanth indicated in-person programs will have more of a local audience, but the virtual program is still considered a success when people from all over the world attend.

Ed Shikada added it is not necessarily a trade-off. The program is defined and designed around the Palo Alto audience and attracting additional audience members enhances the stature of the City.

Vice Mayor Kou inquired if the library has any collaborations.

Ms. Kanth replied there are collaborations. The library recently worked with Space Cookies, an all-girls robotics team and Girl Scouts troop.

Vice Mayor Kou asked about finding cooking demonstrations.

Ms. Kanth remarked staff would love to do that and some have already been done virtually.

Vice Mayor Kou agreed with the City Manager's comments regarding the programs being designed around Palo Alto, and the attraction gained from around the world shows how diverse the City's community is.

Council Member Filseth believed it would be interesting to have a way to monitor how much of the City is being reached through the programs.

Ms. Kanth advised staff has tracked who has registered through the library versus who registered through the Lane Center. The Lane Center indicated they never had as much participation prior to collaborating with Library Services.

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Chair DuBois commented monetization would be beneficial for generating revenue.

Ms. Kanth replied that could be a possibility.

Chair DuBois inquired how time is utilized for recruiting.

Ms. Kanth indicated that staff has started localizing more and promoting by using the Nextdoor app. Hourly positions can be difficult to fill because there are no benefits, but it does have flexibility. Certain positions have remained unfilled due to consultants returning. Staff is finding qualified applicants from various parts of the country, but many are also local. Positions are combined when possible.

Mr. Shikada explained the City needs to plan for attrition. The ability to have ongoing recruitments for large classifications, such as the library series, allows for a quick response as attrition occurs. Public safety positions are unique in due to the lead time necessary for academies to prepare for the position, and those positions have not turned over as quickly as the civilian positions often do.

Ms. Kanth advised the library and JMZ used to collaborate and do a story time in JMZ.

Chair DuBois believed the budget was reasonable, but it would be great to figure out how to get more time at the Children's Museum. Collaborations with sister cities would be good to explore.

TENTATIVE MOTION By Chair DuBois, seconded by Vice Mayor Kou to approve the proposed budgets for Community and Library Services.

MOTION PASSED: 3-0

3) Planning and Transportation

a) Planning and Development Services

Budget Manager Jessie Deschamps reported the FY 2023 General Fund expense budget is \$24.1 million dollars, as compared to a \$19.4 million dollar budget in the prior year. FY 2023 Other Funds proposed budget is \$37.1 million dollars, which is a 44% increase over FY 2022 adopted levels of \$25.7 million dollars. Staffing has remained unchanged in Other Funds and is increasing approximately 18% in the General Fund. Planning and Development Services budget has an \$18.3 million dollar revenue and \$22.3

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million dollar expense. The Office of Transportation revenue is \$200,000 dollars and the expense is \$1.7 million dollars. In All Funds, Planning and Services revenue budget is around \$21 million dollars and expenses are \$27.6 million dollars. Office of Transportation All Funds, including General Fund and Special Revenue Funds is \$3.4 million dollars and expenses are \$9.6 million dollars.

Planning and Transportation Director Jon Lait advised three focus areas for Planning and Development Services include adding staff and consultant resources to improve customer service, advance Council-directed housing and other policy initiatives, and support day-to-day operations. Included in the budget proposal is a request for funding to assist with advancing workflow and customer service improvements. Staff resources are needed to respond to a set of state rules for the upcoming housing cycle. Thanks to the City Manager's office and City Council for their leadership and efforts to support staff, and the initiative in the department serves to make planning positions more competitive to other jurisdictions in the area.

Chair DuBois asked if any member of the public would like to speak.

Council Member Filseth stated staffing appears to be about the same as it was in 2020.

Mr. Lait answered yes.

Council Member Filseth asked why the salary expense is 30% higher in FY 2023 than FY 2020 at the same staffing level.

Finance Director Kiley Nose responded that actuals in FY 2020 versus budget in FY 2023 are being observed. The \$6.3 million dollars relates to actual salaries incurred in FY 2020, and \$8.2 million dollars relates to the budgeted salaries in FY 2023. The difference is \$7.3 million salaries in FY 2020 versus \$8.3 million in FY 2023.

Chair DuBois questioned how the permits issued on time are being measured.

Mr. Lait explained that regarding this KPI, when an application comes in which requires multiple department review, the typical timeframe for all departments is a thirty-day turnaround for most projects. Each division has programs that review projects, but there is great collaboration between managers, and staff keeps people informed as to projects that are upcoming or past deadlines. Staff anticipates adding two inspectors so to return to eight, which will allow for restoring the next-day / 48-hour inspection timeframe.

Chair DuBois inquired about the All Funds FTE.

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Mr. Lait advised it includes the fractional positions that are in all the other departments, which support the development center.

Chair DuBois asked about the Downtown Plan and whether staff would be involved.

Mr. Lait explained staff would be involved in managing the consultant. No requests were received for the planning initiative. The main feedback was that the three-week turnaround was insufficient to prepare a proposal. The initiative is currently in flux, but it would be fully supported as proposed by consultants.

Chair DuBois commented that with the new information provided, it may be worthwhile for Council to review again.

Vice Mayor Kou asked about additional measures the department could consider to be an online process.

Mr. Lait indicated much of the operation can operate remote through offerings, however, building inspectors cannot. Aspects involving answering calls, submitting applications, and obtaining access to materials are all available online.

Vice Mayor Kou inquired about the Fire Marshal adjustments.

Mr. Lait advised that Fire Prevention is housed within the Development Center. Chief Blackshire has operational control over Fire Prevention, but because those positions are in the Development Center, they are reflected in the Development Center's budget.

Fire Chief Geo Blackshire explained this is an attempt to title the position. It is currently a Fire Marshal Deputy Chief, but upon observing the responsibilities, it seemed appropriate to reclassify it as a Fire Marshal.

Public Comment: Justine Burt, Executive Director of Palo Alto Transportation Management Association, advised staff provide commute counseling and free transit passes to low-wage service sector workers, which helps contribute to the quality of life in the City by helping shops, restaurants, hotels, and the service sector attract and retain personnel. Staff supports the City's goal to reduce greenhouse gases. While the vast majority of vehicle purchased recently have been electric vehicles, there are still many gas-powered vehicles on the road. A targeted solution to do mode shift is to fund people who live and work within a mile of a Caltrain station, VTA bus stop for the VTA 22 or SamTrans ECR bus. Additionally, workers who live within three miles of where

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they work could be bicycling, workers living within six miles could take electric bikes, and residents could run errands on electric bikes.

MOTION By Chair DuBois, seconded by Vice Mayor Kou to move proposal 7 on page 274 to the parking lot to be revisited by the Council.

b) Office of Transportation

i) Parking Special Revenue Funds

Administrative Services Director Kiley Nose presented on behalf of Chief Transportation Official Philip Kamhi. Office of Transportation continues to pursue new revenue streams, create service efficiencies, and shift resources to improve service delivery of its core projects and programming. The only major change recommended is a loan of \$400,000 dollars from the General Fund to the Residential Preferential Parking (RPP) Fund in response to a sustained drop in parking demand during the pandemic. Some areas of focus include the reduction of single-occupancy vehicle trips, parking management, and railroad crossing/grade separation planning and community engagement. As schools reopen, staff will ensure Safe Routes to School programming continues.

Chair DuBois felt that two out of fifteen people is reasonable in terms of recruiting.

Ms. Nose advised these are Transportation positions and not just Transportation Programming. Transportation engineers are working on grade separation and managing traffic signals, so there are some routinized operations that may not be as apparent to Council on a day-to-day policy basis.

Chair DuBois commented there could be some objective measures for KPIs, potentially concerning traffic signal optimization and more specific multimodal metrics. There appears to be a big misalignment between some of the goals and the KPIs reported, and suggested a Committee discussion to view the Transportation Management Agency (TMA) history through the years. Previous discussions centered around contributions from the membership, but it appears all revenue is still from the City.

Transportation Management Agency Representative Justine Burt advised that the TMA is considering diversifying its funding sources and appreciate the City continuing to support the Agency's mission regarding free transit passes and commute counseling. Two new programs anticipated this year include the Bike Love app and an e-bike lending program.

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Chair DuBois asked if there was a focus from the Board on other sources of funding.

Ms. Burt was hesitant to ask for more funding from the businesses that are still open but really struggled due to the pandemic. Staff continues to seek opportunities to determine which large employers could be approached and what value could be added to them for commute counseling and additional services.

Council Member Filseth inquired if any staff hours in the General Fund is parking or if all of the parking effort is in the Special Revenue Fund.

Ms. Nose explained allocation of staff is always an imperfect endeavor, but in theory, the parking funds do have the full cost of the parking programs.

Vice Mayor Kou asked how many from the department is coming out from the twenty.

Ms. Nose did not believe that staff was in Transportation's proposed budget.

Chair DuBois asked if lower revenue was being forecasted this year than last year.

Ms. Nose explained there has been a significant drop in permits. New permit prices were instituted, and the permit cycle began in January. The estimates reflect two and a half months of data activity.

Manager of Transportation Planning Nathan Baird advised that the demand for permits is down in all programs that sell them, particularly University Avenue.

Chair DuBois questioned why valet would be needed.

Ms. Nose explained there is a broad discretion on the City's ability to use parking permit funds for City business. The program is evolving, and the City is evolving along with it to track the impacts of recovery.

TENTATIVE MOTION By Chair DuBois, seconded by Vice Mayor Kou to approve the proposed Planning and Transportation Budgets with the exclusion of valet for University Avenue.

MOTION PASSED: 3-0

The Committee adjourned for lunch at 12:00 PM and reconvened at 1:00 PM

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4) FY 2023 Proposed Municipal Fees & Charges

Management Analyst Oscar Murillo reported most fees are increased by the General Rate Increase (GRI) and the 2022-2023 average is 4.6%. Two new fees that are Transportation related include the All Downtown and South of Forest Avenue (SOFA) Lots and Garages Reduced-Price Annual Parking Permit, and the California Avenue Area All Garages and Lots Reduced-Price Annual Parking Permit. Additional new fees include Recycled Water Permit processing, Septic Tank & Portable Toilet Waste Disposal Permit processing, and Zoo Rental. 3-D Printing, Thumb Drive, and Senior Golf Fee are proposed to be deleted.

Council Member Kou inquired whether the City was selling a lot of the annual parking permits and the pricing increase.

Transportation Manager Nathan Baird advised that the permit changes recently instituted pertain to correcting and responding some resident advocacy critique of the program fees. Staff preferred that the RPP on-street employee permits be slightly more expensive than the downtown fees. Additionally, there was some discrepancy that discounted employee permits could be obtained in the RPPs, but not in the downtown garages. Parking fees need to be commiserated with some of the transit fees in town. Some fee adjustments may be necessary as the City begins to transition more to virtual permits.

Vice Mayor Kou agreed with raising the RPP employee parking permit within the neighborhoods.

Chair DuBois asked whether there was a municipal fee report with all fees in one location.

Mr. Murillo responded paloalto.org/budget, and there is also a heading for archived budgets.

Finance Director Kiley Nose advised that the adopted mini-fee schedule can be located by finding archived budget documents and going to page two FY 2022 City Budget. Staff can ensure this is included on the main home page so it is more readily available to the public.

Chair DuBois inquired which fees will be in the PDS study.

Ms. Nose replied fees for the building permit, construction and demolition, electrical permit, green building, and plan review.

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Chair DuBois asked if the auditorium and stage fee referred to the main theater.

Community Services Director Kristen O’Kane explained the stage fees are at the Lucy Stern Theater. Spaces can be rented out to the community, however, the three theater partners are typically using them.

Vice Mayor Kou asked for clarification regarding if the Downtown Garage and California Avenue Garage allow for the reduced-price permits obtained by employees..

Mr. Baird replied yes, that change was instituted. Discounted permits are now available with both programs, and the discount equates to roughly 75% off the full rate.

TENTATIVE MOTION By Chair DuBois, seconded by Vice Mayor Kou to approve the FY 2023 Proposed Municipal Fees & Charges.

MOTION PASSED: 3-0

5) Infrastructure and Environment

a) Utilities: Operating

- i) Electric Fund
- ii) Fiber Optics Fund
- iii) Gas Fund
- iv) Wastewater Collection Fund
- v) Water Fund

Staff advised the Infrastructure and Environment Service Area includes the Public Works and Utilities Departments. A number of funds are included, such as the General Fund, the enterprise funds, and the Vehicle Maintenance Internal Service Fund. Utilities covers the Electric Fund, Fiber Optics Fund, Gas Fund, Wastewater Collection Fund, and the Water Fund. Service Area General Fund is comprised of the Public Works Department only. The adopted budget for the General Fund increased from 18.8% to 19.9%, which was a change of approximately 6.1%. Positions were reduced by 0.09 FTE and was a change made as part of the mid-year adjustment to realign some of the sustainability funds. Other Funds comprises of funds from both Public Works and Utilities, and they are increasing by about 40%, with the majority being in the Wastewater Treatment Fund for capital investments at the Wastewater Control

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Plant. FTEs are also increasing by approximately 3.5% from the adopted budget in the previous year. The Public Works Department FTE count, and the dollars, do not reflect the Capital Improvement Fund or the 471 Fund.

Utilities Director Dean Batchelor explained that the Utilities Department is asking for a 5% increase on electric rates due to the increase in purchase costs with transmission costs, bringing on new renewable projects, and lower hydro outputs resulting from the drought. All reserves in the Hydro Rate Reserves have been used to offset the costs. Starting in FY 2024 through FY 2027, staff is asking for a 6% increase due to sustainability S/CAP charges that will be needed moving forward. The 4% gas rate increase is due to it being a construction year for the CIP and the necessary additional footage for the PVC piping. On the Water Utility side, the 8.9% should be adequate due to being a non-capital project year. No decrease in rates is expected, however, commodity costs will increase. There is a 3% increase for Wastewater Collections this year. Fiber Optics, Refuse, and Stormwater Management are tied to CPI, which is at 4.2%.

Chair DuBois remarked that the increases are significant.

Mr. Batchelor advised that major proposed changes in the Electric Fund include net +2.90 FTE to support building electrification, S/CAP, advanced metering infrastructure, and staffing alignment. FY 2023 rate increase will require activation of temporary Hydro Rate Adjuster and use of Hydro Stabilization and Electric Special Project reserves. \$1.9 million dollars is requested for building electrification programs, and an electric distribution system and grid modernization assessment are needed. There are thirty-one vacancies, or 35% in Engineering and Operations. The recruiting process for a Fiber Engineer is underway and interviews are expected to begin soon. The Palo Alto Fiber hub site has been launched. Gas Main Replacement #23 will be carried forward to FY 2023. Phase 3 of the Crossbore Inspection Program is scheduled to be completed in September 2022 and Phase 4 will begin in FY 2023.

Chair DuBois remarked that he did not realize what was included in the concentration in engineering.

Mr. Batchelor advised that staff attended job fairs at Sacramento State College and San Luis Obispo, both of which have power engineering courses. The department is in the process of hiring one individual who is graduating soon and talking to two others from Sacramento State.

Chair DuBois asked if the AMI was for Electric and Water.

Mr. Batchelor replied yes, and gas.

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Council Member Filseth asked how many new college graduates are typically hired each summer in Utilities.

Mr. Batchelor answered four to five interns on average, however they are not all engineers. There are typically one or two per year in the engineering group.

TENTATIVE MOTION By Council Member Filseth, seconded by Vice Mayor Kou to approve Utilities Operating Budget including the elements included within the At Places Memo.

MOTION PASSED: 3-0

- b) Public Works: Operating
 - i) General Fund
 - ii) Airport Fund
 - iii) Refuse Fund
 - iv) Stormwater Management Fund
 - v) Vehicle Replacement Fund
 - vi) Wastewater Treatment Fund

Public Works Director Brad Eggleston reported the strategy for reinvestment in Public Works services evaluated the balance of in-house work and staff capacity, capital improvement program construction work, and contractor work to identify services that could and should be restored most urgently. Major proposed changes in the General Fund include base budget restoration of the tree trimming contract to pre-pandemic level funding, restoring 1.0 FTE engineer in the Capital Improvement Fund for Transportation, Streets, and Sidewalks activities, and replacing gas powered leaf blowers with electric models. Facilities will continue to provide maintenance and custodial services for City Buildings emphasizing COVID-19 recovery, with the goal to return to pre-pandemic service and response times. Sidewalks and Streets groups will work to return to pre-pandemic workloads after two years of budget and corresponding service reductions. Staff will continue working toward the goals and objectives identified in the Urban Forest Master Plan, and work on the S/CAP will be a priority. Refuse Fund is not proposing a rate increase for FY 2023. A FY 2023 rate increase of 4.2% is proposed for the Stormwater Management Fund. Major proposed changes in Enterprise and Internal Service Funds include restoring the budget for vehicle replacement pre-pandemic

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level, convert to a 0.48 FTE Administrative Specialist in the Airport Fund to a 1.0 FTE Administrative Associate, and add 1.0 FTE Facilities Technician in the Airport Fund. Fleet will continue to coordinate with departments to prioritize vehicle replacements in response to supply chain constraints. The largest initiatives are related to the capital projects.

Chair DuBois remarked that Public Works provide numerous citizen survey metrics in KPIs. Projects coming in on time and on budget would be key to much of what the department does.

Mr. Eggleston indicated there is metric specific to the Stormwater Ballot measure and amount completed.

Chair DuBois inquired if there were other uses for the airport space where there are empty tie-downs.

Mr. Eggleston advised that due to the Apron Project, fewer tie-downs have been available.

Public Works Manager Andy Swanson advised occupancy will be at 100% once the project is complete and all tie-downs are filled. Adjustments were required to move aircraft so that work could be conducted.

Chair DuBois requested clarification of the \$400,000 dollars for energy.

Mr. Eggleston indicated it is the total cost for the energy. The department will receive a grant of \$89,000 dollars for the first year. The State is mandating more composting of compostable materials and mandating people who generate those materials buy products that come from other types of processing.

Council Member Filseth asked why this is General Fund.

Mr. Eggleston responded it is not General Fund rather Refuse Fund.

Chair DuBois inquired why reporting for Stormwater completed projects stopped.

Mr. Eggleston believed that it was because all 2005 Ballot measure projects have been completed.

Vice Mayor Kou asked when Airport Apron was estimated to be completed.

Mr. Swanson explained with consideration to supply chain conflicts, the completion date may be lagging into August.

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Mr. Eggleston reminded the Committee that work on the unleaded fuel tank is also underway.

TENTATIVE MOTION by Chair DuBois, seconded by Council Member Filseth to approve the Public Works Operating Budget.

MOTION PASSED: 3-0

The Committee adjourned to a break at 2:10 PM and reconvened at 2:28 PM

6) Citywide Internal Support and Administration

Budget Manager Jessie Deschamps reported the departments collectively have a General Fund budget of \$25.5 million dollars, which is an 11.8% increase over prior year adopted levels. All Funds has a \$39 million dollar budget, an increase of 12% over prior year levels. Staffing year-over-year is increasing approximately 5.8% in both areas.

a) Administrative Services (including Printing & Mailing Fund)

Administrative Services Director Kiley Nose advised the Administrative Services Department (ASD) plans to focus on Council priorities such as fiscal sustainability efforts and internally focus on an investment in improving the procurement process to facilitate contract management and solicitation workflow. Additional strategies include resourcing and investing in the services performed by ASD through recruiting, training, and to resolve safety concerns. Major proposed changes in the General Fund involve improving procurement processes, warehouse staffing, and grant support consultant services. The department plans for implementation of a hybrid-work-schedule approach while maintaining team cohesion, engage in purchasing redesign, and provide continued support to the City's Fiscal Sustainability Conversation regarding ballot measures.

Vice Mayor Kou asked if the consultants are procuring the grants, or are they also managing and reporting them.

Ms. Nose explained that in trying to understand the magnitude of grant funding, resources will need to be scaled for the grant compliance accordingly. California Consulting is a pilot program which assists staff with several activities from a grant perspective. They can help with writing applications for grants and with the reporting side. The real estate team is within ASD and will help a number of departments.

Chair DuBois pointed out that page-168 states having 56.5 staff, but the budget back to 2020 shows 42.

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Ms. Nose remarked that is for the capital side. There are staff in OMB as well as accounting, that are budgeted in capital funds, which maintain and work on the activities that occur.

Chair DuBois stated that on the KPIs, there is no improvement forecasted in the purchasing time, and hopes that could be improved from 25 days.

Ms. Nose explained one of the positions is at the warehouse, and the second position is at stores to help with managing inventory, requests for equipment, and ensuring appropriate oversight of the facility.

Procurement Manager Christine Paras commented this is an average of all purchase requisitions. Some may span several months to a couple years, and some can be turned around within a matter of days depending on the complexity. Much of the workload output in the purchasing division is reliant on how many capital projects there are and analyzing the numbers, which may also fluctuate.

Chair DuBois suggested that it may be worth breaking out the KPI if there is such a wide range.

Ms. Paras indicated three key areas that respondents are seeking staff to improve on are communication and visibility of the procurement process, improving cycle time, and training to departments.

Chair DuBois asked if procurement software would help automate some of the workflows.

Ms. Paras replied the agency has had an e-procurement software since 2015-2016 and staff was able to seamlessly continue services. Visibility is one aspect that gaps within the procurement software.

Chair DuBois inquired about the print shop.

Ms. Nose advised the print shop project was delayed due to the pandemic, however it has been reprioritized and an RFP should be out soon. Staff anticipates returning to the Committee when results of the RFP are obtained.

Council Member Filseth questioned the \$400,000 per year in rent for the print shop.

Ms. Nose explained that it is on-site, but all equipment is owned.

Vice Mayor Kou asked regarding the print shop and whether staff takes into consideration the cost to purchase the machines if it remains.

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Ms. Nose advised that when staff conducts a cost evaluation of in-house versus fully outsourcing with some type of hybrid model, costs versus what the contract amount will be examined from a comprehensive perspective.

TENTATIVE MOTION By Chair DuBois, seconded by Council Member Filseth to approve the Administrative Services Budget.

MOTION PASSED: 3-0

b) Human Resources

Human Resources Director Rumi Portillo reported that Council restored one full-time and two part-time positions at mid-year to support critical Human Resources (HR) services. FY 2023 one-time funds of \$400,000 dollars are requested to contract for outside expertise for updated salary surveys, project work with benefits brokers, and negotiations support for seven union contracts that expire during the fiscal year. Major proposed changes in the General Fund include one-time Labor Negotiations Funding for updated salary surveys, negotiations support for expiring union contracts, and expanded scope of work with benefits brokers. Staffs goal is to streamline the hiring process to expedite hiring time, implement recruitment and retention strategies that improve the City's ability to attract and retain top talent, improve the City's ability to manage a hybrid workforce, and to continue focus on a safe work environment.

Chair DuBois commented turnover may be a metric that belongs with the managers in the departments.

Ms. Portillo indicated that turnover is tricky because staff would not want to have disincentives for managers to performance manage people out, or separate them quickly if they realized there was not a good hire. An internal survey of satisfaction can be very useful.

Chair DuBois asked if there was money for recruiting in the budget.

Ms. Nose explained that Council recently approved a nearly \$300,000 dollar contract for executive recruiting services to assist with higher level recruitments. Those funds were appropriated and encumbered in this fiscal year and expected to last for several years. Staff is looking at the possibility of broadening it to more than one service provider, which would help with additional capacity on a contractual level.

Chair DuBois questioned what an expedited hiring model would be .

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Recruitment Manager Nicolas Raische advised the expedited hiring process was launched earlier this year and was a way to jointly engage in the hiring and recruitment process sooner with departments. Many departments were able to assign staff resources who could be trained by HR and learn how to utilize the system to help with the job posting, screening of applicants, scheduling of interviews, and the expediting of that process. Capacity has been increased by approximately 15% of how many postings or hires were able to be completed over that period.

Council Member Filseth inquired how much the manager is engaged with HR on working this through the system.

Mr. Raische explained that every hiring manager has a different level of engagement that they want to have with the requisition. Generally, there is considerable engagement between the hiring manager and the recruiter. The recruiter is often the one who is doing the negotiation with the candidate, however goes back and forth with the hiring manager about what can be offered and what internal alignment would be created with the salary offer.

Council Member Filseth asked if many college graduates are hired each year.

Ms. Portillo answered yes, HR has been successful with hiring graduates.

Mr. Raische indicated that HR averages about eight new hires each month, and only three to four of those are entry-level positions. One or two new graduates per month are fitting the criteria. There needs to be a combination of hiring experienced staff who just need to be orientated, and hiring those at an entry-level.

Mr. Shikada remarked that there is an inherent tension between setting the expectation of growth and the ability to see it through.

Chair DuBois asked if there were ways to strip off name and gender for the hiring managers scoring resumes, and to speed up the process.

Ms. Portillo advised that there is a system in place that allows for blind resume or application review, but the model has not yet been implemented.

Assistant Human Resources Director Sandra Blanch advised the department is training and still has a couple more positions to fill. Outside assistance on contract reviews for insurance, is currently being sought. The organization has learned an entirely new protocol of how to be safe, and dealing with leaves is an underlying existence that the departments are experiencing because of COVID-19 and family health concerns.

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TENTATIVE MOTION By Council Member Filseth, seconded by Vice Mayor Kou to approve the Human Resources Budget.

MOTION PASSED: 3-0

c) Information Technology

Director of Information Technology Darren Numoto advised the department's FY 2023 reinvestment strategy is to invest in further Citywide Geographic Information System (GIS) projects to enhance City services, and to retire the legacy GIS platform. Funding will support new applications, improvements, data migration and integrations. Staff requests \$350,000 dollars for the Geographic Information System Modernization. Current solutions include GIS modernization, cybersecurity strategic planning and implementation, Enterprise Resource Planning Phase 2, IT risk management, technology infrastructure, and encouraging workplace innovation to drive new ideas and improve efficiencies. The department is currently funded for 31.5 full-time positions. Seven positions have been lost during the pandemic impacts. Six positions are available in IT and two are in progress.

Council Member Filseth asked if many of the ERP Phase 2 costs show up in contract services.

Mr. Numoto explained that it is a CIP project.

Council Member Filseth asked if the City can continue to expect paying more for contract services.

Mr. Numoto indicated that it is a growing trend. Many companies are changing the way they do licensing. Companies have started combining annual subscriptions which includes maintenance support.

Chair DuBois questioned if the software can be used by other departments.

Mr. Numoto explained the software is currently built into the departments' ITSM tool, but there are other ways to service it with forms and the GSF platform for Citywide services.

Chair DuBois asked what is in the enterprise systems line.

Senior Management Analyst Sherrie Wong advised much of the increase in this division is due to an AWS support contract with a vendor.

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Chair DuBois inquired about the possibility for an information report with a breakdown of the major software services.

Ms. Nose advised that a report of software service expenses may be an easier report to run from the accounts payable team, and then aggregate it to make the information more digestible.

MOTION By Chair DuBois, seconded by Council Member Filseth to request an information report which includes a listing of the major software services

MOTION PASSED: 3-0

TENTATIVE MOTION By Chair DuBois, seconded by Council Member Filseth to approve the Information Technology budget.

MOTION PASSED: 3-0

d) City Attorney's Office

City Attorney Molly Stump reported additional resources will allow the City Attorney's Office access to research, training, and educational resources to cross-train attorneys and prepare to effectively address complex emerging Municipal Law issues such as electrification, State housing mandates, and fiber development. Staff is supporting the development of ballot measures that Council may propose to the voters in November 2022, development and approval of the Housing Element Update, and assisting the City to advance electrification and other sustainability programs.

Chair Dubois inquired about staff working remotely.

Ms. Stump responded yes, the entire department did go full remote during the pandemic, and most are now back hybrid, with at least two in-office days per week preferred.

City Manager Ed Shikada noted that in relation to client satisfaction, Ms. Stump's office has been the leader and a great example to making hybrid and remote work successful. The City's ability to ensure staff receive the legal support services it needed has not missed a beat throughout the pandemic, due to the technologies that are in place.

Ms. Stump agreed.

Mr. Shikada explained that staff focused on drawing some boundaries on working remote and not taking on changes in compensation that would be

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based upon remote work status. Those boundaries are limited to working within California.

Vice Mayor Kou felt it would be interesting to look at a study of the cost-effectiveness of working remote.

Ms. Stump remarked that in-person is an important element.

Ms. Nose advised that staff is looking at total employee population and the cost of maintaining levels of flexibility for those that accommodate it.

Vice Mayor Kou inquired about the City memberships under budget adjustments.

Ms. Stump believed the City Memberships referred to professional association dues.

TENTATIVE MOTION By Council Member Filseth, seconded by Vice Mayor Kou to approve the City Attorney's Office budget.

MOTION PASSED: 3-0

e) City Auditor's Office

City Auditor Kyle O'Rourke reported the City plans to renew the contract with Baker Tilly to serve as the City Auditor. The budget for services from Baker Tilly does not have a major change to the FY 2023 budget. Staff anticipates fulfilling the Mission of the Office of City Auditor, which furthers the Council's commitment to internal auditing, transparency, and accountability in government. The annual budget accounts for annual external audit services, including the City's audited financials, single-audit services, and other initiatives.

Chair DuBois suggested updating the KPIs, and inquired about a partial IT allocation.

Ms. Nose advised there are still some systems which they need to access.

Mr. O'Rourke added that the Fraud, Waste, and Abuse Hotline is also included, which is also managed by the Office of the City Auditor.

TENTATIVE MOTION By Chair DuBois, seconded by Council Member Filseth to approve the City Auditor's Office budget.

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MOTION PASSED: 3-0

f) City Clerk's Office

City Clerk Lesley Milton reported the FY 2023 reinvestment strategy is to invest in meeting and record management innovations which will increase public access and participation, promote transparency, improve service delivery efficiency, and invest in staff development for department rebuilding and continuity of operations. Staff anticipates the implementation of an enterprise-wide agenda and meeting management solution, activation of new record management system and public portal launch, and increase community engagement opportunities as a recruitment strategy. Additional goals include ongoing support network for public meetings and revision of record management policies.

Chair DuBois believed the document search should be on the home page of the website.

Ms. Milton advised she can partner with the Communications Director to ensure that the public can better access records.

TENTATIVE MOTION By Chair DuBois, seconded by Council Member Filseth to approve the City Clerk's Office budget.

MOTION PASSED: 3-0

a) City Council

City Clerk Milton reported the FY 2023 reinvestment strategy for City Council Office is to restore service levels for Council/Community engagement with minimal impacts to overall City finances. 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 the City's quality of life.

TENTATIVE MOTION by Chair DuBois, seconded by Council Member Filseth to approve the City Council budget.

MOTION PASSED: 3-0

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b) City Manager's Office

Ed Shikada advised that additional resources will allow the City Manager's office to complete and progress important Council priorities, including further advancing workforce retention, and equity and inclusion goals. Investments also include support for economic vitality efforts as directed by City Council which allow the department to effectively fulfill duties relating to the City's sister cities and sibling city.

Chair Dubois suggested that the National Assistance Survey Feedback be funded annually. He asked why Neighbors Abroad was called out.

Mr. Shikada explained that it has been funded through various sources through the City's contingencies, and this allows it to have more of a stable footing.

Vice Mayor Kou inquired regarding the \$193,000 dollars for one official.

Mr. Shikada answered yes, it is salary and benefits at a Senior Management Analyst classification.

MOTION By Chair DuBois, seconded by Council Member Filseth to re-establish the National Citizen's Survey annually.

MOTION PASSED: 3-0

TENTATIVE MOTION By Chair DuBois, seconded by Council Member Filseth to approve the City Manager's Office budget.

MOTION PASSED: 3-0

c) Non-Departmental Funds

- vii) General Benefits Fund
- viii) Workers Compensation Fund
- ix) General Liabilities Insurance Program
- x) Retiree Health Benefit Fund
- xi) Debt Service Fund

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Budget Manager Jessie Deschamps reported the Utilities Transfer Litigation Reserve is increasing by \$5.1 million to a total of \$17.5 million, which is for the ongoing lawsuit that challenges the annual transfers from the Utilities to the City's General Fund. It is expected to cover ratepayer refunds for the 2015 to 2019 period covered by the green lawsuit, the 2019 to 2022 period that is subject to challenge, and costs for attorney fees. Staff recommends the reinvestment of services by using one-time funding. This also sets aside one-time finding for extension of those services into FY 2024. Additional proposed changes in General Fund include Reserves of the Supplemental Trust Fund Contributions, Project Homekey, and Labor and Inflation. The City will continue to monitor the endemic recovery as service restorations are implemented and will place an emphasis on emerging economic trends such as high inflation and low unemployment.

Chair DuBois asked if the Equity Transfer was \$5.1 million.

Ms. Deschamps answered yes.

Chair DuBois explained that the reserved amount was based on the class action lawsuit from October 2016 with claims against both gas and electric rates, which limited utility rates. Court found that the City's electric rates did not violate Prop 26, but the gas rates imposed from 2015 did. Both sides appealed and have entered into mediation. The reserve is to potentially cover the gas rate payers for that four-year period, costs, and attorneys' fees.

MOTION By Chair DuBois, seconded by Vice Mayor Kou to approve the approved Pension Discount rate as is, but when presented to Council, propose the transition of the 5.3% discount rate and transfer the 1.3% to the 115 Trust to be presented for approval.

MOTION PASSED: 3-0

TENTATIVE MOTION By Chair DuBois, seconded by Council Member Filseth to approve the remaining Non departmental funds.

MOTION PASSED: 3-0

FUTURE MEETINGS AND AGENDAS

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Finance Director Kiley Nose announced a future meeting on May 17th regarding the single audit for FY 2021.

ADJOURNMENT The meeting was adjourned at 5:28 pm.