

City of Palo Alto  
*Office of the City Auditor*

Economic Recovery Advisory  
March 8, 2022



## Executive Summary

### Purpose:

- Review long-term financial planning models and inputs
- Identify and evaluate key revenue source categories
- Offer ad hoc advisory assistance during FY22 budgeting process

### Structure:

- Revenue Trends and Models Review
- Economic Resiliency Analysis

*Thank you, Administrative Services Department, for being extraordinarily helpful throughout this audit.*

The image is a collage of nighttime city scenes. In the center, a black rectangular box contains the text "Revenue Trends and Models Review" in white. The background consists of several photographs of buildings and streets at night. On the right, a tall, modern building with a grid of vertical white slats is illuminated from within. Below it, a classical-style building with columns is lit up. In the foreground, there are trees and a street with a staircase and trash bins. On the left, another modern building with large windows is visible. The overall scene is a mix of urban architecture and greenery under a dark blue sky.

# Revenue Trends and Models Review

## Overview

- Preliminary Analysis in March 2021, including a detailed review and walkthrough of Property Tax, Sales Tax, and Transient Occupancy Tax forecasting models
- Reviewed and updated information reviewed during the preliminary analysis
- Conducted a detailed data analysis of revenue trends for Property Tax, Sales Tax, and TOT. Included DTT and UUT in addition



## Methodology/Analysis

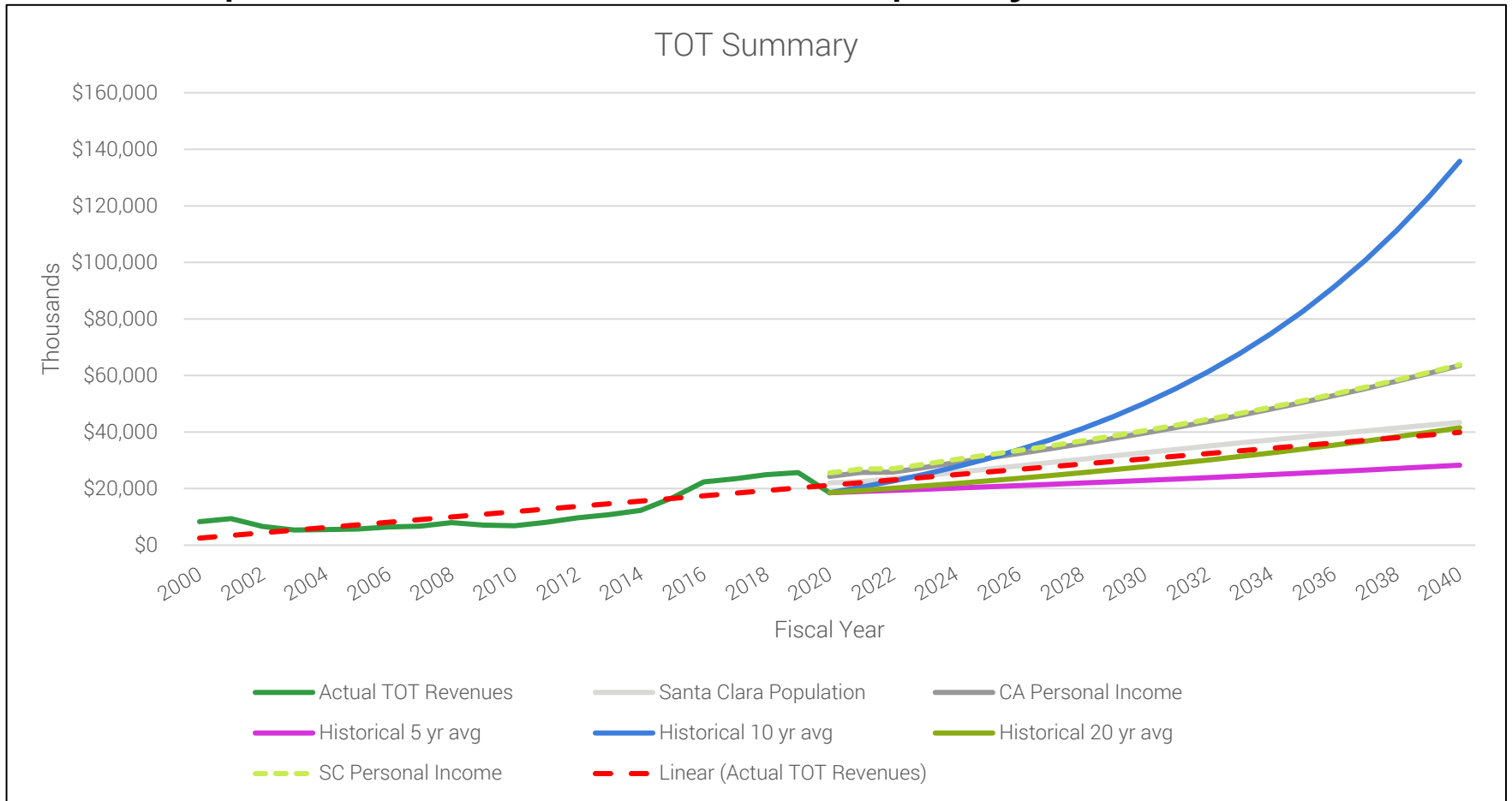
- Information Request of all existing spreadsheets, models, and reference materials
- Conducted interviews and walkthroughs with members of Administrative services
- Conducted independent research around state and national projections/economic indicators
- Completed various analyses, including statistical correlations using about a dozen various factors



## Report Structure

- Revenue Source Overview
- Observations and Data Analysis
  - Historical Performance
  - Historical Averages
  - Economic Indicators
- Data Interpretation
- Current State Model Description
- Industry Best Practices
- Observations and Recommendations

# Example Chart for Transient Occupancy Tax



## Results

- Generally, the forecasting methodology is sound, logical, and aligned with best practices
- Improvements for workbook cleanliness
  - Naming conventions and workbook narratives
  - Notation of assumptions and “guess-timates”
- Considerations of other indicators/factors in TOT





Thank you!

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