



# City of Palo Alto

## Finance Committee Staff Report

(ID # 5692)

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**Report Type: Action Items**

**Meeting Date: 6/16/2015**

**Summary Title: City Council Budget and Table of Organization Amendment Approval**

**Title: Amendment of Municipal Code Section 2.28.080 regarding City Council Budget and Table of Organization Amendment Approvals**

**From: City Manager**

**Lead Department: Administrative Services**

### **Recommendation**

Staff recommends that the Finance Committee recommend to the City Council to amend Municipal Code Section 2.28.080 titled Amendments after Adoption which would change the City Council budget and table of organization amendment approval from an ordinance to a motion.

### **Recommended Motion**

The Finance Committee recommends to the City Council to amend Municipal Code Section 2.28.080 titled Amendments after Adoption which would change the City Council budget and Table of Organization amendment approval from an ordinance to a motion.

### **Executive Summary**

Annually the City Council adopts the City's budget and the Table of Organization. Throughout the fiscal year, primarily due to unforeseen circumstances, staff requests that the budget for various funds be amended. Less frequently, the Table of Organization is amended. Palo Alto Municipal Code section 2.28.050, titled amendments after adoption, states, in part, that during the fiscal year the City Council may amend the City's budget and the Table of Organization by ordinance through approval of budget amendment ordinances.

Staff recommends that the City Council approve budget and table of organization amendments by motion versus ordinance. This change would avoid duplicative work and add the specific budget and Table of Organization amendment recommendations to the recommendation language of the staff report. In instances where a multitude of amendments are recommended, such as the Midyear Budget Review, amendments would be detailed in an attachment referenced in the motion.

## **Background**

Annually the City Council adopts the City's budget and the Table of Organization. Throughout the fiscal year, primarily due to unforeseen circumstances, staff requests that the budget for various funds be amended. Less frequently, the Table of Organization is amended. Reasons for budget amendments include the acceptance of grants and the related expenditure, requests for funding to support Council initiatives, insufficient funding of capital projects due to higher construction costs, or corrections to the approved budget. In Fiscal Year 2015, the Table of Organization was amended as part of outsourcing the street sweeping service, the addition of a Principal Attorney position as part of approval of the Fiscal Year 2015 Midyear Budget review, and technical adjustments as part of approval of the Management and Professional Compensation Plan.

Palo Alto Municipal Code section 2.28.050 titled Amendments after Adoption states in part that during the fiscal year, the City Council may amend the City's budget and the Table or Organization by ordinance.

## **Discussion**

When staff brings forward a report with a recommendation to amend the budget or the Table of Organization, a separate Budget Amendment Ordinance (BAO) is prepared and attached to the report. The separate budget amendment ordinance is required, since Palo Alto Municipal Code Section 2.28.050 states in part that the City Council is required to amend the budget or Table of Organization by ordinance. After approval, the BAO is assigned a number by the Clerk's Office and routed for signature to the Mayor, the City Manager, the City Attorney's Office, the Administrative Services Director, and to the department director whose budget was amended. Unlike most ordinances, a BAO becomes effective upon adoption and does not require a second reading.

The BAO contains the same information in summary form as the staff report, such as the background, discussion of the staff report, and a California Environmental Quality Act statement. The recommended budgetary transactions or specific Table of Organization changes are the only additional information provided in the BAO. In order to ensure consistency between the staff report and the BAO, staff spends significant time to write the BAO. In general, the Office of Management and Budget spends about an hour for preparation, coordination, review, and final processing for each BAO.

In order to increase efficiencies in the preparation of staff reports which include budget and Table of Organization amendment recommendations, staff proposes that the Council adopt budget and Table of Organization amendment recommendations by motion instead of by ordinance. The attached draft ordinance identifies the recommended Municipal Code changes (Attachment A).

If these changes in the Municipal Code are recommended for approval by the Finance Committee and approved by the Council, staff will include the specific budget and Table of

Organization amendment recommendations in the recommendation language of the staff report, versus creating a separate BAO or Table of Organization Ordinance. Further, this change would streamline the staff report preparation process and save staff time. Attachment B provides an example (first page only) of a recently approved staff report (CMR #5558, Approval of a Residential Curbside Compostable Collection Program) and attached BAO with the relevant budget amendment section highlighted in the BAO. Attachment C exemplifies how the recommendation language for the same staff report would be written, if Finance Committee approves staff recommendation to adopt budget amendments by motion. As another step to provide relevant budgetary information, staff will include available reserve balances in the Recommendation and Resource Impact sections of the staff report. This will occur after the issuance of the Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR), as the audited financial statements provide staff with the Fiscal Year 2015 ending fund balances for all funds, which become the Fiscal Year 2016 beginning fund balances. Once the actual fund balances are known, staff can determine available fund balances and the impact of recommended actions on these fund balances.

#### **Timeline**

If the Finance Committee approves this change in the Municipal Code, staff will bring forward the recommendation to the City Council in August 2015.

#### **Resource Impact**

If approved by the City Council, this change in the budget amendment process will allow staff to spend its time on higher value activities.

#### **Environmental Review**

This is not a project under the California Environmental Impact Report.

#### **Attachments:**

- Attachment A: Draft Ordinance Amending Section 2.28.080 of Chapter 2 Fiscal Procedures (PDF)
- Attachment B: CMR 5558, Approval of Residential Curbside Compostable Collection Program (first page only) and Budget Amendment Ordinance (PDF)
- Attachment C: New Budget Amendment Recommendation Language for CMR 5558 (PDF)

# ATTACHMENT A

NOT YET APPROVED

Ordinance No. \_\_\_\_\_

Ordinance of the Council of the City of Palo Alto Amending Section 2.28.080  
(Amendments after Adoption) of Chapter 2.28 (Fiscal Procedures) of the Palo  
Alto Municipal Code to \_\_\_\_\_

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Section 2.28.080 Amendments after Adoption of Chapter 2.28 (Fiscal Procedures) of the Palo Alto Municipal Code is amended to read as follows:

## **2.28.080 Amendments after adoption.**

During the fiscal year, the city manager shall amend the budgetary accounts of the city to reflect the following:

(a) Additional Appropriations. By a two-thirds vote, the council may make additional appropriations of receipts that are in excess of the total estimated receipts and appropriations contained in the adopted budget.

Deleted: by ordinance

(b) Additional Positions. By a majority vote, the council may add positions to the table of organization.

Deleted: by ordinance

(c) Transfer of Appropriations.

(1) By a majority vote, the council may transfer part or all of the unencumbered balance of any appropriation from one fund, department, office, or capital project to another;

Deleted: by ordinance

(2) By written authorization, the city manager may direct the redistribution, within any department or office, of the unencumbered balance of appropriations within the departments or offices, provided that he or she shall not make transfers from the classification of utilities purchased for resale to any other object or make transfers between funds or transfers between departments without the affirmative vote of a majority of the council;

(3) By written authorization, the city manager may authorize a transfer of appropriation from the unallocated balance of the contingent account to any department, office or capital project. Funds shall not be transferred between the general fund and the enterprise funds, nor between operating and capital funds.

(d) Transfer of Positions. By written authorization, the city manager may transfer positions or assign personnel from any department or office under the control of the city manager to another in accordance with Article IV, Section 6(n) of the Charter.

(e) Inter-fund Transactions. In the event that appropriations and equivalent offsetting credits for allocated inter-fund services or transfers are affected by amendments to appropriations for

## ATTACHMENT A

### NOT YET APPROVED

direct expenditures or estimated revenue, the city manager may make corresponding adjustments to the inter-fund accounts so affected.

(f) Salaries and Benefits. Amendments to the Employee Classification and Compensation Plan adopted by the council pursuant to Article III, Sections 12, 18 and 21 of the Charter.

(g) Prior year Encumbrances. Appropriations that were encumbered by properly executed, but uncompleted, purchase orders or contracts at the close of the previous fiscal year may be carried forward and incorporated with appropriations of the current year.

(h) Municipal Fee Schedule. By a majority vote, the council may, by ordinance, add or change fees in the municipal fee schedule.

SECTION 2. The City Council finds that this ordinance is exempt from the provisions of the California Environmental Quality Act pursuant to Section 15061(b)(3) of the California Environmental Quality Act Guidelines, because it can be seen with certainty that there is no possibility of significant environmental effects occurring as a result of the adoption of this ordinance.

SECTION 3. This ordinance shall become effective upon the commencement of the thirty-first day after the date of its adoption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Senior Asst. City Attorney

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Director of Administrative Services



## **City of Palo Alto**

### **City Council Staff Report**

(ID # 5558)

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**Report Type: Action Items**

**Meeting Date: 3/23/2015**

**Council Priority: Environmental Sustainability**

**Summary Title: Approval of a Residential Curbside Compostable Collection Program**

**Title: Approval of a Residential Curbside Compost Collection Program and Adopting a Budget Amendment Ordinance for \$387,000 for the Purchase of Kitchen Buckets and New Outreach Materials**

**From: City Manager**

**Lead Department: Public Works**

#### **Recommendation**

Staff recommends that Council:

1. Approve a new residential curbside collection and composting program of food scraps commingled with yard trimmings in the green carts, effective July 1, 2015; and
2. Adopt the attached Budget Amendment Ordinance in the amount of \$387,000 to fund the purchase of kitchen buckets and outreach materials that are needed as part of the implementation of the new residential curbside compost collection program.

#### **Executive Summary**

The implementation of the GreenWaste Contract in 2009 added several zero waste programs that boosted the City's diversion rate (from landfills) from 62% in 2008 to approximately 78% in 2013. While this diversion rate is one of the highest in the state, it has not increased as desired over the past few years to help the City meet its Zero Waste Goal by 2021. The next big step in the City's efforts to attain its zero waste goals is getting food scraps out of the landfill, as they make up 50% of residential garbage – over 5,000 tons landfilled annually.

Ordinance No. XXXX  
ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO AMENDING  
THE BUDGET FOR FISCAL YEAR 2015 TO PROVIDE ADDITIONAL  
APPROPRIATION OF \$387,000 IN THE REFUSE FUND FOR THE  
RESIDENTIAL FOOD SCRAPS PROGRAM.

The Council of the City of Palo Alto does ordain as follows:

SECTION 1.

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. Staff is recommending a new residential food scraps collection and composting program that would be implemented July 1, 2015 as part of the City's efforts to meet its goal of zero waste to landfills by 2021; and

C. Food scraps comprise nearly fifty percent of the material found in single-family residential garbage in Palo Alto. Currently, these food scraps can only be disposed in garbage cans. Other residents send food scraps down the drain, which is not recommended due to additional water usage and the potential for sewer blockages. Neither of these methods is appropriate for meat, cheeses, eggs, or other foods high in protein or oil; and

D. In April 2013, the City implemented a year-long Two Cart Pilot Program in the Green Meadow neighborhood that eliminated garbage carts completely and redirected food scraps to compostable bags and into the yard trimming cart. Residents in the pilot were asked to bag any remaining garbage and place it in the recycling carts; and

E. While the Two Cart Pilot Program did increase diversion of food scraps and additional recyclables from the landfills, staff is not recommending a citywide roll-out of the two-cart collection system at this time, as many participants felt that the program was too complicated. City intends to continue the pilot for calendar year 2015; and

F. Under the new program, the city-wide collection of residential food scraps would be commingled with yard trimmings. There are several regional composting facilities that are permitting compost being commingled with food scraps and yard trimmings. The food scraps collection program will likely divert and recover over half of the food scraps in the residential garbage, which is equivalent to a four percent increase in the City's overall diversion rate; and

G. An initial investment of \$387,000 will be needed to purchase kitchen pails and provide the outreach and training materials needed for implementation. Outreach and training materials will include cart tags, program brochures, stickers for collection carts, stickers for the kitchen pails, how-to-video, and informational postcards with program

ATTACHMENT B

information. The annual net costs associated with the new residential food scraps collection and composting program are currently anticipated to be \$532,000, and are expected to be recovered through an increase in the single-family residential refuse rate pending City Council approval as part of the Fiscal Year 2016 budget process.

**SECTION 2. Therefore, the sum of Three Hundred Eighty Seven Thousand Dollars (\$387,000) is hereby appropriated in the Refuse Fund for the residential food scraps program, offset by a corresponding reduction to the ending fund balance (\$387,000).**

SECTION 3. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 4. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED: Enter Date Here

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Senior Assistant City Attorney

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Director of Administrative Services

\_\_\_\_\_  
Director of Public Works



## **Recommendation**

Staff recommends that Council:

1. Approve a new residential curbside collection and composting program of food scraps commingled with yard trimmings in the green carts, effective July 1, 2015; and
2. Approve an amendment to the Fiscal Year 2015 Adopted Budget for the Refuse Fund by:
  - a. Increasing the budget by \$387,000 to fund the purchase of kitchen buckets and outreach materials that are needed as part of the implementation of the new residential curbside compost collection program; and
  - b. Decreasing the Rate Stabilization Reserve by \$387,000.

## **Executive Summary**

The implementation of the GreenWaste Contract in 2009 added several zero waste programs that boosted the City's diversion rate (from landfills) from 62% in 2008 to approximately 78% in 2013. While this diversion rate is one of the highest in the state, it has not increased as desired over the past few years to help the City meet its Zero Waste Goal by 2021. The next big step in the City's efforts to attain its zero waste goals is getting food scraps out of the landfill, as they make up 50% of residential garbage – over 5,000 tons landfilled annually.

Staff proposes to start residential curbside compost (e.g., food scraps and food soiled paper) collection in July 2015. The new program will allow residents to place loose food scraps and food soiled paper directly into the 'green', yard trimmings cart. Residents will also be given a kitchen bucket to store a few days' worth of food scraps in the house before depositing it in the green cart. This program will reduce community greenhouse gas emissions by over 1,140 metric tons of CO<sub>2</sub> equivalent each year. The program will incur annual (net) cost increases of approximately \$532,000 to compost and/or anaerobically digest food scraps commingled with yard trimmings. The resulting increase in costs to residents would be approximately 6.1% (about a \$2.63 per month increase for a 32 gallon-sized garbage service). Staff is also requesting a one-time Budget Amendment Ordinance (BAO) for \$387,000 to fund the purchase of the kitchen buckets and print new program outreach materials.