



City of Palo Alto

City Council Staff Report

(ID # 6343)

Report Type: Consent Calendar

Meeting Date: 11/16/2015

Summary Title: Approval of Fiscal Year 2015 Reappropriation Requests to be Carried Forward into Fiscal Year 2016

Title: Finance Committee Recommends Adoption of a Budget Amendment Ordinance Authorizing the Reappropriation of Fiscal Year 2015 Funds to Fiscal Year 2016

From: City Manager

Lead Department: Administrative Services

Recommendation

The Finance Committee and staff recommend that the City Council approve the Fiscal Year 2015 reappropriations to be carried forward into Fiscal Year 2016 and adopt the attached Budget Amendment Ordinance (Attachment A). The Finance Committee further recommended that the reappropriation request for the establishment of a Planning & Community Environment Contingent Account be approved as a Transportation Contingency Account whereby each request for funding from this Contingent Account be approved by the City Council.

Executive Summary

On November 2nd, the City Council approved the actions contained in this report. However, inadvertently, staff did not include the approval of the attached Budget Amendment Ordinance (Attachment A) in the title of the City Manager Report. Therefore, based on advice from the City Attorney's Office, this report is resubmitted to the City Council for approval with the appropriate title.

On September 22, 2015, the Finance Committee reviewed and recommended for approval to the City Council Fiscal Year 2015 capital and operating budget reappropriations to be carried forward into Fiscal Year 2016, with an amendment that the request for the establishment of a \$500,000 Planning & Community Environment Contingent Account be approved as a Transportation Contingent Account whereby each request for funding from this Contingent Account be approved by the City Council.

Background

As a part of the fiscal year-end process, staff reviews the City's unencumbered and unspent appropriations of the fiscal year just ended, along with the City's spending plans. Encumbered

amounts are those subject to the legal claims of other parties due to contractual obligations (for example, commitments made through purchase orders), which are carried forward from one fiscal year to the next. However, each year there are a small number of important projects which staff was not able to complete or encumber funds for. The reappropriation process allows staff to bring forward funding recommendations to the Finance Committee and City Council to continue these projects.

On September 22, 2014, the City Council approved a recommendation to amend Chapter 2.28, Section 2.28.090 of the Municipal Code, reducing the previous two-step reappropriations process (preliminary and final reappropriation authorization) to one step as long as the Administrative Services Director certifies that sufficient unencumbered and unexpended funds are available in the current Fiscal Year to be carried forward to the subsequent Fiscal Year.

Additionally, the City Council amended the Municipal Code to eliminate the provision allowing for the automatic reappropriation of capital project funds. Previously, the Municipal Code stated that appropriations of capital project funds should continue until the project was completed or no funds had been expended for two years. Effective Fiscal Year 2016, the Finance Committee reviewed and the Council approved a capital budget which includes all active projects. Since capital projects may be delayed for various reasons, unexpended funds are carried forward in two ways from the outgoing to the new fiscal year. As part of the approval of the Fiscal Year 2016 budget, based on estimates, the majority of unexpended and unencumbered funds were carried forward from Fiscal Year 2015 to Fiscal Year 2016. Now that the Fiscal Year 2015 has closed and staff has processed necessary accounting transactions any unexpended and unencumbered funds for each capital project are reviewed one more time. Based on that review, staff recommends that for some projects in various funds remaining Fiscal Year 2015 capital dollars are reappropriated to Fiscal Year 2016. Also, as part of this review, staff realized that for some projects too much funding was recommended for reappropriation as expenditures occurred in Fiscal Year 2015. Therefore, this staff report also recommends reversing a portion of previously authorized reappropriations.

Discussion

On November 2nd, the City Council approved the actions contained in this report. However, inadvertently, staff did not include the approval of the attached Budget Amendment Ordinance (Attachment A) in the title of the City Manager Report. Therefore, based on advice from the City Attorney's Office, this report is resubmitted to the City Council for approval with the appropriate title.

As noted above, the changes to the Municipal Code from last year allow for the reappropriation of unencumbered and unexpended funds in advance of the normal year-end closing ordinance as long as the Administrative Services Director certifies that sufficient unencumbered and unexpended funds are available in Fiscal Year 2015 to be carried forward to Fiscal Year 2016.

With the submission of the staff report for consideration at the September 22nd Finance

Committee meeting as approved unanimously by the Finance Committee, the Administrative Services Director has certified that sufficient unencumbered and unexpended funds are available in Fiscal Year 2015 to be carried forward to Fiscal Year 2016. For the attached Budget Amendment Ordinance (Attachment A), Exhibit 1 identifies those operating budget reappropriation requests that staff recommends for approval while Exhibit 2 lists recommended capital project reappropriations.

At the September 22nd Finance Committee meeting, the Finance Committee recommended that the City Council approve the Fiscal Year 2015 reappropriations as identified in the Finance Committee staff report (see Attachment B for the staff report and Attachment C for the meeting minutes) with an amendment that the requested reappropriation for a Planning & Community Environment Contingent Account be specified as a contingent account limited for Transportation project funding and any use of the funds requiring City Council approval. The projects for which operating budget reappropriations are recommended can generally be grouped into the following categories:

- **Timing and Workload Delays:** Certain projects were delayed due to competing workload demands, appropriation of funds late in the fiscal year, or other unanticipated delays. Examples of projects in this category include Document Scanning and Management Services (\$66,000), Temporary Staffing for the Purchasing division (\$51,000), Business Registry Program (\$99,050), Police Utilization Study (\$70,000), Airport On-Call Consultant (\$40,987), Storm Water Rebates (\$55,710) and Santa Clara Valley Water District MOU (\$400,000).
- **Technology Services:** Funding was approved in Fiscal Year 2015 for a number of technology system evaluation and upgrade projects but contracts were not awarded by the end of the fiscal year. Projects in this category include Geographic Information Systems (GIS) Evaluation of the City's GIS solutions (\$82,500), Palo Alto 3-1-1 implementation (\$40,000), Mobile Device Management Solution (\$75,000), and Police Interview Recording System (\$40,000).
- **Residential Housing In-Lieu Fund:** Due to the timing of Council's action approving loans and staffing constraints, transactions with Palo Alto Housing Corporation (PAHC) were not completed in Fiscal Year 2015 for some projects. Continuation of the housing transactions will require reappropriation of Residential Housing In-Lieu Funds for the following properties: loan for PAHC purchase of 2811-2825 Alma Street (\$600,000), loan for PAHC renovation of Stevenson House at 435 E. Charleston Road (\$1,000,000), and loan for PAHC rehabilitation and deed restriction of Pine Street property at 110-130 El Dorado (\$375,000). Staff expects to be able to execute and conclude the agreements with PAHC for these projects in Fiscal Year 2016.
- **Library Donation and Grant:** This action reappropriates \$339,845 in revenue and offsetting expenses as a result of donations and grants received by the Library. In early

Fiscal Year 2015 the Library was awarded two grants from the Pacific Library Partnership (PLP): one in the amount of \$4,485 to offset delivery costs for LINK+, an interlibrary loan program for participating organizations; and a \$15,000 grant for the Maker+: A Summer Maker Program to support STEAM (Science, Technology, Engineering, Art & Math) learning and to foster interdisciplinary exploration among sciences, art, and social sciences. In addition, in June 2015, the City received a \$320,000 donation from the Palo Alto Library Foundation. The Library intends to use \$100,000 for the purchase of additional technology, such as tablets, e-readers, and other devices for staff development and customer instruction; \$112,100 for databases and digital services, such as Learning Express, Mango Languages, and online video, magazines, and music; and \$107,900 on contractual services to improve workflow efficiency, provide staff training, and customer service improvements for the new facilities and new products.

- **Teen Services Programs:** At the June 2, 2014 City Council meeting, the City Council approved a recommendation from the Policy and Services Committee to use a portion of the net revenue collected from 455 Bryant Street in Fiscal Years 2009 through 2013 to fund Teen Programs for Fiscal Year 2015 (CMR #4776). Staff was to return to the City Council with another plan six months after the opening of the Mitchell Park Community Center where the Teen Center is located to discuss the best use of the facility and programming for Teen Services at the Teen Center and elsewhere throughout the City utilizing the Bryant Street funds. Staff is expecting to return to the City Council in the fall of 2015 with a funding plan for Fiscal Year 2016 and beyond. Teen Services programming includes but is not limited to: makeX, Project Enybody, Click PA, Ghost Bike, and Ceramics class drop-ins. As a result, this action will reappropriate \$331,046 to continue supporting these programs as well as a sustainable, long-term approach for Teen Services utilizing Bryant Street funds.
- **Management and Professional Development funds:** A number of City employees, as part of their compensation plan, are eligible for certain self-improvement activities. These funds are available to certain employees for civic and professional association memberships, conference participation and travel, educational programs, certain tuition costs, and professional and trade journal subscriptions. Unspent funds are recommended to be carried over to Fiscal Year 2016 to improve and supplement the job and professional skills of employees (\$145,000).
- **Establish Contingency Account – Planning, Community & Environment Department:** To establish a contingency account for the Planning and Community Environment Department to set aside funds related to planning, parking, and transportation related funding needs (\$500,000). In accordance with the Palo Alto Municipal Code, the use of contingency funding requires the approval of the City Manager. At the September 22 Finance Committee meeting, the committee recommended that the contingency account be limited to Transportation project purposes.

- Capital Reappropriations:** As discussed in the Background section of this report, starting with the Fiscal Year 2016 capital budget, all capital project reappropriations require City Council approval. The Adopted Budget included approximately \$51.1 million in reappropriated funds, across all City funds based on estimates of anticipated spending in Fiscal Year 2015. Since the adoption of the capital budget, some adjustments and refinements to project reappropriations are required since Fiscal Year 2015 year end actuals and projects costs have been updated. For some projects, additional reappropriations are recommended, as project expenditures originally anticipated to occur before the end of Fiscal Year 2015 will now likely occur in Fiscal Year 2016. Additionally, some expenditures not anticipated to occur until Fiscal Year 2016 and therefore reappropriated in the budget document to Fiscal Year 2016 have been realized in Fiscal Year 2015, requiring downward adjustments for Fiscal Year 2016. The table on the following page summarizes the recommended net reappropriation adjustments as detailed in Exhibit 2 of Attachment A. These Fiscal Year 2016 adjustments represent the final step in the City Council approved change to the reappropriation process. There are sufficient expenditure savings in Fiscal Year 2015 to support all recommended reappropriation adjustments. It should be noted that as a result of this revised process and active review of all project reappropriations, a reduced level of carryforward from one year to the next is recommended than by automatically carrying forward all unspent capital funding. As part of the detailed review of capital projects which started with the development of the Fiscal Year 2016 Capital Budget and is concluding with the recommendations contained in this CMR, a total of \$10.8 million is being returned to reserves across several funds that otherwise would have been reappropriated under the prior model, including \$4.7 million in the Capital Improvement Fund.

Fund	Number of Projects	Recommended Reappropriation Adjustment
Capital Improvement Fund*	61	\$5,099,421
Airport Fund	1	\$34,359
Electric Fund	26	\$703,741
Fiber Optics Fund	2	\$35,319
Gas Fund	5	(\$245,727)
Storm Drainage Fund	4	(\$40,606)
Wastewater Collection Fund	6	\$370,570
Wastewater Treatment Fund	3	(\$2,387,156)
Water Fund	13	\$5,995,001
Technology Fund	11	\$641,422
Vehicle Replacement and Maintenance Fund	4	\$1,074,511
Total All Funds	136	\$11,280,855

*Includes an increase of \$32,692 for the Monroe Park Improvements project (PG-11002) due to higher than anticipated costs, as outlined in CMR 6025, approved by the City Council on

9/21/2015.

Finance Committee Review and Recommendation

At the September 22, 2015 Finance Committee meeting, the Finance Committee unanimously approved (4-0) staff's recommendation (see Attachment C for the Minutes) to carry forward staff's reappropriation requests with an amendment that the request for the establishment of a \$500,000 Planning & Community Environment Contingent Account be approved as a Transportation Contingent Account whereby each request for funding from this Contingent Account be approved by the City Council.

Resource Impact

The majority of requested items have been previously reviewed and approved by City Council as part of annual budget processes. The Director of Administrative Services has certified that sufficient funds exist for the recommended Fiscal Year 2015 Operating Budget reappropriations (Attachment A, Exhibit 1) and Capital Budget reappropriations (Attachment A, Exhibit 2). For Fiscal Year 2016, staff recommends \$1.7 million in carryover funds in the General Fund, \$0.5 million in Enterprise Funds, \$0.2 in Internal Service Funds and \$2.0 million in Special Revenue Funds. For capital projects staff recommends \$5.1 million to be reappropriated in the Capital Improvement Fund, net \$4.5 million in the various Enterprise Funds, and \$1.7 million in the Internal Service Funds.

Policy Implications

This recommendation is consistent with adopted Council policy.

Environmental Review (If Applicable)

The action recommended is not a project for the purposes of the California Environmental Quality Act.

Attachments:

- **Attachment:** Attachment A - BAO XXXX - FY15 to FY16 Reappropriation (PDF)
- Attachment: Attachment B - Reappropriations to FY 2015 Report, Finance Committee Report, Sept. 22, 2015 (PDF)
- Attachment: Attachment C - 22-Sept-2015 Finance Committee Mtg Minutes Item 1 (PDF)

Ordinance No. XXXX

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
AUTHORIZING THE REAPPROPRIATION OF FISCAL YEAR 2015
FUNDS TO FISCAL YEAR 2016

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

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto and as set forth in Section 2.28.070 of the Palo Alto Municipal Code, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. Fiscal Year 2015 has ended and the financial results, although subject to audit adjustment, are now available.

C. The Administrative Services Director certifies that sufficient funds are available in Fiscal Year 2015 in applicable funds to be reappropriated to Fiscal Year 2016.

SECTION 2. The Council hereby re-appropriates Fiscal Year 2015 appropriations in certain departments and categories, as shown in Exhibit 1 for the operating budget and Exhibit 2 for the capital budget, which were not encumbered by purchase order or contract, into the Fiscal Year 2016 budget.

SECTION 3. The Fiscal Year 2016 General Fund Budget Stabilization Reserve is hereby decreased by the sum of One Million Seven Hundred Thousand Eighty One Dollars (\$1,700,081) as described in Exhibit 1.

SECTION 4. The Fiscal Year 2016 Airport Reserve is hereby decreased by the sum of Forty Thousand Nine Hundred Eighty Seven Dollars (\$40,987) as described in Attachment A and decreased by the sum of Thirty Four Thousand Three Hundred Fifty Nine (\$34,359) as described in Exhibit 2.

SECTION 5. The Fiscal Year 2016 Electric Distribution Rate Stabilization Reserve is hereby decreased by the sum of Seven Hundred Three Thousand Seven Hundred Forty One Dollars (\$703,741) as described in Exhibit 2.

SECTION 6. The Fiscal Year 2016 Residential Housing In-Lieu Fund is hereby decreased by the sum of One Million Nine Hundred Seventy Five Thousand Dollars (\$1,975,000) as described in Exhibit 1.

SECTION 7. The Fiscal Year 2016 Fiber Optics Rate Stabilization Reserve is hereby decreased by the sum of Thirty Five Thousand Three Hundred Nineteen Dollars (\$35,319) as described in Exhibit 2.

SECTION 8. The Fiscal Year 2016 Gas Distribution Rate Stabilization Reserve is hereby increased by the sum of Two Hundred Forty Five Thousand Seven Hundred Twenty Seven Dollars (\$245,727) as described in Exhibit 2.

SECTION 9. The Fiscal Year 2016 Storm Drainage Rate Stabilization Reserve is hereby decreased by the sum of Fifty Five Thousand Seven Hundred Ten Dollars (\$55,710) as described in Exhibit 1 and increased by the sum of Forty Thousand Six Hundred Six Dollars (\$40,606) as described in Exhibit 2 for a net decrease to the reserve of Fifteen Thousand One Hundred Four Dollars (\$15,104).

SECTION 10. The Fiscal Year 2016 Technology Fund is hereby decreased by the sum of One Hundred Ninety-seven Thousand Five Hundred Dollars (\$197,500) as described in Exhibit 1 and decreased by the sum of Six Hundred Forty One Thousand Four Hundred Twenty Two Dollars (\$641,422) as describe by Exhibit 2.

SECTION 11. The Fiscal Year 2016 Wastewater Collection Rate Stabilization Reserve is hereby decreased by the sum of Three Hundred Seventy Thousand Five Hundred Seventy Dollars (\$370,570) as described in Exhibit 2.

SECTION 12. The Fiscal Year 2016 Wastewater Treatment Rate Stabilization Reserve is hereby increased by the sum of Two Million Three Hundred Eighty Seven Thousand One Hundred Fifty Six Dollars (\$2,387,156) as described in Exhibit 2.

SECTION 13. The Fiscal Year 2016 Water Rate Stabilization Reserve is hereby decreased by the sum of Four Hundred Thousand Dollars (\$400,000) as described in Attachment A and decreased by the sum of Five Million Nine Hundred Ninety Nine Thousand and One Dollars (\$5,995,001) as described by Exhibit 2.

SECTION 14. The Fiscal Year 2016 Vehicle Replacement and Maintenance Fund Reserve is hereby decreased by the sum of One Million Seventy Four Thousand Five Hundred Eleven Dollars (\$1,074,511) as described in Exhibit 2.

SECTION 15. The Capital Projects Fund Reserve is hereby decreased by the sum of Five Million, Ninety Nine Thousand Four Hundred Twenty One Dollars (\$5,099,421) as described in Exhibit 2.

SECTION 16. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 17. 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:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Service

Exhibit 1
Fiscal Year 2015 Reappropriations

General Fund

Department	Fund	Amount Recommended	Reappropriation Justification
Administrative Services Department	General Fund	\$66,000	Document Scanning and Retrieval Services: In 2014, the Administrative Services Department (ASD) started on a pilot to scan existing documents and store them electronically. The pilot was successfully completed with the Purchasing and Accounts Payable sections. Based on the experience from the pilot, the City issued a citywide Request for Proposal for scanning paper documents and storing them electronically ASD, Planning and Community Environment, Utilities, and Public Works-Engineering. With reappropriating \$66,000 ASD will be able to continue its efforts to easily retrieve scanned documents, especially for Information requests, free up limited office space, and have an organized cloud retrieval structure. ASD's scanning for FY 2015 and FY 2016 is scheduled to be completed in FY 2016 with 253,000 total number of scanned images with an average cost per scan of \$0.26.
Administrative Services Department	General Fund	\$51,000	Temporary Staffing: The Purchasing Division of the Administrative Services Department (ASD) is undergoing rapid change due to the eProcurement initiative. With this initiative, there is a parallel, heavy workload for the Division's contract administrators. Temporarily adding a Management Specialist hourly position will help to balance the demands of the eProcurement process implementation and the workload of regular staff.
Community Services Department	General Fund	\$331,046	Teen Programs / Bryant Street Garage Rent Revenue: At the June 2, 2014 City Council meeting, the City Council approved a recommendation from the Policy and Services Committee to use a portion of the net revenue collected from 455 Bryant Street in Fiscal Years 2009 through 2013 to fund Teen Programs for Fiscal Year 2015 (CMR #4776). Staff was to return to the City Council with another plan six months after the opening of the Mitchell Park Community Center where the Teen Center is located to discuss the best use of the facility and programming for Teen Services at the Teen Center and elsewhere throughout the City utilizing the Bryant Street funds. Staff is expecting to return to the City Council in the fall of 2015 with a funding plan for Fiscal Year 2016 and beyond. Teen Services programming includes but is not limited to: makeX, Project Enybody, Click PA, Ghost Bike, and Ceramics class drop-ins. As a result, this action will reappropriate \$331,046 to continue supporting these programs as well as a sustainable, long-term approach for Teen Services utilizing Bryant Street funds.
Community Services Department	General Fund	\$50,000	Human Services Resource Allocation Program (HSRAP) Reserve: At the June 9, 2014 City Council meeting, the Council established a \$50,000 reserve for the Human Services Resource Allocation Process as part of the Budget Adoption for Fiscal Year 2015. Since the reserve was funded as a one-time appropriation and remains unspent, this action will reappropriate the reserve balance of \$50,000 into Fiscal Year 2016.
Development Services Department	General Fund	\$99,050	Business Registry: As part of Council directive, the Development Service Department in coordination with the City Manager's Officer began working on a two phase project to implement an online Business Registry Certificate program. To implement the program, the City Council authorized initial funding of \$250,000 (CMR #5146) and a Fiscal Year 2015 reappropriation request of \$35,000 (CMR #5647) for phase I of the Business Registry Program which included initial start-up costs for Accela integration, staffing, and outreach. Because the work on phase I is continuing, this action will reappropriate \$99,050 for staffing and continued community outreach efforts.

Exhibit 1
Fiscal Year 2015 Reappropriations

Human Resources Department	General Fund	\$145,000	Management Development and Training: Funding will be used to continue the citywide management training program that began in Fiscal Year 2015. Training programs will focus on the following areas: Ethics, Civics and Citizen Engagement, Leadership and Management, Budget, Finance, Procurement, Interpersonal Communication, Presentation Skills, Business Writing, Time Management, Project Management, Change Management, SkillSoft (online based education), and Safety & Security. Approval of this action also requires approval of the Fiscal Year 2015 Year-End Budget Amendment Ordinance (scheduled for a November Finance Committee meeting), which recommends consolidating General Fund savings for training across various departments into the Human Resources (HR) Department in Fiscal Year 2015 in order to reappropriate the full amount into HR in Fiscal Year 2016.
Library Department	General Fund	\$339,985	Library Foundation Donation & Pacific Library Partnership Grant: This action reappropriates \$339,845 in revenue and \$339,845 in expenses as a result of donations and grants received by the Library. In early Fiscal Year 2015 the Library was awarded two grants from the Pacific Library Partnership (PLP): one to be used for a summer 2015 program with expenses incurred in Fiscal Year 2016, and one in the amount of \$4,485 to offset delivery costs for LINK+, an interlibrary loan program for participating organizations. LINK+ is a union catalog of contributed holdings from participating libraries in California and Nevada. Patrons from member libraries electronically request an item not available in their own library and the item is delivered to the requested library for check-out. A \$15,000 grant was received from PLP for the Maker+: A Summer Maker Program to support STEAM (Science, Technology, Engineering, Art & Math) learning and to foster interdisciplinary exploration among sciences, art, and social sciences. By participating in the program, students will discover solutions for today's social issues through technology. The program includes opportunities for people of all ages to participate in a week long structured programming at the Rinconada and Mitchell Park libraries. In addition, in June 2015, the City received a \$320,000 donation from the Palo Alto Library Foundation. The Library intends to use \$100,000 for the purchase of additional technology, such as tablets, e-readers, and other devices for staff development and customer instruction; \$112,100 for databases and digital services, such as Learning Express, Mango Languages, and online video, magazines, and music; and \$107,900 on contractual services to improve workflow efficiency, provide staff training, and customer service improvements for the new facilities and new products.
Planning and Community Environment Department	General Fund	\$500,000	Establish Transportation Contingent Account: This action reappropriates \$500,000 of the \$1,000,000 million shuttle reserve from the Fiscal Year 2015 Non-Departmental budget to be used as a contingency account for unanticipated expenses as a result additional City Council direction related to transportation issues. Each request for funding from this Contingent Account must be approved by the City Council
Police Department	General Fund	\$78,000	Police Utilization Study: In Fiscal Year 2013, funding was allocated for the Police Department to hire a consultant to conduct a utilization study of overall police operations; however, the study was not completed due to competing workload demands. The funds were reappropriated to Fiscal Year 2014 and Fiscal Year 2015; however, the Department was unable to conduct the utilization study due to other projects that took precedence (Tri-City Computer Aided Dispatch, Records Management System, Patrol Vehicle Mobile Audio Video, etc.). Reappropriation of these funds will allow Police Department staff to determine the scope of the study, integrate it into their workload, and hire a consultant to conduct the study.
Police Department	General Fund	\$40,000	Police Interview Recording System: The Interview Recording System that provides cameras, audio equipment and storage for interviewing suspects, witness and victims unexpectedly failed in Fiscal Year 2015 and needs to be replaced. The existing system has failed repeatedly and the Department attempted to replace it as quickly as possible in May and June 2015. The Department completed a Request for Proposal and no responses were received. Therefore, with this funding, the Department will issue a new RFP and increase its vendor outreach efforts with the hope of receiving viable proposals for the replacement of the system.

\$1,700,081 Total General Fund Reappropriations

Exhibit 1
Fiscal Year 2015 Reappropriations

Enterprise Funds

Department	Fund	Amount Recommended	Reappropriation Justification
Public Works Department	Airport Fund 530	\$40,987	<p>Airport On-Call Planning & Environmental Consultants: In October 2014 Council approved two on-call consultant contracts for airport related work: one for design and construction administration services and one for planning and environmental services. At the end of June three purchase requests submitted for the airports on-call planning and environmental consultant were inadvertently cancelled. Therefore, staff requests to reappropriate the funds so that the following projects can continue:</p> <ol style="list-style-type: none"> 1. Development of an Extraordinary Circumstance Information Submittal (CATEX) for review by the Federal Aviation Administration's (FAA) San Francisco Airport District Office (SF-ADO). The CATEX is being prepared for approval under the National Environmental Policy Act (NEPA) relative to a potential future apron rehabilitation project at Palo Alto Airport with possible future reimbursement under the FAA grant. 2. Development of DBE goals for the airport as required by the FAA for inclusion in grant application submittals. 3. Planning, implementing and facilitation of a charrette with key community stakeholders to discuss a vision and goals for the Airport; share potential strategies to integrate sustainability into the Airport's management, planning, operation, maintenance, and development; and generate/prioritize potential sustainability initiative ideas to be considered by the City.
Public Works Department	Storm Drainage Fund 528	\$55,710	<p>Storm Water Rebates: In April 2005, the majority of Palo Alto property owners voted to increase the Storm Drainage Fee (CMR 244:05). In addition to the seven proposed CIP projects to be completed by 2017, the fee increase provided an annual innovative projects budget. These funds have been utilized since Fall 2008 to fund a Stormwater Rebate Program that offers financial incentives to residents and businesses for the installation of measures that reduce stormwater runoff, including rain barrels, cisterns, permeable pavement, and green roofs. Staff proposes that these funds be reappropriated because they have been specifically earmarked for funding of innovative storm drain projects per the terms of the 2005 Storm Drainage Fee ballot measure approved by Palo Alto property owners.</p> <p>As the rebate program has not generated sufficient demand to spend the budgeted funds, we are researching alternatives that may garner the desired environmental result.</p>
Utilities	Water Fund 522	\$400,000	<p>Santa Clara Valley Water District MOU: On February 10, 2015, Council approved a Budget Amendment Ordinance to appropriate \$400,000 from the Water Fund Reserve to increase the 2014-2016 Memorandum of Understanding with the Santa Clara Valley Water District for the Administration and Funding of Water Conservation Programs (the "2014-2016 MOU") to increase the City of Palo Alto's (City) three-year \$735,915 total cost obligation by \$500,000 to \$1,235,915. Inadvertently, the approved funds were not encumbered before the end of the year. Therefore, it is recommended to carry forward the funding to fiscal year 2016 in order to fund the contract.</p>

\$496,697 Total Enterprise Funds Reappropriations

Exhibit 1
Fiscal Year 2015 Reappropriations

Internal Services Funds

Department	Fund	Amount Recommended	Reappropriation Justification
Information Technology Department	Technology Fund 682	\$82,500	Geographic Information System Evaluation: The Geographic Information System (GIS) Evaluation Project was approved as part of the Fiscal Year 2015 Budget to contract with a consultant to perform an analysis of the City's current GIS environment and determine how updated GIS solutions align with the City's needs and goals. The City's current GIS solution has been in place for over 20 years and needs to be evaluated and updated to reduce IT application and infrastructure support costs, improve flexibility and offer GIS mobile services for field and remote staff. The IT Department planned to award the assessment to a vendor prior to the end of Fiscal Year 2015; however, a vendor was not selected before the June 30 deadline.
Information Technology Department	Technology Fund 682	\$40,000	Palo Alto 3-1-1: The Palo Alto 3-1-1 Project was approved as part of the Fiscal Year 2015 Budget to route all 3-1-1 calls to the City's telephone system. The 3-1-1 service will allow the City to be more responsive to the needs of the residents, business owners, and visitors, and these groups will only need to know two numbers to access all City of Palo Alto services: 9-1-1 for emergencies and 3-1-1 for all non-emergency and other City services. The IT Department planned to award the project prior to the end of Fiscal Year 2015; however, a vendor was not selected before the June 30 deadline.
Information Technology Department	Technology Fund 682	\$75,000	Mobile Device Management Security Solution: The Mobile Device Management (MDM) Security Solution Project was approved as part of the Fiscal Year 2015 Budget to secure, monitor, manage, and support mobile devices used by City staff. MDM software protects these devices from cyber security threats and allows designated staff to remotely erase data from a mobile device in the event it is lost or stolen. The Department planned to select a solution prior to the end of Fiscal Year 2015; however, a solution is still being evaluated and the deadline was not met. \$154,000 was originally appropriated for this project in Fiscal Year 2015, however, after further evaluation by the IT Department, only \$75,000 will be needed to award the project, and the remaining funding will be returned to the Technology Surcharge Reserve for future technology enhancement projects.

\$197,500 Total Internal Service Funds Reappropriations

Exhibit 1
Fiscal Year 2015 Reappropriations

Special Revenue Funds

Department	Fund	Amount Recommended	Reappropriation Justification
Planning and Community Environment Department	Residential Housing In-Lieu Fund 233	\$600,000	Palo Alto Housing Corporation Loan for 2811 Alma: This action reappropriates \$600,000 in the Residential Housing In-Lieu Fund for use by the Palo Alto Housing Corporation (PAHC) for a loan and promissory note for property located at 2811-2825 Alma Street (CMR #5197). In 2011, the Palo Alto Housing Corporation (PAHC) entered into negotiations with the owners of 2811-2825 Alma Street and submitted a \$1.89 million offer for the purchase of these two parcels. The offer was accepted and escrow closed in December 2011. At that time, however, the City did not have sufficient fund balances in its housing funds to provide the \$1.89 million loan, and was only able to provide \$1.29 million. To make up the difference, the Opportunity Fund of Santa Clara County provided a two year, \$600,000 short term loan for the project acquisition with the understanding that the City would repay the short term loan, which was set to expire in December 2014. With Council's approval of this action, the City new \$600,000 loan defeased the Opportunity Fund loan and the City is the sole lender on the project. However, due to staffing constraints, this transaction has not yet been executed. With this recommended action, staff expects to execute and conclude the agreement with PAHC in the fall of Fiscal Year 2016.
Planning and Community Environment Department	Residential Housing In-Lieu Fund 233	\$1,000,000	Stevenson House Rehab Loan: Stevenson House, located at 435 E. Charleston Road, has been serving extremely low, very low, and low income Palo Alto seniors for 47 years. Built in 1968, Stevenson House consists of 120 studio and one bedroom units. In addition to providing affordable housing, it offers services, meals and social programs for its residents. This action reappropriates \$1,000,000 in the Residential Housing In-Lieu Fund to effectuate the \$1,000,000 City loan for the renovation of Stevenson House (CMR# 5526) and the consolidation of outstanding Community Development Block Grant (CDBG) loans consistent with the funding commitment previously approved by the City Council on November 5, 2012 (CMR #3176). However, due to staffing constraints, this transaction has not yet been executed. With this recommended action, staff expects to execute and conclude the agreement with PAHC in the fall of Fiscal Year 2016.
Planning and Community Environment Department	Residential Housing In-Lieu Fund 233	\$375,000	Loan Associated with Pine Street Sale: This action reappropriates \$375,000 in the Residential Housing In-Lieu Fund for use by the Palo Alto Housing Corporation (PAHC) to rehabilitate and deed restrict three units located at 110 - 130 El Dorado (CMR #5712). Due to the timing of Council's action approving this activity and staffing constraints, this transaction has not yet been executed. With this recommended action, staff expects to execute and conclude the agreement with PAHC in the fall of Fiscal Year 2016.

\$1,975,000 Total Special Revenue Funds Reappropriations

\$4,369,278 Total - All Reappropriations

Exhibit 2
Capital Reappropriations

Project ID	Project Title	Fund	Reappropriation Adjustment
AP-15003	Apron and Taxi Lane Repair	Airport	34,359
PF-93009	Americans with Disabilities	Capital Improvement Fund	200,853
AC-14000	Art Center Auditorium Audio, Visual, and Furnishings	Capital Improvement Fund	19,802
AC-86017	Art in Public Places	Capital Improvement Fund	(55,550)
OS-09002	Baylands Emergency A	Capital Improvement Fund	602
PE-15029	Baylands Interpretive Center Improvements	Capital Improvement Fund	(26,859)
PE-14018	Baylands Interpretive Center Improvements	Capital Improvement Fund	2,205
PL-04010	Project	Capital Improvement Fund	(21,886)
PE-13008	Bowden Park	Capital Improvement Fund	1,053
PF-01003	Building Systems Improvements	Capital Improvement Fund	(129,236)
PE-13020	Byxbee Park Trails	Capital Improvement Fund	268,652
PL-11002	California Avenue Streetscape Improvements	Capital Improvement Fund	183,613
PE-13011	Charleston Arastrade	Capital Improvement Fund	(33,391)
PE-09003	City Facility Parking	Capital Improvement Fund	286,310
PE-12017	City Hall 1st Floor	Capital Improvement Fund	253,086
PE-13005	City Hall/King Plaza	Capital Improvement Fund	7,020
PF-01002	Civic Center Infrastructure	Capital Improvement Fund	(434)
PE-15020	Civic Center Waterproofing Study and Repairs	Capital Improvement Fund	(78,492)
PF-14000	Cubberley Roof Replacements	Capital Improvement Fund	1,442
PO-12001	Curb & Gutter Repair	Capital Improvement Fund	186
PE-13017	EC Median Landscape	Capital Improvement Fund	(17,573)
PE-13016	El Camino Park Expand	Capital Improvement Fund	10,123
PL-14000	Design	Capital Improvement Fund	8,652
PL-15001	Embarcadero Corridor	Capital Improvement Fund	200,710
PF-15005	Emergency Facility Improvements	Capital Improvement Fund	(13,532)
PF-02022	Facility Interior Finishes Replacement	Capital Improvement Fund	(27,828)
PF-14002	Fire Station 1 Improvements	Capital Improvement Fund	863
LB-11000	Furniture and Technology for Library Projects	Capital Improvement Fund	(5,711)
PG-13003	Golf Reconfig & Bayland Athletics Center	Capital Improvement Fund	34,954
PE-13010	Greer Park Renovatio	Capital Improvement Fund	33,075
PE-11011	Highway 101 Pedestrian	Capital Improvement Fund	943,638
PE-09010	Library & Community Center	Capital Improvement Fund	2,277
PE-14015	Lucie Stern Building	Capital Improvement Fund	7,130
PE-12013	Magical Bridge Playg	Capital Improvement Fund	100,888
PE-11000	Main Library New Construction	Capital Improvement Fund	(14,079)
PL-14001	Matadero Creek Trail	Capital Improvement Fund	14,204
PE-09006	Mitchell Park Library	Capital Improvement Fund	2,483,343
PG-11002	Monroe Park Improvements	Capital Improvement Fund	270,996
OS-09001	Off-Road Pathway Resurfacing and Repair	Capital Improvement Fund	1,033
OS-00001	Open Space Trails & Amenities	Capital Improvement Fund	(14,991)
PE-15022	Palo Alto Community Gardens Irrigation System	Capital Improvement Fund	(47,296)
PG-09003	Park Maintenance Sho	Capital Improvement Fund	84,419
PE-13003	Parks Master Plan	Capital Improvement Fund	6,725
PE-08001	Rinconada Park Improvements	Capital Improvement Fund	1,271
PE-12003	Rinconada Park Master	Capital Improvement Fund	4,833
PF-15000	Rinconada Pool Locker	Capital Improvement Fund	(23,068)
PF-00006	Roofing Replacement	Capital Improvement Fund	(198,002)
PF-07011	Roth Building Maintenance	Capital Improvement Fund	3,201
PL-00026	Safe Routes to School	Capital Improvement Fund	(49,092)
PG-12004	Sarah Wallis Park Improvements	Capital Improvement Fund	65,000
PO-89003	Sidewalk Repairs	Capital Improvement Fund	(132,345)
PO-11000	Sign Reflectivity Upgrade	Capital Improvement Fund	(40,542)
PG-13001	Stanford / PA Soccer Turf Replacement	Capital Improvement Fund	722,740
PG-12001	Stanford/Palo Alto P	Capital Improvement Fund	47,198

Exhibit 2
Capital Reappropriations

PO-05054	Street Lights Improvements	Capital Improvement Fund	21,841
PE-86070	Street Maintenance	Capital Improvement Fund	(471,182)
PE-13014	Streetlights Condi	Capital Improvement Fund	78
PE-13012	Structural Assessment	Capital Improvement Fund	1,143
PE-11012	Temporary Main Library	Capital Improvement Fund	83,438
PO-11001	Thermoplastic Lane Marking and Striping	Capital Improvement Fund	(12,000)
PL-05030	Traffic Signal and ITS Upgrades	Capital Improvement Fund	(30,043)
PL-12000	Transportation and Parking Improvements	Capital Improvement Fund	163,956
EL-02010	SCADA System Upgrades	Electric	(17,015)
EL-02011	Electric Utility GIS	Electric	75,000
EL-04012	Utility Site Securit	Electric	33,719
EL-05000	El Camino Undergroun	Electric	(200,000)
EL-06001	230 kV Electric Inte	Electric	(3,441)
EL-06002	UG District 45	Electric	59,271
EL-09000	Middlefield Undergro	Electric	(282,906)
EL-10006	Rebuild UG Dist 24	Electric	53,968
EL-10009	Street Light System	Electric	(23,259)
EL-11003	Rebuild UG Dist 15	Electric	(1,133)
EL-11006	Rebuild UG Dist 18	Electric	164,587
EL-11008	Rebuild UG Dist 19	Electric	3,926
EL-11010	UG District 47 - Mid	Electric	(601,553)
EL-11014	Smart Grid Technolog	Electric	1,395
EL-12000	Rebuild UG Dist 12	Electric	9,028
EL-12001	UG District 46 - Cha	Electric	(976)
EL-13006	Sand Hill / Quarry 1	Electric	(25,028)
EL-13008	Upgrade Estimating S	Electric	(20,000)
EL-14004	Maybell 1&2 4/12kV C	Electric	(121,029)
EL-14005	Reconfigure Quarry F	Electric	(61,119)
EL-15001	Substation Battery R	Electric	69,251
EL-89028	Electric Customer Co	Electric	402,508
EL-89031	Communications Syste	Electric	(60,307)
EL-89038	Substation Protectio	Electric	18,713
EL-89044	Substation Facility	Electric	(55,640)
EL-98003	Electric System Imp	Electric	1,285,781
FO-10000	Fiber Optic Customer	Fiber Optic	(48,703)
FO-10001	Fiber Optic Network	Fiber Optic	84,022
GS-03009	Sys Extensions Operations - Unreimbursed	Gas	726
GS-11002	Gas System Improvement	Gas	(67,511)
GS-12001	Gas Main Replacement - Project 22	Gas	(199,920)
GS-13002	Gas Equipment and Tools	Gas	17,869
GS-80019	Gas Meters and Regulators	Gas	3,109
SD-06102	San Francisquito Creek Storm Water Pump Station	Storm	(631)
SD-06101	Storm Drain System Replacement and Rehabilitation	Storm	58,190
SD-13003	Improvements	Storm	(110,762)
SD-11101	Channing/Lincoln Storm Drain Improvements	Storm	12,597
TE-00010	Telephone System Repair	Technology	(38)
TE-01012	IT Disaster Recovery	Technology	43,479
TE-05000	Radio Infrastructure	Technology	1,000,000
TE-06001	Library RFID Implementation	Technology	4,369
TE-09000	Public Safety Computer-Aided Dispatch Replacement	Technology	(292,044)
TE-10001	Utilities Customer Bill System Improvements	Technology	502
TE-11001	Library Computer System Software	Technology	(64,019)
TE-12001	Development Center Blueprint Technology Enhancement	Technology	(117,312)
TE-13004	Infrastructure Management Syste	Technology	80,431
TE-14002	Library Virtual Branch	Technology	(20,000)
TE-95016	Permit Information Tracking System	Technology	6,054
VR-14000	Schedule Vehicle and Equipment Replacement - Fiscal Year 2014	Vehicle	(30,395)
VR-13000	2013	Vehicle	22,770

Exhibit 2
Capital Reappropriations

VR-15001	Emergency Repair and Replacement	Vehicle	47,347
VR-15000	2015	Vehicle	1,034,789
WC-10002	Project 23	Wastewater Collection	758,010
WC-11000	Project 24	Wastewater Collection	(90,474)
WC-12001	Project 25	Wastewater Collection	(80,641)
WC-13001	Project 26	Wastewater Collection	(66,657)
WC-14001	Project 27	Wastewater Collection	(51,716)
WC-80020	Sewer System, Customer Connections	Wastewater Collection	(97,952)
WQ-10001	Plant Master Plan	Wastewater Treatment	(66,000)
WQ-14001	Dewatering and Loadout Facility	Wastewater Treatment	(2,301,219)
WQ-04011	Facility Condition Assessment	Wastewater Treatment	(19,937)
WS-02014	Water, Gas, Wastewater Utility GIS Data	Water	(9,500)
WS-07000	Water Regulation System Improvements	Water	785,585
WS-08001	Water Reservoir Coating Improvements	Water	2,160,306
WS-08002	Emergency Water Supply Project	Water	(6,919)
WS-09000	Seismic Water System Upgrades	Water	3,501,875
WS-11000	Water Main Replacement - Project 25	Water	(282,944)
WS-11003	Water Distribution System Improvements	Water	(49,710)
WS-11004	Water System Supply Improvements	Water	(110,352)
WS-12001	Water Main Replacement - Project 26	Water	27,995
WS-13004	Asset Management Mobile Deployment	Water	(1,652)
WS-15004	Water System Master Plan	Water	(1,001)
WS-80014	Water Service Hydrant Replacement	Water	1,789
WS-80015	Water Meters	Water	(20,471)
		Total- All Funds	11,280,855



City of Palo Alto Finance Committee Staff Report

(ID # 5940)

Report Type: Action Items

Meeting Date: 9/22/2015

Summary Title: Approval of Fiscal Year 2015 Reappropriation Requests to be Carried Forward into Fiscal Year 2016

Title: Approval of Fiscal Year 2015 Reappropriation Requests to be Carried Forward Into Fiscal Year 2016

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the Finance Committee approve the Fiscal Year 2015 reappropriations to be carried forward into Fiscal Year 2016 and direct staff to forward the Finance Committee's recommendation to the City Council.

Background

As a part of the fiscal year-end process, staff reviews the City's unencumbered and unspent appropriations of the fiscal year just ended, along with the City's spending plans. Encumbered amounts are those subject to the legal claims of other parties due to contractual obligations (for example, commitments made through purchase orders), which are carried forward from one fiscal year to the next. However, each year there are a small number of important projects which staff was not able to complete or encumber funds for. The reappropriation process allows staff to bring forward funding recommendations to the Finance Committee and City Council to continue these projects.

On September 22, 2014, the City Council approved a recommendation to amend Chapter 2.28, Section 2.28.090 of the Municipal Code, reducing the previous two-step reappropriations process (preliminary and final reappropriation authorization) to one step as long as the Administrative Services Director certifies that sufficient unencumbered and unexpended funds are available in the current Fiscal Year to be carried forward to the subsequent Fiscal Year.

Additionally, the City Council amended the Municipal Code to eliminate the provision allowing for the automatic reappropriation of capital project funds. Previously, the Municipal Code stated that appropriations of capital project funds should continue until the project was completed or no funds had been expended for two years. Effective Fiscal Year 2016, the

Finance Committee reviewed and the Council approved a capital budget which includes all active projects. Since capital projects may be delayed for various reasons, unexpended funds are carried forward in two ways from the outgoing to the new fiscal year. As part of the approval of the Fiscal Year 2016 budget, based on estimates, the majority of unexpended and unencumbered funds were carried forward from Fiscal Year 2015 to Fiscal Year 2016. Now that the Fiscal Year 2015 has closed and staff has processed necessary accounting transactions any unexpended and unencumbered funds for each capital project are reviewed one more time. Based on that review, staff recommends that for some projects in various funds remaining Fiscal Year 2015 capital dollars are reappropriated to Fiscal Year 2016. Also, as part of this review, staff realized that for some projects too much funding was recommended for reappropriation as expenditures occurred in Fiscal Year 2015. Therefore, this staff report also recommends reversing a portion of previously authorized reappropriations.

Discussion

As noted above, the changes to the Municipal Code from last year allow for the reappropriation of unencumbered and unexpended funds in advance of the normal year-end closing ordinance as long as the Administrative Services Director certifies that sufficient unencumbered and unexpended funds are available in Fiscal Year 2015 to be carried forward to Fiscal Year 2016.

Attachment A identifies those operating budget reappropriation requests that staff recommends for approval, while Attachment B lists recommended capital project reappropriations. With the submission of this report for Finance Committee consideration, the Administrative Services Director certifies sufficient unencumbered and unexpended funds are available in Fiscal Year 2015 to be carried forward to Fiscal Year 2016.

The projects for which operating budget reappropriations are recommended can generally be grouped into the following categories:

- **Timing and Workload Delays:** Certain projects were delayed due to competing workload demands, appropriation of funds late in the fiscal year, or other unanticipated delays. Examples of projects in this category include Document Scanning and Management Services (\$66,000), Temporary Staffing for the Purchasing division (\$51,000), Business Registry Program (\$99,050), Police Utilization Study (\$70,000), Airport On-Call Consultant (\$40,987), Storm Water Rebates (\$55,710) and Santa Clara Valley Water District MOU (\$400,000).
- **Technology Services:** Funding was approved in Fiscal Year 2015 for a number of technology system evaluation and upgrade projects but contracts were not awarded by the end of the fiscal year. Projects in this category include Geographic Information Systems (GIS) Evaluation of the City's GIS solutions (\$82,500), Palo Alto 3-1-1 implementation (\$40,000), Mobile Device Management Solution (\$75,000), and Police Interview Recording System (\$40,000).

- Residential Housing In-Lieu Fund:** Due to the timing of Council's action approving loans and staffing constraints, transactions with Palo Alto Housing Corporation (PAHC) were not completed in Fiscal Year 2015 for some projects. Continuation of the housing transactions will require reappropriation of Residential Housing In-Lieu Funds for the following properties: loan for PAHC purchase of 2811-2825 Alma Street (\$600,000), loan for PAHC renovation of Stevenson House at 435 E. Charleston Road (\$1,000,000), and loan for PAHC rehabilitation and deed restriction of Pine Street property at 110-130 El Dorado (\$375,000). Staff expects to be able to execute and conclude the agreements with PAHC for these projects in Fiscal Year 2016.
- Library Donation and Grant:** This action reappropriates \$339,845 in revenue and offsetting expenses as a result of donations and grants received by the Library. In early Fiscal Year 2015 the Library was awarded two grants from the Pacific Library Partnership (PLP): one in the amount of \$4,485 to offset delivery costs for LINK+, an interlibrary loan program for participating organizations; and a \$15,000 grant for the Maker+: A Summer Maker Program to support STEAM (Science, Technology, Engineering, Art & Math) learning and to foster interdisciplinary exploration among sciences, art, and social sciences. In addition, in June 2015, the City received a \$320,000 donation from the Palo Alto Library Foundation. The Library intends to use \$100,000 for the purchase of additional technology, such as tablets, e-readers, and other devices for staff development and customer instruction; \$112,100 for databases and digital services, such as Learning Express, Mango Languages, and online video, magazines, and music; and \$107,900 on contractual services to improve workflow efficiency, provide staff training, and customer service improvements for the new facilities and new products.
- Teen Services Programs:** At the June 2, 2014 City Council meeting, the City Council approved a recommendation from the Policy and Services Committee to use a portion of the net revenue collected from 455 Bryant Street in Fiscal Years 2009 through 2013 to fund Teen Programs for Fiscal Year 2015 (CMR #4776). Staff was to return to the City Council with another plan six months after the opening of the Mitchell Park Community Center where the Teen Center is located to discuss the best use of the facility and programming for Teen Services at the Teen Center and elsewhere throughout the City utilizing the Bryant Street funds. Staff is expecting to return to the City Council in the fall of 2015 with a funding plan for Fiscal Year 2016 and beyond. Teen Services programming includes but is not limited to: makeX, Project Enybody, Click PA, Ghost Bike, and Ceramics class drop-ins. As a result, this action will reappropriate \$331,046 to continue supporting these programs as well as a sustainable, long-term approach for Teen Services utilizing Bryant Street funds.
- Management and Professional Development funds:** A number of City employees, as part of their compensation plan, are eligible for certain self-improvement activities. These funds are available to certain employees for civic and professional association memberships, conference participation and travel, educational programs, certain tuition

costs, and professional and trade journal subscriptions. Unspent funds are recommended to be carried over to Fiscal Year 2016 to improve and supplement the job and professional skills of employees (\$145,000).

- **Establish Contingency Account – Planning, Community & Environment Department:** To establish a contingency account for the Planning and Community Environment Department to set aside funds related to planning, parking, and transportation related funding needs (\$500,000). In accordance with the Palo Alto Municipal Code, the use of contingency funding requires the approval of the City Manager.
- **Capital Reappropriations:** As discussed in the Background section of this report, starting with the Fiscal Year 2016 capital budget, all capital project reappropriations require City Council approval. The Adopted Budget included approximately \$51.1 million in reappropriated funds, across all City funds based on estimates of anticipated spending in Fiscal Year 2015. Since the adoption of the capital budget, some adjustments and refinements to project reappropriations are required since Fiscal Year 2015 year end actuals and projects costs have been updated. For some projects, additional reappropriations are recommended, as project expenditures originally anticipated to occur before the end of Fiscal Year 2015 will now likely occur in Fiscal Year 2016. Additionally, some expenditures not anticipated to occur until Fiscal Year 2016 and therefore reappropriated in the budget document to Fiscal Year 2016 have been realized in Fiscal Year 2015, requiring downward adjustments for Fiscal Year 2016. The table on the following page summarizes the recommended net reappropriation adjustments as detailed in Attachment B. These Fiscal Year 2016 adjustments represent the final step in the City Council approved change to the reappropriation process. There are sufficient expenditure savings in Fiscal Year 2015 to support all recommended reappropriation adjustments. It should be noted that as a result of this revised process and active review of all project reappropriations, a reduced level of carryforward from one year to the next is recommended than by automatically carrying forward all unspent capital funding. As part of the detailed review of capital projects which started with the development of the Fiscal Year 2016 Capital Budget and is concluding with the recommendations contained in this CMR, a total of \$10.8 million is being returned to reserves across several funds that otherwise would have been reappropriated under the prior model, including \$4.7 million in the Capital Improvement Fund.

Fund	Number of Projects	Recommended Reappropriation Adjustment
Capital Improvement Fund*	61	\$5,099,421
Airport Fund	1	\$34,359
Electric Fund	26	\$703,741
Fiber Optics Fund	2	\$35,319
Gas Fund	5	(\$245,727)
Storm Drainage Fund	4	(\$40,606)
Wastewater Collection Fund	6	\$370,570
Wastewater Treatment Fund	3	(\$2,387,156)
Water Fund	13	\$5,995,001
Technology Fund	11	\$641,422
Vehicle Replacement and Maintenance Fund	4	\$1,074,511
Total All Funds	136	\$11,280,855

*Includes an increase of \$32,692 for the Monroe Park Improvements project (PG-11002) due to higher than anticipated costs, as outlined in CMR 6025, to be considered by the City Council on 9/21/2015.

Resource Impact

The majority of requested items have been previously reviewed and approved by City Council as part of annual budget processes. The Director of Administrative Services has certified that sufficient funds exist for the recommended Fiscal Year 2015 Operating Budget reappropriations (Attachment A) and Capital Budget reappropriations (Attachment B). For Fiscal Year 2016, staff recommends \$1.7 million in carryover funds in the General Fund, \$0.5 million in Enterprise Funds, \$0.2 in Internal Service Funds and \$2.0 million in Special Revenue Funds. For capital projects staff recommends \$5.1 million to be reappropriated in the Capital Improvement Fund, net \$4.5 million in the various Enterprise Funds, and \$1.7 million in the Internal Service Funds.

Policy Implications

This recommendation is consistent with adopted Council policy.

Environmental Review (If Applicable)

The action recommended is not a project for the purposes of the California Environmental Quality Act.

Attachments:

- Attachment A - Operating Reapprop FY15 to FY16 (PDF)
- Attachment B- Capital Reappropriations (XLSX)
- Attachment C - BAO XXXX - FY15 to FY16 Reappropriation (PDF)

Attachment A
Fiscal Year 2015 Reappropriations

General Fund

Department	Fund	Amount Recommended	Reappropriation Justification
Administrative Services Department	General Fund	\$66,000	Document Scanning and Retrieval Services: In 2014, the Administrative Services Department (ASD) started on a pilot to scan existing documents and store them electronically. The pilot was successfully completed with the Purchasing and Accounts Payable sections. Based on the experience from the pilot, the City issued a citywide Request for Proposal for scanning paper documents and storing them electronically ASD, Planning and Community Environment, Utilities, and Public Works-Engineering. With reappropriating \$66,000 ASD will be able to continue its efforts to easily retrieve scanned documents, especially for Information requests, free up limited office space, and have an organized cloud retrieval structure. ASD's scanning for FY 2015 and FY 2016 is scheduled to be completed in FY 2016 with 253,000 total number of scanned images with an average cost per scan of \$0.26.
Administrative Services Department	General Fund	\$51,000	Temporary Staffing: The Purchasing Division of the Administrative Services Department (ASD) is undergoing rapid change due to the eProcurement initiative. With this initiative, there is a parallel, heavy workload for the Division's contract administrators. Temporarily adding a Management Specialist hourly position will help to balance the demands of the eProcurement process implementation and the workload of regular staff.
Community Services Department	General Fund	\$331,046	Teen Programs / Bryant Street Garage Rent Revenue: At the June 2, 2014 City Council meeting, the City Council approved a recommendation from the Policy and Services Committee to use a portion of the net revenue collected from 455 Bryant Street in Fiscal Years 2009 through 2013 to fund Teen Programs for Fiscal Year 2015 (CMR #4776). Staff was to return to the City Council with another plan six months after the opening of the Mitchell Park Community Center where the Teen Center is located to discuss the best use of the facility and programming for Teen Services at the Teen Center and elsewhere throughout the City utilizing the Bryant Street funds. Staff is expecting to return to the City Council in the fall of 2015 with a funding plan for Fiscal Year 2016 and beyond. Teen Services programming includes but is not limited to: makeX, Project Enybody, Click PA, Ghost Bike, and Ceramics class drop-ins. As a result, this action will reappropriate \$331,046 to continue supporting these programs as well as a sustainable, long-term approach for Teen Services utilizing Bryant Street funds.
Community Services Department	General Fund	\$50,000	Human Services Resource Allocation Program (HSRAP) Reserve: At the June 9, 2014 City Council meeting, the Council established a \$50,000 reserve for the Human Services Resource Allocation Process as part of the Budget Adoption for Fiscal Year 2015. Since the reserve was funded as a one-time appropriation and remains unspent, this action will reappropriate the reserve balance of \$50,000 into Fiscal Year 2016.
Development Services Department	General Fund	\$99,050	Business Registry: As part of Council directive, the Development Service Department in coordination with the City Manager's Officer began working on a two phase project to implement an online Business Registry Certificate program. To implement the program, the City Council authorized initial funding of \$250,000 (CMR #5146) and a Fiscal Year 2015 reappropriation request of \$35,000 (CMR #5647) for phase I of the Business Registry Program which included initial start-up costs for Accela integration, staffing, and outreach. Because the work on phase I is continuing, this action will reappropriate \$99,050 for staffing and continued community outreach efforts.
Human Resources Department	General Fund	\$145,000	Management Development and Training: Funding will be used to continue the citywide management training program that began in Fiscal Year 2015. Training programs will focus on the following areas: Ethics, Civics and Citizen Engagement, Leadership and Management, Budget, Finance, Procurement, Interpersonal Communication, Presentation Skills, Business Writing, Time Management, Project Management, Change Management, SkillSoft (online based education), and Safety & Security. Approval of this action also requires approval of the Fiscal Year 2015 Year-End Budget Amendment Ordinance (scheduled for a November Finance Committee meeting), which recommends consolidating General Fund savings for training across various departments into the Human Resources (HR) Department in Fiscal Year 2015 in order to reappropriate the full amount into HR in Fiscal Year 2016.
Library Department	General Fund	\$339,985	Library Foundation Donation & Pacific Library Partnership Grant: This action reappropriates \$339,845 in revenue and \$339,845 in expenses as a result of donations and grants received by the Library. In early Fiscal Year 2015 the Library was awarded two grants from the Pacific Library Partnership (PLP): one to be used for a summer 2015 program with expenses incurred in Fiscal Year 2016, and one in the amount of \$4,485 to offset delivery costs for LINK+, an interlibrary loan program for participating organizations. LINK+ is a union catalog of contributed holdings from participating libraries in California and Nevada. Patrons from member libraries electronically request an item not available in their own library and the item is delivered to the requested library for check-out. A \$15,000 grant was received from PLP for the Maker+: A Summer Maker Program to support STEAM (Science, Technology, Engineering, Art & Math) learning and to foster interdisciplinary exploration among sciences, art, and social sciences. By participating in the program, students will discover solutions for today's social issues through technology. The program includes opportunities for people of all ages to participate in a week long structured programming at the Rinconada and Mitchell Park libraries. In addition, in June 2015, the City received a \$320,000 donation from the Palo Alto Library Foundation. The Library intends to use \$100,000 for the purchase of additional technology, such as tablets, e-readers, and other devices for staff development and customer instruction; \$112,100 for databases and digital services, such as Learning Express, Mango Languages, and online video, magazines, and music; and \$107,900 on contractual services to improve workflow efficiency, provide staff training, and customer service improvements for the new facilities and new products.
Planning and Community Environment Department	General Fund	\$500,000	Establish Planning & Community Environment Contingent Account: This action reappropriates \$500,000 of the \$1,000,000 million shuttle reserve from the Fiscal Year 2015 Non-Departmental budget to be used as a contingency account for unanticipated expenses as a result additional City Council direction related to planning, parking, or transportation.
Police Department	General Fund	\$78,000	Police Utilization Study: In Fiscal Year 2013, funding was allocated for the Police Department to hire a consultant to conduct a utilization study of overall police operations; however, the study was not completed due to competing workload demands. The funds were reappropriated to Fiscal Year 2014 and Fiscal Year 2015; however, the Department was unable to conduct the utilization study due to other projects that took precedence (Tri-City Computer Aided Dispatch, Records Management System, Patrol Vehicle Mobile Audio Video, etc.). Reappropriation of these funds will allow Police Department staff to determine the scope of the study, integrate it into their workload, and hire a consultant to conduct the study.
Police Department	General Fund	\$40,000	Police Interview Recording System: The Interview Recording System that provides cameras, audio equipment and storage for interviewing suspects, witness and victims unexpectedly failed in Fiscal Year 2015 and needs to be replaced. The existing system has failed repeatedly and the Department attempted to replace it as quickly as possible in May and June 2015. The Department completed a Request for Proposal and no responses were received. Therefore, with this funding, the Department will issue a new RFP and increase its vendor outreach efforts with the hope of receiving viable proposals for the replacement of the system.

\$1,700,081 Total General Fund Reappropriations

Attachment A
Fiscal Year 2015 Reappropriations

Enterprise Funds

Department	Fund	Amount Recommended	Reappropriation Justification
Public Works Department	Airport Fund 530	\$40,987	<p>Airport On-Call Planning & Environmental Consultants: In October 2014 Council approved two on-call consultant contracts for airport related work: one for design and construction administration services and one for planning and environmental services. At the end of June three purchase requests submitted for the airports on-call planning and environmental consultant were inadvertently cancelled. Therefore, staff requests to reappropriate the funds so that the following projects can continue:</p> <ol style="list-style-type: none"> 1. Development of an Extraordinary Circumstance Information Submittal (CATEX) for review by the Federal Aviation Administration's (FAA) San Francisco Airport District Office (SF-ADO). The CATEX is being prepared for approval under the National Environmental Policy Act (NEPA) relative to a potential future apron rehabilitation project at Palo Alto Airport with possible future reimbursement under the FAA grant. 2. Development of DBE goals for the airport as required by the FAA for inclusion in grant application submittals. 3. Planning, implementing and facilitation of a charrette with key community stakeholders to discuss a vision and goals for the Airport; share potential strategies to integrate sustainability into the Airport's management, planning, operation, maintenance, and development; and generate/prioritize potential sustainability initiative ideas to be considered by the City.
Public Works Department	Storm Drainage Fund 528	\$55,710	<p>Storm Water Rebates: In April 2005, the majority of Palo Alto property owners voted to increase the Storm Drainage Fee (CMR 244:05). In addition to the seven proposed CIP projects to be completed by 2017, the fee increase provided an annual innovative projects budget. These funds have been utilized since Fall 2008 to fund a Stormwater Rebate Program that offers financial incentives to residents and businesses for the installation of measures that reduce stormwater runoff, including rain barrels, cisterns, permeable pavement, and green roofs. Staff proposes that these funds be reappropriated because they have been specifically earmarked for funding of innovative storm drain projects per the terms of the 2005 Storm Drainage Fee ballot measure approved by Palo Alto property owners.</p> <p>As the rebate program has not generated sufficient demand to spend the budgeted funds, we are researching alternatives that may garner the desired environmental result.</p>
Utilities	Water Fund 522	\$400,000	<p>Santa Clara Valley Water District MOU: On February 10, 2015, Council approved a Budget Amendment Ordinance to appropriate \$400,000 from the Water Fund Reserve to increase the 2014-2016 Memorandum of Understanding with the Santa Clara Valley Water District for the Administration and Funding of Water Conservation Programs (the "2014-2016 MOU") to increase the City of Palo Alto's (City) three-year \$735,915 total cost obligation by \$500,000 to \$1,235,915. Inadvertently, the approved funds were not encumbered before the end of the year. Therefore, it is recommended to carry forward the funding to fiscal year 2016 in order to fund the contract.</p>
\$496,697 Total Enterprise Funds Reappropriations			

Attachment A
Fiscal Year 2015 Reappropriations

Internal Services Funds

Department	Fund	Amount Recommended	Reappropriation Justification
Information Technology Department	Technology Fund 682	\$82,500	Geographic Information System Evaluation: The Geographic Information System (GIS) Evaluation Project was approved as part of the Fiscal Year 2015 Budget to contract with a consultant to perform an analysis of the City's current GIS environment and determine how updated GIS solutions align with the City's needs and goals. The City's current GIS solution has been in place for over 20 years and needs to be evaluated and updated to reduce IT application and infrastructure support costs, improve flexibility and offer GIS mobile services for field and remote staff. The IT Department planned to award the assessment to a vendor prior to the end of Fiscal Year 2015; however, a vendor was not selected before the June 30 deadline.
Information Technology Department	Technology Fund 682	\$40,000	Palo Alto 3-1-1: The Palo Alto 3-1-1 Project was approved as part of the Fiscal Year 2015 Budget to route all 3-1-1 calls to the City's telephone system. The 3-1-1 service will allow the City to be more responsive to the needs of the residents, business owners, and visitors, and these groups will only need to know two numbers to access all City of Palo Alto services: 9-1-1 for emergencies and 3-1-1 for all non-emergency and other City services. The IT Department planned to award the project prior to the end of Fiscal Year 2015; however, a vendor was not selected before the June 30 deadline.
Information Technology Department	Technology Fund 682	\$75,000	Mobile Device Management Security Solution: The Mobile Device Management (MDM) Security Solution Project was approved as part of the Fiscal Year 2015 Budget to secure, monitor, manage, and support mobile devices used by City staff. MDM software protects these devices from cyber security threats and allows designated staff to remotely erase data from a mobile device in the event it is lost or stolen. The Department planned to select a solution prior to the end of Fiscal Year 2015; however, a solution is still being evaluated and the deadline was not met. \$154,000 was originally appropriated for this project in Fiscal Year 2015, however, after further evaluation by the IT Department, only \$75,000 will be needed to award the project, and the remaining funding will be returned to the Technology Surcharge Reserve for future technology enhancement projects.

\$197,500 Total Internal Service Funds Reappropriations

Attachment A
Fiscal Year 2015 Reappropriations

Special Revenue Funds

Department	Fund	Amount Recommended	Reappropriation Justification
Planning and Community Environment Department	Residential Housing In-Lieu Fund 233	\$600,000	Palo Alto Housing Corporation Loan for 2811 Alma: This action reappropriates \$600,000 in the Residential Housing In-Lieu Fund for use by the Palo Alto Housing Corporation (PAHC) for a loan and promissory note for property located at 2811-2825 Alma Street (CMR #5197). In 2011, the Palo Alto Housing Corporation (PAHC) entered into negotiations with the owners of 2811-2825 Alma Street and submitted a \$1.89 million offer for the purchase of these two parcels. The offer was accepted and escrow closed in December 2011. At that time, however, the City did not have sufficient fund balances in its housing funds to provide the \$1.89 million loan, and was only able to provide \$1.29 million. To make up the difference, the Opportunity Fund of Santa Clara County provided a two year, \$600,000 short term loan for the project acquisition with the understanding that the City would repay the short term loan, which was set to expire in December 2014. With Council's approval of this action, the City new \$600,000 loan defeased the Opportunity Fund loan and the City is the sole lender on the project. However, due to staffing constraints, this transaction has not yet been executed. With this recommended action, staff expects to execute and conclude the agreement with PAHC in the fall of Fiscal Year 2016.
Planning and Community Environment Department	Residential Housing In-Lieu Fund 233	\$1,000,000	Stevenson House Rehab Loan: Stevenson House, located at 435 E. Charleston Road, has been serving extremely low, very low, and low income Palo Alto seniors for 47 years. Built in 1968, Stevenson House consists of 120 studio and one bedroom units. In addition to providing affordable housing, it offers services, meals and social programs for its residents. This action reappropriates \$1,000,000 in the Residential Housing In-Lieu Fund to effectuate the \$1,000,000 City loan for the renovation of Stevenson House (CMR# 5526) and the consolidation of outstanding Community Development Block Grant (CDBG) loans consistent with the funding commitment previously approved by the City Council on November 5, 2012 (CMR #3176). However, due to staffing constraints, this transaction has not yet been executed. With this recommended action, staff expects to execute and conclude the agreement with PAHC in the fall of Fiscal Year 2016.
Planning and Community Environment Department	Residential Housing In-Lieu Fund 233	\$375,000	Loan Associated with Pine Street Sale: This action reappropriates \$375,000 in the Residential Housing In-Lieu Fund for use by the Palo Alto Housing Corporation (PAHC) to rehabilitate and deed restrict three units located at 110 - 130 El Dorado (CMR #5712). Due to the timing of Council's action approving this activity and staffing constraints, this transaction has not yet been executed. With this recommended action, staff expects to execute and conclude the agreement with PAHC in the fall of Fiscal Year 2016.

\$1,975,000 Total Special Revenue Funds Reappropriations

\$4,369,278 Total - All Reappropriations

Attachment B
Capital Reappropriations

Project ID	Project Title	Fund	Reappropriation Adjustment
AP-15003	Apron and Taxi Lane Repair	Airport	34,359
PF-93009	Americans with Disabilities	Capital Improvement Fund	200,853
AC-14000	Art Center Auditorium Audio, Visual, and Furnishings	Capital Improvement Fund	19,802
AC-86017	Art in Public Places	Capital Improvement Fund	(55,550)
OS-09002	Baylands Emergency A	Capital Improvement Fund	602
PE-15029	Baylands Interpretive Center Improvements	Capital Improvement Fund	(26,859)
PE-14018	Baylands Interpretive Center Improvements	Capital Improvement Fund	2,205
PL-04010	Bicycle & Pedestrian Transportation Plan - Implementation Project	Capital Improvement Fund	(21,886)
PE-13008	Bowden Park	Capital Improvement Fund	1,053
PF-01003	Building Systems Improvements	Capital Improvement Fund	(129,236)
PE-13020	Byxbee Park Trails	Capital Improvement Fund	268,652
PL-11002	California Avenue Streetscape Improvements	Capital Improvement Fund	183,613
PE-13011	Charleston Arastrade	Capital Improvement Fund	(33,391)
PE-09003	City Facility Parking	Capital Improvement Fund	286,310
PE-12017	City Hall 1st Floor	Capital Improvement Fund	253,086
PE-13005	City Hall/King Plaza	Capital Improvement Fund	7,020
PF-01002	Civic Center Infrastructure	Capital Improvement Fund	(434)
PE-15020	Civic Center Waterproofing Study and Repairs	Capital Improvement Fund	(78,492)
PF-14000	Cubberley Roof Replacements	Capital Improvement Fund	1,442
PO-12001	Curb & Gutter Repair	Capital Improvement Fund	186
PE-13017	EC Median Landscape	Capital Improvement Fund	(17,573)
PE-13016	El Camino Park Expand	Capital Improvement Fund	10,123
PL-14000	El Camino Real & Churchill Avenue Intersection Improvements - Design	Capital Improvement Fund	8,652
PL-15001	Embarcadero Corridor	Capital Improvement Fund	200,710
PF-15005	Emergency Facility Improvements	Capital Improvement Fund	(13,532)
PF-02022	Facility Interior Finishes Replacement	Capital Improvement Fund	(27,828)
PF-14002	Fire Station 1 Improvements	Capital Improvement Fund	863
LB-11000	Furniture and Technology for Library Projects	Capital Improvement Fund	(5,711)
PG-13003	Golf Reconfig & Bayland Athletics Center	Capital Improvement Fund	34,954
PE-13010	Greer Park Renovatio	Capital Improvement Fund	33,075
PE-11011	Highway 101 Pedestrian	Capital Improvement Fund	943,638
PE-09010	Library & Community Center	Capital Improvement Fund	2,277
PE-14015	Lucie Stern Building	Capital Improvement Fund	7,130
PE-12013	Magical Bridge Playg	Capital Improvement Fund	100,888
PE-11000	Main Library New Construction	Capital Improvement Fund	(14,079)
PL-14001	Matadero Creek Trail	Capital Improvement Fund	14,204
PE-09006	Mitchell Park Library	Capital Improvement Fund	2,483,343
PG-11002	Monroe Park Improvements	Capital Improvement Fund	270,996
OS-09001	Off-Road Pathway Resurfacing and Repair	Capital Improvement Fund	1,033
OS-00001	Open Space Trails & Amenities	Capital Improvement Fund	(14,991)
PE-15022	Palo Alto Community Gardens Irrigation System	Capital Improvement Fund	(47,296)
PG-09003	Park Maintenance Sho	Capital Improvement Fund	84,419
PE-13003	Parks Master Plan	Capital Improvement Fund	6,725
PE-08001	Rinconada Park Improvements	Capital Improvement Fund	1,271
PE-12003	Rinconada Park Master	Capital Improvement Fund	4,833
PF-15000	Rinconada Pool Locker	Capital Improvement Fund	(23,068)
PF-00006	Roofing Replacement	Capital Improvement Fund	(198,002)
PF-07011	Roth Building Maintenance	Capital Improvement Fund	3,201
PL-00026	Safe Routes to School	Capital Improvement Fund	(49,092)
PG-12004	Sarah Wallis Park Improvements	Capital Improvement Fund	65,000
PO-89003	Sidewalk Repairs	Capital Improvement Fund	(132,345)
PO-11000	Sign Reflectivity Upgrade	Capital Improvement Fund	(40,542)
PG-13001	Stanford / PA Soccer Turf Replacement	Capital Improvement Fund	722,740
PG-12001	Stanford/Palo Alto P	Capital Improvement Fund	47,198
PO-05054	Street Lights Improvements	Capital Improvement Fund	21,841
PE-86070	Street Maintenance	Capital Improvement Fund	(471,182)
PE-13014	Streetlights Conditi	Capital Improvement Fund	78
PE-13012	Structural Assessment	Capital Improvement Fund	1,143
PE-11012	Temporary Main Library	Capital Improvement Fund	83,438
PO-11001	Thermoplastic Lane Marking and Striping	Capital Improvement Fund	(12,000)
PL-05030	Traffic Signal and ITS Upgrades	Capital Improvement Fund	(30,043)
PL-12000	Transportation and Parking Improvements	Capital Improvement Fund	163,956
EL-02010	SCADA System Upgrades	Electric	(17,015)
EL-02011	Electric Utility GIS	Electric	75,000
EL-04012	Utility Site Securit	Electric	33,719
EL-05000	El Camino Undergroun	Electric	(200,000)
EL-06001	230 kV Electric Inte	Electric	(3,441)
EL-06002	UG District 45	Electric	59,271

Attachment B
Capital Reappropriations

EL-09000	Middlefield Undergro	Electric	(282,906)
EL-10006	Rebuild UG Dist 24	Electric	53,968
EL-10009	Street Light System	Electric	(23,259)
EL-11003	Rebuild UG Dist 15	Electric	(1,133)
EL-11006	Rebuild UG Dist 18	Electric	164,587
EL-11008	Rebuild UG Dist 19	Electric	3,926
EL-11010	UG District 47 - Mid	Electric	(601,553)
EL-11014	Smart Grid Technolog	Electric	1,395
EL-12000	Rebuild UG Dist 12	Electric	9,028
EL-12001	UG District 46 - Cha	Electric	(976)
EL-13006	Sand Hill / Quarry 1	Electric	(25,028)
EL-13008	Upgrade Estimating S	Electric	(20,000)
EL-14004	Maybell 1&2 4/12kV C	Electric	(121,029)
EL-14005	Reconfigure Quarry F	Electric	(61,119)
EL-15001	Substation Battery R	Electric	69,251
EL-89028	Electric Customer Co	Electric	402,508
EL-89031	Communications Syste	Electric	(60,307)
EL-89038	Substation Protectio	Electric	18,713
EL-89044	Substation Facility	Electric	(55,640)
EL-98003	Electric System Imp	Electric	1,285,781
FO-10000	Fiber Optic Customer	Fiber Optic	(48,703)
FO-10001	Fiber Optic Network	Fiber Optic	84,022
GS-03009	Sys Extensions Operations - Unreimbursed	Gas	726
GS-11002	Gas System Improvement	Gas	(67,511)
GS-12001	Gas Main Replacement - Project 22	Gas	(199,920)
GS-13002	Gas Equipment and Tools	Gas	17,869
GS-80019	Gas Meters and Regulators	Gas	3,109
SD-06102	San Francisquito Creek Storm Water Pump Station	Storm	(631)
SD-06101	Storm Drain System Replacement and Rehabilitation	Storm	58,190
SD-13003	Matadero Creek Storm Water Pump Station and Trunk Lines Improvements	Storm	(110,762)
SD-11101	Channing/Lincoln Storm Drain Improvements	Storm	12,597
TE-00010	Telephone System Repair	Technology	(38)
TE-01012	IT Disaster Recovery	Technology	43,479
TE-05000	Radio Infrastructure	Technology	1,000,000
TE-06001	Library RFID Implementation	Technology	4,369
TE-09000	Public Safety Computer-Aided Dispatch Replacement	Technology	(292,044)
TE-10001	Utilities Customer Bill System Improvements	Technology	502
TE-11001	Library Computer System Software	Technology	(64,019)
TE-12001	Development Center Blueprint Technology Enhancement	Technology	(117,312)
TE-13004	Infrastructure Management Syste	Technology	80,431
TE-14002	Library Virtual Branch	Technology	(20,000)
TE-95016	Permit Information Tracking System	Technology	6,054
VR-14000	Schedule Vehicle and Equipment Replacement - Fiscal Year 2014	Vehicle	(30,395)
VR-13000	Scheduled Vehicle and Equipment Replacement - Fiscal Year 2013	Vehicle	22,770
VR-15001	Emergency Repair and Replacement	Vehicle	47,347
VR-15000	Scheduled Vehicle and Equipment Replacement - Fiscal Year 2015	Vehicle	1,034,789
WC-10002	Wastewater Collection System Rehabilitation/Augmentation Project 23	Wastewater Collection	758,010
WC-11000	Wastewater Collection System Rehabilitation/Augmentation Project 24	Wastewater Collection	(90,474)
WC-12001	Wastewater Collection System Rehabilitation/Augmentation Project 25	Wastewater Collection	(80,641)
WC-13001	Wastewater Collection System Rehabilitation/Augmentation Project 26	Wastewater Collection	(66,657)
WC-14001	Wastewater Collection System Rehabilitation/Augmentation Project 27	Wastewater Collection	(51,716)
WC-80020	Sewer System, Customer Connections	Wastewater Collection	(97,952)
WQ-10001	Plant Master Plan	Wastewater Treatment	(66,000)
WQ-14001	Dewatering and Loadout Facility	Wastewater Treatment	(2,301,219)
WQ-04011	Facility Condition Assessment	Wastewater Treatment	(19,937)
WS-02014	Water, Gas, Wastewater Utility GIS Data	Water	(9,500)
WS-07000	Water Regulation System Improvements	Water	785,585
WS-08001	Water Reservoir Coating Improvements	Water	2,160,306
WS-08002	Emergency Water Supply Project	Water	(6,919)
WS-09000	Seismic Water System Upgrades	Water	3,501,875
WS-11000	Water Main Replacement - Project 25	Water	(282,944)
WS-11003	Water Distribution System Improvements	Water	(49,710)
WS-11004	Water System Supply Improvements	Water	(110,352)
WS-12001	Water Main Replacement - Project 26	Water	27,995
WS-13004	Asset Management Mobile Deployment	Water	(1,652)
WS-15004	Water System Master Plan	Water	(1,001)
WS-80014	Water Service Hydrant Replacement	Water	1,789
WS-80015	Water Meters	Water	(20,471)
		Total- All Funds	11,280,855

Ordinance No. XXXX

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
AUTHORIZING THE REAPPROPRIATION OF FISCAL YEAR 2015
FUNDS TO FISCAL YEAR 2016

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

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto and as set forth in Section 2.28.070 of the Palo Alto Municipal Code, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. Fiscal Year 2015 has ended and the financial results, although subject to audit adjustment, are now available.

C. The Administrative Services Director certifies that sufficient funds are available in Fiscal Year 2015 in applicable funds to be reappropriated to Fiscal Year 2016.

SECTION 2. The Council hereby re-appropriates Fiscal Year 2015 appropriations in certain departments and categories, as shown in Attachment A for the operating budget and Attachment B for the capital budget, which were not encumbered by purchase order or contract, into the Fiscal Year 2016 budget.

SECTION 3. The Fiscal Year 2016 General Fund Budget Stabilization Reserve is hereby decreased by the sum of One Million Seven Hundred Thousand Eighty One Dollars (\$1,700,081) as described in Attachment A.

SECTION 4. The Fiscal Year 2016 Airport Reserve is hereby decreased by the sum of Forty Thousand Nine Hundred Eighty Seven Dollars (\$40,987) as described in Attachment A and decreased by the sum of Thirty Four Thousand Three Hundred Fifty Nine (\$34,359) as described in Attachment B.

SECTION 5. The Fiscal Year 2016 Electric Distribution Rate Stabilization Reserve is hereby decreased by the sum of Seven Hundred Three Thousand Seven Hundred Forty One Dollars (\$703,741) as described in Attachment B.

SECTION 6. The Fiscal Year 2016 Residential Housing In-Lieu Fund is hereby decreased by the sum of One Million Nine Hundred Seventy Five Thousand Dollars (\$1,975,000) as described in Attachment A.

SECTION 7. The Fiscal Year 2016 Fiber Optics Rate Stabilization Reserve is hereby decreased by the sum of Thirty Five Thousand Three Hundred Nineteen Dollars (\$35,319) as described in Attachment B.

SECTION 8. The Fiscal Year 2016 Gas Distribution Rate Stabilization Reserve is hereby increased by the sum of Two Hundred Forty Five Thousand Seven Hundred Twenty Seven Dollars (\$245,727) as described in Attachment B.

SECTION 9. The Fiscal Year 2016 Storm Drainage Rate Stabilization Reserve is hereby decreased by the sum of Fifty Five Thousand Seven Hundred Ten Dollars (\$55,710) as described in Attachment A and increased by the sum of Forty Thousand Six Hundred Six Dollars (\$40,606) as described in Attachment B for a net decrease to the reserve of Fifteen Thousand One Hundred Four Dollars (\$15,104).

SECTION 10. The Fiscal Year 2016 Technology Fund is hereby decreased by the sum of One Hundred Ninety-seven Thousand Five Hundred Dollars (\$197,500) as described in Attachment A and decreased by the sum of Six Hundred Forty One Thousand Four Hundred Twenty Two Dollars (\$641,422) as describe by Attachment B.

SECTION 11. The Fiscal Year 2016 Wastewater Collection Rate Stabilization Reserve is hereby decreased by the sum of Three Hundred Seventy Thousand Five Hundred Seventy Dollars (\$370,570) as described in Attachment B.

SECTION 12. The Fiscal Year 2016 Wastewater Treatment Rate Stabilization Reserve is hereby increased by the sum of Two Million Three Hundred Eighty Seven Thousand One Hundred Fifty Six Dollars (\$2,387,156) as described in Attachment B.

SECTION 13. The Fiscal Year 2016 Water Rate Stabilization Reserve is hereby decreased by the sum of Four Hundred Thousand Dollars (\$400,000) as described in Attachment A and decreased by the sum of Five Million Nine Hundred Ninety Nine Thousand and One Dollars (\$5,995,001) as described by Attachment B.

SECTION 14. The Fiscal Year 2016 Vehicle Replacement and Maintenance Fund Reserve is hereby decreased by the sum of One Million Seventy Four Thousand Five Hundred Eleven Dollars (\$1,074,511) as described in Attachment B.

SECTION 15. The Capital Projects Fund Reserve is hereby decreased by the sum of Five Million, Ninety Nine Thousand Four Hundred Twenty One Dollars (\$5,099,421) as described in Attachment B.

SECTION 16. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 17. 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:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Service

Special Meeting
Tuesday, September 22, 2015

Chairperson Schmid called the meeting to order at 6:07 P.M. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: Filseth, Kniss (arrived at 6:09 P.M.), Scharff, Schmid (Chair)

Absent:

Oral Communications

Chair Schmid: I do not have any cards for public comment.

Agenda Items

1. Approval of Fiscal Year 2015 Reappropriation Requests to be Carried Forward Into Fiscal Year 2016.

Chair Schmid: I do note there has been a change in the title of Item Number 1. Let us turn to Item Number 1. Lalo, if you want to kick it off.

Walter Rossmann, Office of Management and Budget Director: Good evening, Chair Schmid, Vice Mayor Schmid and Council Members. Walter Rossmann, Budget Director. The first item for tonight is the Fiscal Year 2015 reappropriation request. [audio break] Monroe Park improvements. For this project, Council approved the contract last night pending approval to reappropriate unspent funds and move those funds for Fiscal Year 2015 to 2016 plus additional funding of about \$33,000. I have here in the audience department representatives here as well to speak to specific items which you may have questions on. Otherwise, this concludes my presentation.

Chair Schmid: Good. I guess the goal of the Finance Committee is to look over the reappropriations and to recommend them to the Council.

Mr. Rossmann: That is correct, Vice Mayor.

Chair Schmid: Good. Are there colleagues who'd like to raise a question? Council Member Scharff.

Council Member Scharff: My first question relates to—where was it? First of all, the print is so small on this. If I'm slow, it's because I can barely see it. It's the Planning and Community Environmental Department. It's the establish the \$500,000 of the \$1 million shuttle research reserve from Fiscal Year 2015 non-departmental budget to be used as a contingency account. I guess I have a real hard time with this one. I just want to make sure I have it in my mind correctly. If I recall, we voted \$1 million for a shuttle from Embarcadero, right, from the Baylands to come up. Staff decided that after we had the vote on that and approved it, which was fairly controversial, that we should cancel it and not do it. Now, you want to take the \$1 million and create a \$0.5 million discretionary fund without Council approval to be able to use for whatever you want. That's the way I read it. Is that right? Is that wrong?

Mr. Rossmann: As you know, the contingency reserves, how they work is that the City Manager is the only approval authority for moving funds.

Council Member Scharff: Yeah, but this wasn't a contingency reserve that we created. You're creating a \$0.5 million contingency reserve.

Mr. Rossmann: That is correct. The reason was more reaction to last year. Last year we had to bring forth, which we can do this year as well, several Budget Amendment Ordinances for parking, transportation, etc., related items. We felt to expedite the process for responding to Council requests, instead of doing a budget action coming back to you, we could establish the contingency reserve.

Council Member Scharff: It would clearly expedite the process if we didn't have a Council; the City Manager just always made the decisions. Why would we do that?

Mr. Rossmann: That is truly up to the discretion of the Council to establish the contingency reserve or not.

Council Member Scharff: I mean it's not like Council even took this \$1 million—it's not like you're doing it over for another shuttle program. You're basically taking \$1 million, taking half of it and creating a new fund and doing it through this process. It seems inappropriate.

Chair Schmid: Could I ask Director of Planning to make a comment.

Hillary Gitelman, Planning and Community Environment Director: Thank you, Council Members. Just quickly on the comments about the shuttle program, I just want to clarify. Last year we did budget for Embarcadero shuttle route, which we pay a portion of that. The rest is paid by JPB. We

did budget for the cross-town shuttle. We budgeted for the East Palo Alto shuttle; although, we're reimbursed the cost of that. We started thinking about the west shuttle route and budgeted some funds for that. We also budgeted some funds for additional planning work associated with the shuttle, marketing, outreach and other things. The west route didn't come to fruition, but the Embarcadero route, the cross-town route, the East Palo Alto route are all operating. What we didn't do is fund this dramatic expansion of the program. We increased frequency on the cross-town route, but we didn't add a route. That's why we didn't spend a lot of the money that was in that fund. We do have significant transportation needs as a community though, and we are currently undertaking a review of the shuttle program and really coming up what we think is going to be a five-year look ahead on how the program should be modified. Looking at increased frequencies again, looking at the routes, looking at potential on-demand services or door-to-door services. Obviously, we'll be coming back to Council for any policy decisions having to do with this, but we thought in light of our experiences last year on all of the parking and transportation programs, where we had to come multiple times for BAOs and adjustments, that this was an approach that would be beneficial to keep moving on these priorities of the Council.

Council Member Scharff: Fair enough, but it takes—policy decisions cost money is what you're saying, but Council should be aware and so should the public that when we make a policy decision it costs money. It shouldn't be buried in a discretionary fund of which the public and Council basically have no idea when they give a policy direction if they're spending money. Every time we give a policy direction, it should come forward with a BAO so everyone says, "Yeah, we spent that money. We're agreeing to do it. We understand the policy costs money."

Ed Shikada, Assistant City Manager: Could I add perhaps a request for Director Gitelman? Could you describe the timeframe in which the results of the shuttle study that you just described would be coming back for Council discussion?

Ms. Gitelman: I don't have a specific timeline, but the study is currently underway. I think it's going to be fairly short order. I also wanted to just make sure everyone's aware that if we procure services or we make expenditures that require contracts, agreements with other agencies and the like, all of those things come to Council. We would never be doing anything other than executing the Council's policy direction consistent with the rules around procurement for services and contracts. The only thing here is the budgetary allocation that happened when those agreements came forward. We wouldn't have to go through that BAO every time this happened. This is

our effort to more efficiently respond to what the Council has articulated in terms of priorities around parking and transportation issues.

Council Member Scharff: I also had a question, not quite the same thing. I also had a question about the police utilization study. Here my concern was that—I have to read it—is that this was allocated in 2013. It's not a lot of money. It's really phrased in a way that just sort of made me focus on it, which says reappropriation of these funds will allow Police Department Staff to determine the scope of the study integrated into the workload and hire a consultant to conduct the study. It seemed a little bit the way it was phrased that back in 2013, there was a plan and we allocated money to do it. Everyone's been too busy to do it, and now we're going to decide what needs to be done and what doesn't need to be done. It sort of struck me that since the money had been allocated, we might as well find a way to spend it. I could be convinced otherwise. It's just three years later, and it seems like we're starting from scratch about how we should do this. Is it really necessary to spend this money or is it just that the money's in the department budget, so now let's find a way to spend it? Which is the way it struck me.

Lalo Perez, Chief Financial Officer and Director of Administrative Services: Lao Perez, Chief Financial Officer. The way it came about was you may recall about that timeframe there was a study for Fire Services. There were questions from the Council, the Finance Committee, why don't we do the same for the police. You tasked the City Manager to think about that and see if that was necessary. At that point, he made a request to conduct that study. As you mentioned—I think PD is here behind me, they can explain their staffing situation where it didn't allow them to complete the project. The hope would be for us to be able to review the demand of the services that we need, the resources, are we right-sized, are we not, are we utilizing the resources in an appropriate way, are there any changes that could be made, that you may want to consider as a Council as a result of the study that is conducted. At a big level, that was the background on that.

Council Member Scharff: Is there—I mean is there anyone from the Police Department? I mean I don't mind if just someone said should we still do this. Explain to me why they think it's a good idea. I mean I'm not against it necessarily. I just don't want us to spend money because it's in the budget.

Ian Hagerman, Senior Management Analyst: Good evening, Council Member Scharff. Ian Hagerman, Senior Management Analyst with the Police Department. I think the PD is—we're interested in doing the study. I think that we're looking for opportunities to be as efficient as possible and do our

work in the best way we can. Really the delay, as Lalo and others have mentioned, was really a resourcing issue. The folks that are going to be responsible for a lot of the heavy lifting on this study are the same folks that are responsible for replacing our Cad and RMS system, doing kind of all the technology projects in the department. It's really just been kind of a resourcing issue. We actually have a meeting October 1, I think, with kind of the command staff of the PD to kind of talk about scoping this out and possible vendors. We kind of committed to ASD during this last budget process that we'd kind of kick this off in the first half of the next calendar year, so early 2016. I think to tie it all together, we think it's a good idea. We think that it'll help us make sure that we're running things appropriately, and we're definitely going to get it done.

Council Member Scharff: Okay, thanks.

Mr. Shikada: Along those lines, I have to admit I'm not up to speed on the prior direction and where this is currently standing. Subject to the Committee's decision and where this goes, presuming it's still on the table, I'd like to perhaps have our office be a part of that discussion and do an information report to the Committee on the outcome and particular priority areas we'd be looking at.

Council Member Scharff: That'd be great. Then finally the last question I really had was on the storm water rebates. I struggled with this one a little bit. This is the way I read it which could be incorrect. It's not like the Staff Report gives a lot of information on these particular items. The way I read it was that when we did the ballot measure back in 2005, we had a—I was going to say—what is it? Part of the measure was to do innovative—what was it? I want to get it right. Yeah, an annual innovative projects budget. As part of that, so what Staff took that to mean was that we should have rebates for homeowners who did good things with the storm water stuff, and that there was no uptake on that. Therefore, we didn't spend the money, and now we have to come up with another innovative plan. We have to figure out some way to spend the money. I guess the question is—since our next item is using—has this gone to the storm drain committee and have they decided? Because there is an oversight committee, right, on the storm drain. Are they [audio break] with this, do they think we should spend this money? That kind, because I'd much rather they make the recommendation on this.

Joe Teresi, Senior Engineer: Good evening. I'm Joe Teresi from the Public Works Department. You are correct that back in 2005 there was a certain amount of money earmarked for efforts to try to reduce storm water runoff and pollutants. At the time of the ballot measure, we had a blue ribbon

committee who said, "Why are we always trying to attack it from the end up, trying to make bigger pipes and bigger pumps. Why don't we try to reduce the storm water itself and attack it from that angle?" We came up with the rebate program, and it's been moderately successful, but we haven't spent the amount of money earmarked. If you recall a couple of years ago, we took a lot of that money that had built up over the years that hadn't been applied to rebates and used it to implement the Southgate neighborhood storm water improvements which were in that innovative vein. We've been talking about this with the oversight committee, and they are concerned that it's not being spent, but they also are clear that they don't want it to be spent for something else. It's going to be our challenge to find perhaps another thing like Southgate or try to motivate more interest in the rebate program. I think it's important to us and to the committee that it be spent for that particular purpose.

Council Member Scharff: Because that's what we told the voters we'd do? Right, I agree. All you're asking us to do—and that was one of my questions—is we reauthorize this and then it's going to go to the committee and the committee will talk about how to spend it? Okay. All right. Those were my questions.

Chair Schmid: Good. Council Members, any other questions?

Council Member Kniss: I have a little, tiny one. If you go to the print that's even harder to read ...

Council Member Scharff: That's the part that's really hard to read, right?

Council Member Kniss: This is the part that's really hard to read.

Council Member Scharff: Yeah, that's even worse.

Council Member Kniss: If I'm looking at all this—who am I looking at? Lalo, who should I be ...

Mr. Perez: (inaudible)

Council Member Kniss: If I look at that, at the project title, the fund, the reappropriated adjustment, and so forth, these are all relatively small amounts. Are these amounts that we take out, put back in?

Mr. Rossmann: Sure ...

Council Member Kniss: Where does this—if I come way down, I look at Roth Building maintenance. Just that happened to be one of the ones that I looked at. Now, I presume—I don't know whether that is—it says capital

improvement fund, but I presume that's one of the ones we decided as a City that we needed to shore up. This didn't have anything to do with their fundraising efforts. Am I correct?

Mr. Rossmann: That is correct. What you see here, Council Member, is basically putting the dollars which are unspent which in two fiscal years, which is in either Fiscal Year '15 or '16. If it's a negative amount, we're actually putting it back into '15. If it's a positive amount, we move money from '15 into '16 fiscal year for the projects which were approved by the Council as part of the budget process.

Council Member Kniss: We had money left over?

Mr. Rossmann: That's correct. What we do in the budget process is we think we will spend a certain amount of money in Fiscal Year '15, and we carry the rest forward. However, we don't know until we close the books exactly how those dollars land. Here we're trying that up.

Council Member Kniss: Mm-hmm. Okay.

Mr. Rossmann: There are no new projects which are asked to be authorized here.

Council Member Kniss: Okay. This is really just a bookkeeping kind of exercise to be honest, right?

Mr. Rossmann: That is correct.

Council Member Kniss: Not looking as we have been at the reappropriations. Quite different. This is bookkeeping.

Mr. Rossmann: That's correct. For capital ...

Council Member Kniss: This is reappropriations.

Mr. Rossmann: That's correct. For capital, it's pure bookkeeping except for the Monroe Park. I mentioned in the presentation about \$33,000 we're asking for extra funds to align the contract you approved last night. For the operating, it's really moving money for specific projects from Fiscal Year '15 into '16.

Council Member Kniss: Okay, thank you.

Mr. Rossmann: Thank you, Lalo. He made a good point here. In the previous years, this just happened with the capital process. This actually creates visibility to the Council. As we change the reappropriation process,

we're showing you the entire capital budget for the entire year in one document. This is now a visible way you see how the money flows. Before it would just be a line item in the capital.

Council Member Kniss: Okay. It is different than it has been, right?

Mr. Rossmann: That's correct.

Council Member Kniss: Okay, good. This is the phone book version, right?

Mr. Rossmann: That's correct.

Council Member Kniss: Okay. Thanks, Greg.

Chair Schmid: I just wanted to note that I also had circled the \$500,000 for the Planning Department. I appreciate the back and forth that we've had on that. Let me ask of the Library issue is also a substantial amount. It's a library donation fund. It's spread around technology, training. Is there anything in there that is included in our 2016 budget or are these all additions to what we voted on in our 2016 budget? This is the \$339,000 donation money.

Monique LeConge-Ziesenhenné, Library Director: I think these are all—oh, sorry. Hi. I'm Monique LeConge-Ziesenhenné, the Library Director. These categories are nothing new, and these are all things, I believe, that were included as part of that budget. This is just the bookkeeping to keep us balanced. No? These are new?

Mr. Rossmann: What we did—if I may step in quickly, Monique.

Ms. LeConge-Ziesenhenné: Yeah.

Mr. Rossmann: What we did here is at the time of the budget development, we didn't know that we will receive those grants. If you had known in April, let's say, or in March these grants will come in, we would have included them in the budget. In this case, it's additional dollars for the Library Department for grants received late in the fiscal year.

Ms. LeConge-Ziesenhenné: Right. We, the Library, had planned on them as part of our planning for the budget for the coming year. Internally we knew.

Chair Schmid: I guess my question gets down to are we saving money then from the budget that we voted for 2016 and are there extra resources for the Library or for other departments from our budget?

Mr. Rossmann: The way the Council approved the Library Department Budget was without those grants; however, the Library Department was counting on getting these funds in order to provide the level of service to the public.

Ms. LeConge-Ziesenhenné: Yes.

Mr. Rossmann: There's no savings per se. It is ...

Chair Schmid: We did vote a balanced Library budget ...

Mr. Rossmann: That's correct.

Chair Schmid: ... and now we have extra funds moving in. Doesn't that free up some of those ...

Mr. Rossmann: No, it does not, unless we reduce the service level at the libraries. If it were to do that, then there would be—assume these grants—from Monique's perspective, they were assumed. As she presented you performance measures about the Library, etc., she assumed those dollars.

Ms. LeConge-Ziesenhenné: Right.

Mr. Rossmann: They just weren't yet in the book.

Ms. LeConge-Ziesenhenné: Right, yeah.

Chair Schmid: Okay, thank you. I guess I have a more general question of I went to look for reappropriations in our budget documents. When we vote the budget, we see the 2015 Adopted Budget and the 2016 Proposed Budget. Where's the millions of dollars of reappropriations from last year?

Mr. Rossmann: In last year's process, the reappropriation process did not amend the budget. It just kept it the same, so you don't see it in FY 2015 Adopted. However, with the change the Council made and with the budget (inaudible) attached to here, we actually will see the change now in the '16 Adjusted Budget, a modified budget. When we come back to you in part of the quarterly reports, what (inaudible) report, you will see those dollars in those departments.

Chair Schmid: Next month or so, we're going to get the outside audited look at the budget. Will the reappropriations appear there?

Mr. Rossmann: They will not in the Fiscal Year '15 budget. (inaudible) moving from an accounting process to a budget process which makes them

more visible. Last year in the CAFRA, you may have learned the line called reappropriations ...

Chair Schmid: Shouldn't there be savings in the 2015 budget if we did not spend the money in that year and we're pushing it to the next year? Shouldn't there be less spending in the 2015 budget?

Council Member Kniss: it's like a slush fund.

Mr. Rossmann: In the 2015 budget, these dollars we are moving forward to '16, they are available because we either didn't spend them or we saved them. We're just taking the money forward from one fiscal year to the next, if I answer your question correctly, unless ... You will have every year, there will be—even in the past, we had the reappropriations coming to the Council, to the Committee first, because there's always some unspent funds which we would like to carry forward for projects we would like to execute.

Chair Schmid: Yeah. I guess my base question is there somewhere in the budget I can see that number.

Mr. Perez: We give it ...

Chair Schmid: Will our audited budget say, "Here's the amount that has been transferred"?

Mr. Perez: Yeah. It's a complex area, so let me see if we can try to simplify our response and not be so technical. You will not see it in the Adopted Budget. You will see it in our first adjustment of our midyear report under the adjusted column. That's what Walter was referring to. What we could do is we show you the base budget in that midyear, and we show you a line item with the reappropriation. That should match whatever you approve tonight. That's how you track it. You don't track it from the base budget, the Adopted Budget of the June meeting, but you see it going forward.

Chair Schmid: Then when you go and introduce the new budget in March/April, that carried forward amount will be in the ...

Mr. Rossmann: I understand now. No, it will not, because these are all one-time dollars, which I assume to be spent. As we close out the fiscal year, that's Fiscal Year '16, and indeed we come to the same situation of some funds to be carried forward, this will always happen after you adopt the '17 budget. You'll always be trailing, because we don't know whether we can get the work done or not, are we able to award a contract or not. In sum, thus we're trying to push very hard to get this done and sometimes it doesn't work out.

Mr. Perez: Its' very rare that we have something. I think the only thing that comes to mind—I'm not picking on Planning—is the Comprehensive Plan. For a couple of years, you probably remember seeing the reappropriation, but that's usually one off. Usually it's like Walter stated. Something else is the reappropriation.

Chair Schmid: Okay. I guess that makes that 500,000 contingency item an important ...

Mr. Rossmann: If I may, if Council Member Scharff, if the Committee would like to entertain, the other thing we could do, what Lalo was suggesting, we could make the contingency pending Council approval. We can treat it like the City Council contingency. If we were to use the funds, we'll have to come back to you. If that makes the Committee more comfortable.

Council Member Scharff: No. Why should I just not approve it? Why shouldn't we do it the way we've always done it?

Mr. Perez: Let me try that, because it's a good question. One of the things that we do is we have a 18 1/2 percent target for our Budget Stabilization Reserve. If you don't, then what will happen is then you're going to be forced to take that money from next year's Budget Stabilization Reserve. You're going to drop it below 18 1/2, because you don't have this \$0.5 million in there. What we're trying to do is give you a vehicle so you don't go below the 18 1/2 by having this \$0.5 million that you know you want to spend, we just don't know how or how much. You have it in there. If you don't use it, let's say you use 100,000, then you have 400,000 more in the Budget Stabilization Reserve that you can then later move to infrastructure. It's really giving you the cushion so we can stay within our target of 18 1/2. That's really what it's doing from a budgetary standpoint. It's not trying to force you to make a call, because you have to give the authority ...

Council Member Scharff: You lost me. I don't know—did the rest of you follow that? (inaudible) Where is the 500,000 now?

Mr. Perez: Right now it's in the Fiscal Year '15 Budget Stabilization Reserve. Let me back up. You're right, I probably assumed some things here. The reserve policy says that at the end of the fiscal year anything above the 18 1/2 percent of reserve, the City Manager has the discretion to send it forward to the Infrastructure Reserve, leaving you back at 18 1/2 if there's any excess.

Council Member Scharff: Right.

Mr. Perez: We're going to probably do that or give you some direction or recommendation. Let's say that we do that to '16 and we go to 18 1/2. Now you have these transportation needs; you didn't move the 500,000. You're going to dip from that reserve, and you're going to go below the 18 1/2 because ...

Council Member Scharff: We're only going to go below because the City Manager has moved the money above 18 1/2 percent, over it, to the infrastructure funding. That's the only reason we're going below, is that correct?

Mr. Perez: Yes.

Council Member Scharff: (inaudible) discretionary on the City Manager. Couldn't the City Manager say to himself, "I'm leaving the extra few hundred thousand"? We don't have a requirement that if we go above 18 1/2, you move it. It's discretionary with the City Manager.

Mr. Perez: Right. I mean at the end of the day, you make the final call; you're the Council. If you wanted ...

Council Member Scharff: We don't make the call. I thought the City Manager ...

Mr. Perez: I'm sorry?

Council Member Scharff: I thought the City Manager—I thought if this money goes into—I understood it this way. If I'm understanding it wrong, tell me. I understand if we don't approve this, this money goes into the Budget Stabilization Reserve ...

Mr. Perez: If you ...

Council Member Scharff: ... where it just sits. The City Manager has the discretion but not the obligation to move all of the money above 18 1/2 to the infrastructure fund. He can leave, because he has discretion, some of that money in the Budget Stabilization Reserve. Am I incorrect?

Mr. Perez: That's correct. At the end of the day, you could change this ...

Council Member Scharff: He could look at this and say, "We're likely to spend 300,000 of this, so I am leaving 300,000." He could say, "I'm leaving 400,000." He could say, "I'm leaving all 500,000 there."

Mr. Perez: It does exactly the same thing as moving the 500 by your scenario. There's no difference. The difference is that we have to write a BAO. That's the only difference.

Council Member Scharff: Right, that's the difference, you have to write a BAO.

Mr. Perez: What we are saying to you ...

Council Member Scharff: Which is what I think you should do. That's the point; you have to write a BAO. Why should this be any different? Why have a BAO process? Why not say for everything in the City then, the City Manager can decide not to do a BAO?

Mr. Perez: Actually that's the item for later tonight, Number 3.

Council Member Scharff: Okay. That's really the point.

Mr. Perez: The (crosstalk).

Council Member Scharff: If you're going to fix that structurally throughout the City in Item Number 3, why should I agree to it to be different? Why should we single this out and do a one-off on this?? How is that good budgeting, to do a one-off?

Mr. Perez: It doesn't change the budget. It's a process issue. That's really what it is.

Council Member Scharff: Why should you do a one-off on process? I mean, this is what our auditor comes back and gives you a hard time about, Lalo. That's really what that's about. It's like there are procedures and stuff and then the auditor comes in and says that the budget did a one-off over here, and that we shouldn't have done. Or utilities did a one-off. That's really what they're talking about, at least the way I understand it.

Mr. Perez: Technically there's nothing wrong with that. There's no findings. We've done it for years before this Council. You call them different contingencies. I've seen cities that have 20 contingencies. There's nothing wrong with it. It's a matter of preference and style. If you don't like it, it's okay.

Council Member Scharff: Okay.

Council Member Kniss: Could I just comment to that?

Chair Schmid: Yeah.

Council Member Kniss: I understand where you're going, Greg, but that is one of those choices. It's a process thing, and I don't know if I'd call that a one-off. I think I would—characterize it as you will, but I don't think that's an unusual process.

Council Member Scharff: It's clearly a one-off. We don't typically have a habit of creating large contingency funds to get around the fact that the City—what's the City Manager's authority?

Mr. Perez: 85,000.

Council Member Scharff: To get around the City Manager's \$85,000 authority. We don't have 20 different funds in which the City Manager can then go do that. It just—I don't see any reason why we should do it differently.

Chair Schmid: Comment from the Planning Director.

Ms. Gitelman: Yeah. Thank you, Council Members. Obviously this is your decision to make. I just wanted to articulate really the motivation behind this was a recognition that we are spending—we, the Planning and Transportation Department, spend a lot of our evenings here with the Council working on multiple initiatives. Many times we come to the Council, like we did last night, to get some decision from the Council. Invariably that decision leads to additional requests for study or for information. We were attempting to recognize that. The amount that we have going through our department right now in a process that would enable us to be more nimble, to be responsive to the Council's priorities and to just make the system work a little better. If it makes you uncomfortable, then obviously that's your prerogative. It was really in recognition for the amount of work that's being handled in the office, and the priority with which we know the Council holds some of these efforts.

Chair Schmid: Thank you.

Council Member Scharff: Could I just respond to that for just a second? In a nice way. Look, I didn't mean to cast that you were trying to get away with anything or that it was inappropriate in a sort of a way that—I understand that you had good intentions behind it. I understand that you're overworked and that you really just want to be efficient. But financial structural procedures that are put in place for a reason and it's always more efficient to ignore them. It always is. It's always easier. That's really what the auditor comes in and says when there are these issues that come up. The auditor wants to put in some new process and procedure, and Lalo comes to Finance and says, "If you do this," and he wrings his hands. I

mean not inappropriately. I mean there's a tension there. I understand that, but I don't think that you can suddenly create large amounts of cash, and I consider 500,000 to be a large amount of cash. I mean, if you think the City Manager should be able to approve more than \$85,000, we could have a system-wide discussion of that. I just think large amounts of cash that don't come to Council, that the City Manager gets to just approve, I think it's just the wrong way to go.

Council Member Kniss: Could I respond to that or are you going to?

Chair Schmid: I think we ought to move to a motion, a concrete motion of how to approach this and deal with it. Any suggestions?

Council Member Kniss: Just another comment. In any governing body I've served on, this is always the discussion. The question is should the person have authority who has the authority to use that money or should they have to come to the governing body and ask them to use that money. That's really what your question is.

Council Member Scharff: It's not actually.

Council Member Kniss: Then I must not be hearing it correctly.

Council Member Scharff: We do; we had that discussion. The City Manager has \$85,000. We made those decisions. What they're asking for is an exception to that. I think that you should only have exceptions to these things when you have a really good reason. The fact that it's more efficient and easier to do it is not a good reason, unless there's some crisis, unless there's some ...

Council Member Kniss: I think we're saying the same thing. I really do. I think it's a matter—I mean you're uncomfortable with the expediency.

Council Member Scharff: Correct. I'm uncomfortable changing the procedures for expediency.

Council Member Kniss: I understand totally. As Lalo just said, it's our call.

Council Member Scharff: Yeah, absolutely.

Council Member Kniss: We want to see every appropriation that comes through. Sometimes governing bodies lose faith in their administration, and they want to see absolutely everything. I think at some point you say, "Is this good or is this bad?" End of discussion for me. You want a motion?

Chair Schmid: Yes. If we could get it ...

Council Member Scharff: I'll make a motion.

Council Member Kniss: I'll second it.

MOTION: Council Member Scharff moved, seconded by Council Member Kniss to recommend the City Council approve these reappropriations with the exception of the Planning Department for the \$500,000.

Council Member Scharff: Okay, great. I'll move that we approve these reappropriations with the exception of the Planning Department one for \$500,000.

Council Member Kniss: With what exception?

Council Member Scharff: The Planning Department one for \$500,000.

Council Member Kniss: No. No, I'm not going to, no. You're going to have to get somebody else to do (crosstalk).

Chair Schmid: You seconded it too early.

Council Member Kniss: Because I didn't hear what you said. Get closer to the mike. No, I'm not going to penalize the Planning Department for 500,000.

MOTION FAILED DUE TO LACK OF A SECOND

Chair Schmid: Is there a second?

Council Member Filseth: I'll second it.

MOTION: Council Member Scharff moved, seconded by Council Member Filseth to recommend the City Council approve these reappropriations with the exception of the Planning Department for the \$500,000.

Chair Schmid: Do you want to speak to your motion?

Council Member Scharff: I think we've talked about it quite a bit. I think, Council Member Kniss, that the difference is it's not a matter of trust. It's not a matter of—it's a matter that we have certain procedures in place. You'd have to make a good argument. Otherwise, you could say, "Why not any time"—why have 85,000? Why not just let the City Manager sign whatever he wants? We trust him. I mean, why have an 85,000 rule? If you're not going to follow those kind of procedures, you're going to get yourself in trouble. If you're always looking at expediency as opposed to we

have these procedures—if the procedures are too limiting, we should change the procedures. That's the difference.

Council Member Kniss: I don't agree with that because I don't think—

Chair Schmid: I'm sorry, Council Member ...

Council Member Kniss: Sorry, the second gets to talk. Excuse me.

Chair Schmid: ... Filseth. Yes.

Council Member Filseth: It just seems to me that setting up a \$0.5 million discretionary budget without sort of a huge amount of restriction on what it's going to get used for with some money coming from someplace else that it was originally for but didn't get spent, it seems to me that setting that during the reappropriations process seems like kind of an odd way to do it. I'll second the motion.

Chair Schmid: Council Member Kniss, did you ...

Council Member Kniss: Because I see this so differently—basically you have a CEO of your company and the CEO of your company has a certain limit. At the County, the limit was 95,000. The difference that it makes is there should be some ability of your CEO or whomever it is, your manager, to make some of those discretionary calls. I think, yes, 500,000 may sound like a lot, but I'm not sure you're going to get a whole lot for 500,000, given what we've been spending on transportation and attempting to get our house in order in many of the areas that Hillary has been dealing with. I am not saying this as a far out kind of issue. I can hear your concern about the auditor. I can only say it is not an unusual process, nor is it an unusual practice. We're simply saying we don't like having it like that.

Council Member Scharff: With the exception, I've been on Finance Committee every year for the last whatever number of years I've been on Council. I have never seen us do this. I mean, I don't recall ever you setting up a \$0.5 million fund out of something that was completely different. Reappropriations, every time I've looked at them in the past has always been we're taking the money that was appropriated for something and reappropriating it for the same thing. I've never seen it used in this way.

Chair Schmid: Let's see. I am sympathetic to the motion, that this is \$500,000 that was voted for the Council for very particular thing that did not happen. It becomes discretionary. I think the point has been made that the Planning Department especially in its transportation work is under severe

pressure. The Council, every time it deals with the issue, asks for further work to be done on deadlines to move ahead. Let me suggest a friendly addition to the motion, that the first part of the motion is that the—is what, Greg?

Council Member Scharff: That we approve the appropriations.

Chair Schmid: Other and not this, but that this money is moved into a special Council contingency fund which will be set aside for transportation issues over the course of the year. When the Council asks for something, the Planning Director can come and say or the Finance Director can come and say, "We would like to use X amount of dollars for this specific purpose."

Mr. Perez: Yes. You can add it to your current contingency or make it a special transportation contingency. I just have to make one clarification, Council Member Scharff. We were not asking for a waiver of the 85,000 with this process. Just to be clear. We would still come to you with anything over 85, just so we were on the record on that. We don't want to leave you with the wrong impression. That's not what we were asking for. Anything you give us, we have to come to you with anything above 85, no matter what contingency it comes from.

Chair Schmid: Okay.

Council Member Scharff: If we take Council Member Schmid's approach, then the money would go into a separate transportation fund.

Mr. Perez: Within the General Fund.

Council Member Scharff: Within the General Fund.

Mr. Perez: What we would have to do is come back and write a report. Typically when you put it in a contingency, technically you do not need a Budget Amendment Ordinance, because it's already appropriated for that purpose.

Council Member Scharff: I'm fine with Council Schmid's approach then. I don't see any difference from it being there or being in the Budget Stabilization Reserve frankly, except for it actually is ...

Chair Schmid: Yeah, I guess ...

Council Member Scharff: it's more focused on transportation now as opposed to you can't use it for anything else actually in the meantime.

Chair Schmid: Yeah, I guess I'm concerned a little bit with the Budget Stabilization Fund, because there's what has become an automatic movement to the infrastructure.

Council Member Scharff: Right. I'm good with your amendment.

Chair Schmid: Okay. Any further comment?

Council Member Filseth: I'll accept it.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to recommend the Council direct Staff to move the Planning Department request of \$500,000 to a special Council Contingency Fund to be set aside for transportation issues brought forward over the upcoming year.

Council Member Kniss: I'm going to clarify it once more. It will go into a special fund. I don't care whether it's called ABC or DEF. It's a special fund that is—it is meant for transportation needs, correct?

Mr. Perez: Correct.

Council Member Kniss: It doesn't change the 85,000 ceiling, correct?

Mr. Perez: Correct. That accomplishes what we're asking you to do.

Council Member Kniss: Then I'm okay with that. Let me just say a little further. If there is anything that I have spent more time and energy on in email and phone calls than those issues that have dealt with transportation this year, I don't know what it is. Between parking down in Eric Filseth's area—hello, down there. Whether it's parking in North Palo Alto or now it's moved across the street or whatever it may be, this is one of those areas where I keep hearing from citizens, "You guys have to move on this. You've got to move it up. You've got to move it over." We have a real demand in this community for things that deal with transportation. I am far more sympathetic with this than I would be if you tell me you need to re-roof the Roth Building or something like that and stick that in a contingency. I think this is a real, live issue in our community. I want our transportation division and Hillary to be nimble with this. I think this is the easiest way to be nimble.

Chair Schmid: Yeah, and that's the goal of it. Planning Director.

Ms. Gitelman: Thank you. I appreciate where this is trending. I just wanted to clarify. We had suggested this contingency planning and transportation item and the thought that there might be a larger

transportation—I'm sorry, planning issue in addition to transportation issues. I don't know whether you want to make it specific to transportation and parking or leave open the potential that this could be used, for example, if we wanted to proceed with the next phase of the Downtown CAP study or another big initiative like that that's not currently budgeted elsewhere. Entirely up to you.

Mr. Perez: To remind you, the way you have set the motion, you give the direction, not the City Manager.

Chair Schmid: Do you want to widen it?

Council Member Scharff: I'm just laughing because it gets wider and wider as you go through this process.

Chair Schmid: Yeah. I said transportation because the original Council vote was for a shuttle program which was transportation-oriented. That, of course, does not mean that as funding needs arise, as we go through the Comp Plan Update, we won't respond to whatever the Council is asking for.

Council Member Scharff: By putting it in this fund though, any time you want to use it, you'd need to do a BAO that would say where it's coming from.

Mr. Perez: We cannot touch it ourselves, correct.

Council Member Scharff: You'd say where it's coming from, right?

Mr. Perez: We don't have to do a BAO technically, but we have to come to you to pull from there.

Council Member Scharff: You have to come to us and pull it from there?

Mr. Perez: Yes, we can't do it ourselves.

Mr. Rossmann: You'll approve it (crosstalk)—I'm sorry. You will approve it by motion.

Council Member Kniss: That's fine.

Mr. Rossmann: It will be part of the recommendation language. It would say allocate \$50,000 from the planning/transportation/parking contingency account towards that purpose. That's the type of motion you would see.

Chair Schmid: Transportation contingency because that ...

Mr. Rossmann: Whatever the Council decides to call it.

Chair Schmid: ... that's wider. Okay, if there are no further comments ...

Council Member Scharff: Hillary, now I'm concerned actually. No, I mean, the issue is this. The issue is that you said transportation and you may need to use it for something else. I'm not saying it would be inappropriate to use it for something else, but if we leave it at transportation and you need to do a big planning initiative, then we have money sitting there and you have to find the money somewhere else. Right? As long as we are making the decision at Council, I'm fine with broadening it. My goal here is not to hamstring—make it even more difficult. I think if we just have a transportation contingency, what we're doing is making it more difficult for you to do your job, not less. If I'm wrong and you're fine with it just being transportation, say so and I'll shut up.

Ms. Gitelman: I'm fine with that.

Council Member Scharff: Just being transportation, you're fine with that? Okay. I'm fine. Transportation it is.

Chair Schmid: Okay. Any further comments?

Council Member Kniss: It's almost midnight. I'm ready to vote.

Chair Schmid: All in favor of the motion. I guess we need to say all in favor.

Council Member Scharff: Oh, we all push the button. Is that what we do?

Chair Schmid: Yeah. That passes unanimously. Thank you very much.

MOTION PASSED: 4-0

ADJOURNMENT: Meeting adjourned at 7:50 P.M.