



City of Palo Alto

Finance Committee Staff Report

(ID # 6420)

Report Type: Action Items**Meeting Date: 3/1/2016****Summary Title: Fiscal Year 2016 Midyear Budget Review****Title: Finance Committee Review and Recommendation to the City Council Regarding Adoption of a Budget Amendment for Fiscal Year 2016 to Adjust Budgeted Revenues and Expenditures in Accordance with the Recommendations in the FY 2016 Midyear Budget Review Report****From: City Manager****Lead Department: Administrative Services****Recommendation**

Staff recommends that the Finance Committee recommend to the City Council adoption of the FY 2016 Mid-year Budget Amendment which includes:

- 1) Proposed amendments to the Fiscal Year 2016 Budget Appropriation Ordinance for the General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds, and Capital Improvement Projects Fund (Attachment A, Exhibit 1)
- 2) Proposed amendments to the Fiscal Year 2016 Budget Appropriation Ordinance Capital Improvement Project (Attachment A, Exhibit 2)
- 3) Proposed amendments to the Fiscal Year 2016 Table of Organization:
 - a) Reclassify 2.0 Buyers to 2.0 Senior Buyers in the Administrative Services Department;
 - b) Reclassify 1.0 Management Analyst to 1.0 Senior Management Analyst, 0.6 in the Public Works Department and 0.4 in the Planning Community Environment Department; and
 - c) Eliminate two 0.5 Account Specialists (part-time benefited) and add 1.0 Account Specialist (full time) in the Administrative Services Department.

Motions

Motion to recommend to the City Council to adopt the FY 2016 Mid-year Budget Amendment for the proposed mid-year adjustments to the FY 2016 budget for the General Fund, Capital Improvement Projects Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds as identified in Attachment A, Attachment B, and related exhibits.

Executive Summary

Annually, in March, staff presents to the Finance Committee the status of revenues and

expenditures for major funds and Capital Improvement Program as of December 31 of the current fiscal year. As part of that status report, staff also brings forward recommendations to adjust the annual adopted budget. Adjustments to the City's budget may become necessary as revenues and expenditures may vary from the original budget plan. The attached documents summarize and outline changes to the City's FY 2016 Adopted Budget. In this report, recommended budget adjustments are generally grouped into four types of transactions:

- **New requests:** These requests are ones that require additional funding to address a very limited number of program needs. These adjustments are brought forward ahead of the annual budget process because the need either cannot or should not wait until later in the year.
- **Reimbursements and Grants:** These actions, which typically have a net-zero impact, adjust grants, reimbursements, and fee revenue and expenditure estimates to align with current year end projected levels as appropriate.
- **Previous Council Direction:** These requests execute previous direction authorized by the City Council.
- **Technical Clean-ups:** These actions are recommended to adjust the budget levels to align with current anticipated year end revenue or expenditure levels or to realign funding among departments and funds based on updated needs.

These actions require amendments to department budgets which the Finance Committee reviews and responds to staff's recommendation for approval.

Overall, with the adjustments recommended in this report, the General Fund and all other funds are on track to end the fiscal year within budgeted levels. Including recommendations contained in this report, the General Fund is projected to generate a one-time budget surplus of approximately \$3.1 million as a result of excess revenues and additional expenditure with recommended revised budgeted estimates in this report. Additional expenditure savings may result by year end and will be monitored and brought forward for City Council consideration as necessary. Based on the actions recommended in this report, the Budget Stabilization Reserve is projected at \$37.0 million, or 19.9 percent of adopted expenditures. This level is \$2.6 million above the target level of 18.5 percent of total operating expenditures. As part of the development of the FY 2017 Proposed Budget (late April/early May) as well as closing of the FY 2016 budget (November/December), staff will bring forward recommendations for use of any FY 2016 projected budget surplus.

The FY 2016 Mid-year Budget Review report includes recommendations to adjust project budgets for the City's 2016 Capital Improvement Plan (CIP) for various funds. The majority of the actions recommend closing out existing projects and transferring the remaining balances to the appropriate fund.

Background

This report summarizes proposed changes to the FY 2016 Budget and reports financial activity through December 31, 2015. Where possible, budget change recommendations are brought

forward for City Council consideration as part of the approval of the FY 2016 Mid-year Budget Review report to consolidate requests and streamline the Budget Appropriation Ordinance. This report is organized by fund with a primary focus on major changes in the General Fund. Mid-year changes for the Enterprise, Internal Service, and Special Revenue Funds are also included in this report. Adjustments are detailed in Attachment A and related exhibits.

Discussion

The following pages provide an overview of the FY 2016 mid-year fund status for the General Fund and Enterprise Funds and recommended budget adjustments as they pertain to the City's FY 2016 Operating and Capital budget.

Operating Budget

Under this section of the report, citywide changes to the FY 2016 Adopted Operating Budget are described for the General Fund, Enterprise Funds, Internal Service Funds, and Special Revenue Funds.

General Fund

After six months experience in the current fiscal year, overall, the General Fund is tracking within budgeted levels and is anticipated to end the year with a one-time budget surplus of approximately \$3.1 million as a result of excess revenues and additional expenditure with recommended revised budgeted estimates in this report. Excess revenues above current budgeted levels receipts for Property Tax, Sales Tax, and Transient Occupancy Tax receipts offset with lower than expected receipts for Utility Users Tax. Additional expenditure savings may result by year end primarily due to estimated vacancy savings based on staffing levels through December 2015 and will be monitored during the remainder of the year. Should the organization track with savings, staff will bring forward recommendations to use any fiscal year 2016 projected budget surplus as part of the development of the Fiscal Year 2017 Proposed Budget (late April/early May) as well as closing of the Fiscal Year 2016 Budget (November/December).

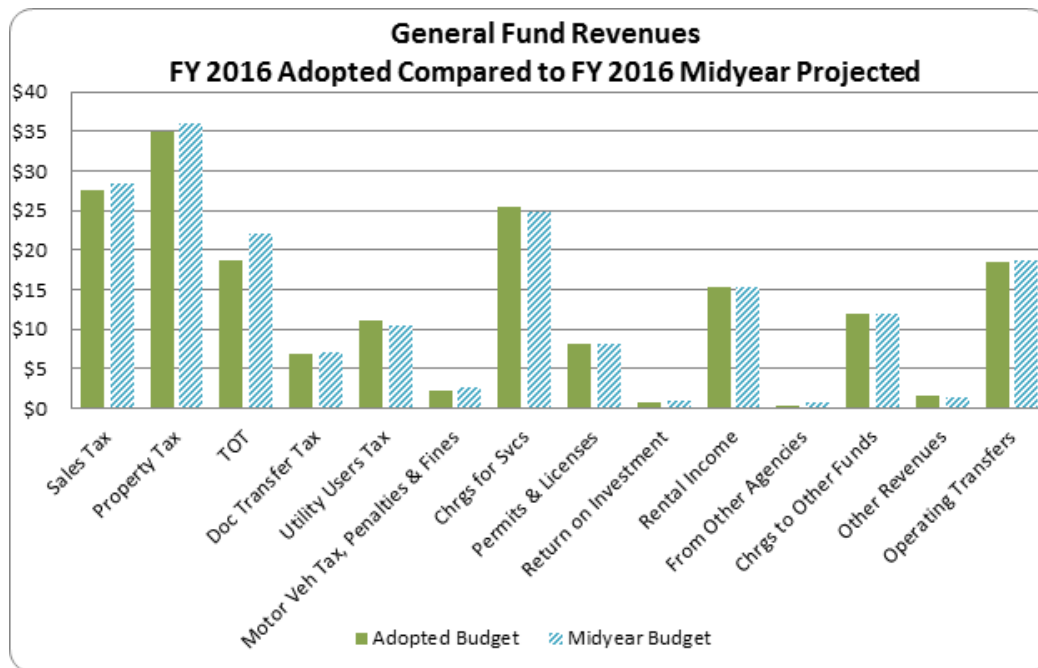
As described in more detail below and detailed in Attachment A, Exhibit 1, staff recommends various adjustments to the Fiscal Year 2016 General Fund Budget related to new requests, reimbursements, grants, previous Council direction, or technical clean-ups.

At previous City Council discussions, items for further discussion have arisen. Historically, the City set aside \$2.0 million from the Stanford Funds for Project Safety Net related costs. The City Manager was asked to explore the use of General Fund dollars for those elements of Project Safety that were public safety in nature, TrackWatch and fencing costs. It is estimated that through FY 2016, approximately \$1.5 million in funding will be expended for TrackWatch and other means restriction. Therefore, should the Council wish, a motion to reduce the General Fund Budget Stabilization Reserve (BSR) to reimburse these historic costs could be made, reducing the BSR to approximately \$35.5 million or 19.1 percent, \$1.1 million above the target level of 18.5%. Ongoing funding of TrackWatch costs are anticipated to be discussed further as

part of the FY 2017 budget process.

General Fund Revenue

The chart below compares the Fiscal Year 2016 Adopted Budget revenue estimates for all revenue categories with the FY 2016 Mid-year Budget Review projections. As depicted in the chart, the majority of revenue categories are trending upwards offset by a decrease in the Utility User Tax receipts. Overall, staff is projecting General Fund revenues will finish the year \$4.4 million or 2.7% above original budgeted projections. A detailed discussion by revenue category follows.



Major Tax Revenue Estimate Adjustments

Sales Tax

Sales Tax receipts are anticipated to end the year at \$28.4 million, an increase of \$0.8 million above the FY 2016 Adopted Budget. This change is due to stronger sales tax performance in the 3rd calendar year quarter receipts which reflects activity through September 2015. In this quarter, sectors showing strength include: furniture/appliance, food markets, restaurants, and construction. Apparel stores, electronic equipment, and business services declined in the 3rd quarter. Other major sectors, such as department stores and new car sales, displayed modest growth. A recommended increase in the budget estimate for FY 2016 is included in this report to align with current tracking.

Property Tax

Property Tax receipts are anticipated to end the year at \$36.0 million, \$0.9 million above the FY 2016 Adopted Budget estimate of \$35.1 million. The increase is due to excess funds from the

Educational Revenue Augmentation Fund (ERAF). This is the second year in which the County expects additional ERAF monies. This year end estimate is also based on information received from quarterly meetings with the Santa Clara County Assessor's Office and adjusts for appeals on record with the Assessor's Office, additions to the roll, and movements in assessed values. A recommended increase in the budget estimate for FY 2016 is included in this report to align with current tracking.

Transient Occupancy Tax (TOT)

Overall, Transient Occupant Tax (TOT) receipts are anticipated to exceed the FY 2016 Adopted Budget levels by \$3.2 million, from \$18.8 million to \$22.0 million based on actual receipts to date. This increase is attributable to the dramatic improvement in room rates and the City's newest hotels (Hilton Garden Inn and Homewood Suites by Hilton) performing way above expectation. During the first five months of the fiscal year, TOT receipts have trended above expected levels. In this period, average occupancy and daily room rates were 79.5 percent and \$253, respectively. While occupancy percentage has slightly declined due to the addition of new hotel rooms, daily room rates have increased 11.2 percent over the prior year. In addition, the City began collecting TOT revenue from Airbnb rentals starting in January 2015.

Of this increase, \$2.3 million is dedicated for infrastructure spending (attributable to new hotels and the voter approved TOT rate increase from 12 to 14 percent that took effect on January 1, 2016) which is reflected in a transfer from the General Fund to the Capital Improvement Fund. A net increase in the General Fund of \$0.9 million will result. A recommended increase in the budget estimate for FY 2016 is included in this report to align with current tracking.

Documentary Transfer Tax

Documentary Transfer Tax collections are anticipated to end the year at \$ 7.1 million, a \$0.2 million increase over the FY 2016 Adopted Budget estimate of \$6.9 million. Through mid-January 2016, Documentary Transfer Tax receipts are running 9.6 percent above the same prior year period. As this revenue source is sensitive to upward and downward movements in the real estate market as well as the mix of commercial and residential transactions in any one year collections will continue to be monitored closely. A small increase in the budget estimate for FY 2016 is included in this report to align with current tracking.

Utility Users' Tax (UUT)

The City's Utility Users Tax revenue is based on a 5 percent tax on electric, water, gas and 4.75 percent on telephone usage. Overall receipts are tracking to end the year at \$10.5 million, \$0.7 million below FY 2016 Adopted Budget levels of \$11.2 million. Gas usage has been lower due to a warmer than expected winter and gas prices have been low due to an abundant gas supply. Water usage is down as a consequence of drought conservation efforts. Although the telephone UUT rate was reduced from 5.0 percent to 4.75 percent in a ballot measure, receipts have been higher than expected. A recommendation to reduce the FY 2016 budgeted estimate by \$700,000 is recommended in this report to align with the current lower tracking levels.

Other General Fund Revenues:

Charges for Services

The FY 2016 Adopted Budget revenue estimate for this revenue category is \$25.4 million. However, it has been revised down approximately \$0.6 million throughout the fiscal year through previously approved adjustments by the City Council. This report includes recommendations to decrease the current FY 2016 budgeted revenue estimate further by approximately \$0.6 million, the majority of which is due to a reduction in anticipated revenue from Stanford in the amount of \$380,499. This reduction is due to two factors 1) the third amendment to the Stanford Fire Services contract that was approved by Council on January 25, 2016 (\$255,392) and 2) the variance between the budgeted and actual costs of providing Fire Services to the University for FY 2015 (\$125,107). Additional details on these adjustments can be found in Attachment A, Exhibit 1. Additionally, the report requests a technical correction to remove revenue for plan check permits from the Fire Department (\$269,000). The revenue for this activity is budgeted and collected in the Development Services Department; however, the budget for this revenue was inadvertently not removed from the Fire Department when the Development Services Department was created wasinas part of the Fiscal Year 2015 Budget.

From Other Agencies

The FY 2016 Adopted Budget revenue estimate projected \$0.4 million in revenues from other Agencies. A \$0.2 million revenue increase is recommended in this category primarily to recognize the reimbursement from the State of California Office of Emergency Services for emergency fire services provided on overtime as part of mutual aid for Strike Teams responding to wildfires burning across the state during the summer of 2015. This revenue increase is offset by a corresponding increase to the Fire Department's overtime expense appropriation as discussed elsewhere in this report. Additional reimbursement from the California commission of the Peace Officer Standard and Training (POST) is also recognized (\$16,000) to reimburse the City for POST certified training courses attended by various Police Department staff.

Other Revenue

The FY 2016 Adopted Budget assumes \$1.6 million in other revenue. This report recommends decreasing this amount by \$0.2 million for grants and reimbursements. This decrease reflects the removal of \$0.3 million due to the deferral of a Master Plan for the area around Fry's Electronics until a broader vision for the surrounding neighborhood is adopted. This reduction in revenues is offset by a reduction in expenditures in the Planning and Community Environment Department discussed elsewhere. The Other Revenue category reduction is partially offset by the recognition of new grants reimbursements such as \$45,000 from the Friends of the Palo Alto Children's Theatre for theater programs and \$15,000 from the Friends of the Junior Museum and Zoo for a new exhibit.

Operating Transfers In

Overall transfers of \$18.6 million are anticipated to end the year at budgeted levels. However, included in this report is an adjustment to align the FY 2016 General Fund Equity Transfer from

Utilities to reflect current capital assets in the Gas Fund per the FY 2015 Comprehensive Annual Financial Report (CAFR). The General Fund will receive an additional \$552,000 transfer from the Gas Fund.

General Fund Expense

General Fund Expenditures are generally tracking to remain within budgeted expenditures through the end of the fiscal year. Included in this report are a number of recommended adjustments that grouped, as discussed above, new requests, reimbursements and grants, previous Council direction, and technical adjustments. Below outlines a few of the significant recommended changes in each of these categories. Additional details of each recommended adjustment can be found in Attachment A, Exhibit 1.

New Requests: These requests are ones that require additional funding to address a very limited number of program needs. These adjustments are brought forward ahead of the annual budget process because the need either cannot or should not wait until later in the year.

- *Repayment of Storm Drainage Fund:* A transfer of \$0.2 million from the General Fund to the Storm Drainage Fund to reimburse the Storm Drain Replacement and Rehabilitation project (SD-06101) for expenses incurred related to the construction of a sandbag barrier along the San Francisquito Creek downstream of Highway 101 is recommended. In preparation for the 2015-2016 El Niño storm season, the City and other member agencies of the San Francisquito Creek Joint Powers Authority (JPA) concluded that it was prudent to construct a temporary sandbag flood barrier in order to provide enhanced flood protection for local businesses.
- *Administrative Services City-Wide Support:* approximately \$0.1 million additional funding primarily for temporary staffing assisting with the Purchasing Division and city-wide training support for SAP.
- *Fire Department New Hires:* Approximately \$66,000 in additional funds will ensure that training (\$15,000) and Uniforms and Personal Protective Equipment (\$51,000) are funded with the anticipated hire of six new firefighters by year end.
- *Fire Department Supplies and Materials:* Approximately \$36,000 in additional funds will provide for the replacement of six hazardous materials protective suits that are past their current useful life as well as the tools and equipment to replace hoses and nozzles on all fire engines to ensure they are in compliance with the National Fire Protection Agency regulations.
- *Commute Survey:* Additional funding of \$35,000 is recommended for the administration and completion of a commute survey to inform the creation of a Transportation Management Association (TMA).

Reimbursements and Grants: These actions, which typically have a net-zero impact, adjust grants, reimbursements, and fee revenue and expenditure estimates to align with current year end projected levels as appropriate. Recommended adjustments include:

- *Public Safety Reimbursements:* Costs of \$0.2 million associated with Strike team deployments (\$177,000) and POST training (\$16,000) are recommended to be

appropriated in the Fire overtime and Police contractual services departmental budgets respectively.

- *Community Services Department Grants and Fee Program Adjustments:* Approximately a net increase of \$0.09 million to align program expenditures with anticipated revenues as well as recognition of various grants and contributions for programs such as the Palo Alto Children's Theater (\$45,000) and support of various school districts including Palo Alto Unified School District and Santa Clara School District Title 1 schools (\$40,000).
- *Mayfield Development Project:* This recommends the appropriation of \$0.08 million to provide resources necessary for the Mayfield Development Project. It is anticipated that additional contributions will be recognized and appropriated as part of the FY 2017 budget process as well.

Previous Council Direction: These requests execute previous direction authorized by the City Council. The largest of these is a recommended \$8.0 million planned reduction to the General Fund Budget Stabilization Reserve. The appropriation of transfers in the amount of \$8.0 million from the General Fund Budget Stabilization Reserve to various funds and approved in CMR #6251 *Close Fiscal Year 2015 Budget and Approve 2015 CAFR* (November 11, 2015). As part of that report, transfers to the Capital Improvement Fund (\$7.0 million) and the Technology Fund (\$1.0 million) were approved. Additional recommended adjustments include the replenishment of the City Manager's Office Contingency Account (\$51,000) for funds temporarily reallocated to the Administrative Services Department to hire a compliance contractor and establish a minimum wage program (approved by the City Council on August 24, 2015)

Technical Clean-ups: These actions are recommended to adjust the budget levels to align with current anticipated year end revenue or expenditure levels or to realign funding among departments and funds based on updated needs.

The most significant action recommended is the removal of the implied subsidy from departmental budgets throughout the City (\$2.1 million all funds, \$1.4 million General Fund). There is a new requirement which dictates that government agencies must recognize the true cost of medical health care by active and retirees. The health care premiums are the same regardless of age or active status with the exception of medicare premiums. The new requirement is intended to recognize that as people age their medical cost increase. Therefore, an actuarial calculation must be completed to recognize the higher cost of medical for retirees, which is reduced from active employees health care costs. The net impact is zero since the retiree medical is increased and offset by decreasing active employee cost also known as implied subsidy.

During the development of the FY16 Adopted Budget, the Implied Subsidy for Retiree Healthcare was inadvertently budgeted as part of the allocation for retirement healthcare cost as well as active employee healthcare rates in Departmental budgets. These actions, which can be found throughout Attachment A, Exhibit 1, correct for this by recognizing the expenditure

savings and reducing departmental budgets.

Additional transactions include:

- *Annual Financial Audit:* This allocates an additional \$70,000 for the external financial auditor to properly align budgeted funds with the timing of the work being completed.
- *MakeX Program Reallocation:* Actions to transfer \$28,000 from the Library Department to the Community Services Department (CSD) are recommended to support the continuation of the MakeX program under the leadership of CSD.

Budget Stabilization Reserve

The General Fund began FY 2016, after the closing out of the FY 2015 budget, with a \$36.8 million Budget Stabilization Reserve (BSR) balance which was 19.8 percent of the operating budget expenditures. Included in this figure were assumed transfers and allocations of funds for certain purposes to allocate out the remaining FY 2015 surplus of \$13.6 million as outlined and approved in CMR #6251 *Close Fiscal Year 2015 Budget and Approve 2015 CAFR* (November 11, 2015). Subsequent to the FY 2016 budget adoption, Council has approved BAOs totaling \$2.8 million which reduced the BSR to \$33.9 million at the time of the printing of this report (February 2016). These actions dropped the BSR balance below the approved level of 18.5 percent to 18.2 percent or \$0.4 million below the targeted level.

Included in this FY 2016 Mid-Year Budget Review are the necessary budgetary transactions in the amount of \$8.0 million in transfers from the General Fund BSR as approved by the City Council in CMR #6251 *Close Fiscal Year 2015 Budget and Approve 2015 CAFR* (November 11, 2015). This draw on the General Fund BSR was already factored into the figures cited in the paragraph above. Once adjusting for these transactions, this Mid-Year Budget Review recommends a net addition to the BSR of \$3.1 million. This reflects the combined implications of better than expected revenue income of \$4.4 million partially offset by an increase in expenditures of \$1.4 million. These changes result in a projected General Fund BSR balance of \$37.0 million, or 19.9 percent of FY 2016 Adopted expenditures. This is \$2.6 million above the target level of 18.5 percent of total operating expenditures.

FY 2016 Budget Stabilization Reserve Summary (\$'s in 000's)	
BSR Balance , June 30, 2015	\$ 48,198
Actions Approved in CMR #6251	
- FY 2016 Adopted Budget (Ordinance 5329)	(2,123)
- Potentially establish a Pension Trust Fund (retained in BSR)	(1,305)
FY 2016 Budget Appropriation Ordinance Amendments (various CMR's)	(2,855)
FY 2016 Mid-Year Budget Review Recommended Adjustments	
Actions Approved in CMR #6251, transaction executed in FY2016 Mid-Year Budget	
- Transfer to Capital Improvement Fund: Roth Building Historical Rehabilitation Reserve (CMR #5879)	(1,000)
- Transfer to Capital Improvement Fund Infrastructure Reserve	(6,000)
- Transfer to Technology Fund: Radio Replacements	(1,000)
Various other Adjustments as outlined in Attachment A, Exhibit 1 (excess revenues \$4.4 million offset by increased expenditures \$1.4 million)	3,055
BSR Projected Balance, June 30, 2016*	\$ 36,970
	<i>19.91%</i>

* This figure assumes a draw on the General Fund BSR of \$1.3 million for the potential establishment of a Pension Trust Fund upon Council direction/approval as outlined in CMR #6251 *Close Fiscal Year 2015 Budget and Approve 2015 CAFR*. Should those funds remain in the General Fund BSR and not be used to establish a Pension Trust Fund, the revised BSR level would be \$38.3 million or 20.6 percent of FY 2016 Adopted expenditures. This is \$3.9 million above the target level of 18.5 percent of total operating expenditures.

As part of the development of the FY 2017 Proposed Budget (late April/early May) as well as closing of the FY 2016 budget (November/December), staff will bring forward recommendations for use of the FY 2017 projected budget surplus.

Overtime Analysis

The Public Safety Overtime Analysis Fiscal Year 2014 - Fiscal Year 2016 (Attachment B) compares the net overtime cost for the Fire and Police departments for FY 2014, FY 2015 and the first seven months of FY 2016. Net overtime cost represents the Public Safety departments' modified overtime budgets offset with revenue received to fund overtime along with vacancy savings that are being covered by overtime expenditures. Overtime expenditures for each department are discussed in further detail below.

Fire Department

As of January 31, 2016, the Fire Department expended \$1.5 million or 110.1 percent of its FY 2016 Adopted overtime budget, which is similar to the \$1.5 million expended for the same period in FY 2015. This is largely attributable to having the same number of vacancies (approximately 10) in FY 2016 and FY 2015. Also, during the first half of Fiscal Year 2016 the Fire Department had six personnel on workers' compensation paid leave which is slightly more than half the number of positions on workers' compensation paid leave (10) for the entire Fiscal Year 2015. After adjusting for reimbursement for overtime from Stanford University and vacancies being backfilled with overtime, the net overtime cost is approximately \$418,000.

Staff vacancies and workers' compensation disabilities are the major reasons for the high level of overtime spending. The remaining use of overtime is related to succession planning, sick leave, vacation, other leaves (military, bereavement, jury duty), special events (Stanford Football, Senior Games and Earthquake's Soccer), seasonal fire station coverage and multiple mutual aid responses (Strike Teams) to wild land fires and fire station cover assignments throughout the State during the summer of 2015. To reimburse the City for its participation in these Strike Teams, the California Office of Emergency Services has approved a reimbursement to the City for these mutual aid services, in the amount of approximately \$177,000 in revenue from other agencies and a corresponding increase to the Fire Department's overtime appropriation are recommended elsewhere in this report. It should be noted that Stanford reimbursed 30.3 percent of Fire Service expenses through Fiscal Year 2015, including overtime; however, in Fiscal Year 2016, the City and Stanford renegotiated a one year extension to the current fire services contract. As outlined in CMR #6505 *Stanford Fire Agreement 3rd Amendment*, the Third Amendment provides for continuation of fire services for one year at a fixed fee of \$6.5 million, while allowing the time needed to facilitate negotiation of financial terms for a new long term agreement. Approximately \$500,000 of the total \$6.5 million is assumed for reimbursement of fire services overtime. This extension expires October 8, 2016.

Overall, the Department is tracking slightly over budget in salary and benefits expenditures, largely due to the high overtime expenses. Staff will continue to monitor overtime expenditures to ensure the Department will remain within budget by the end of FY 2016.

Police Department

As of January 31, 2016, the Police Department expended \$1.1 million or 72.1 percent of its annual overtime budget, which is slightly more than the \$1.0 million expended during the same period in FY 2015. The higher level of overtime expenditures is attributable to having a few longer term vacancies in FY 2016 (approximately six vacancies of longer than six months) compared to FY 2015 (approximately five vacancies of longer than six months through the same time period). Also, during the first half of Fiscal Year 2016 the Police Department had seven personnel on workers' compensation paid leave which is almost half the number of positions on workers' compensation paid leave (16) for the entire Fiscal Year 2015.

After adjusting for overtime reimbursements from Stanford and the Utilities Department for dispatch services, and from neighboring cities for animal control and care services and vacancies backfilled with overtime, the net overtime cost is approximately \$501,000. Traffic control services at Stanford football games and other events are partially offset by reimbursements from the University and other organizations. Although, the Department is tracking over its overtime budget, overall the Department is tracking under budget in salary and benefits expenditures largely due to vacancy savings being more than the overtime overage. Staff will continue to monitor overtime expenditures to ensure the Department will come within budget by the end of FY 2016.

Enterprise Funds

While most of the Enterprise Fund mid-year adjustments actions are net zero changes, revenue and expenditures offsets, and budgetary cleanup items, notable mid-year adjustments to the City's Electric, Gas, and Water Enterprise Funds operating budgets are discussed below.

The mid-year transactions for the other Enterprise Funds: Fiber Optics, Refuse, Storm Drainage, Utilities Administration, Wastewater Collection, and Wastewater Treatment reflect small allocated expenses for the Sustainability Dashboard software and the return of closed out CIP funding. Detail on those funds and all of the Enterprise Fund mid-year adjustments are presented in greater detail in Attachment A, Exhibit 1. Staff recommendations related to the Enterprise Fund Capital Improvement Program are discussed later in this report and additional details can be found in Attachment A, Exhibit 2.

Electric Fund

A net reserve reduction of \$2.6 million is recommended primarily due to the drought and updated revenue projections as summarized below:

- Electric customer sales revenue is recommended to be decreased by \$2.5M to reflect the latest revenue projection. There are lower sales of surplus electric energy in the market due to lower hydroelectric power generation.
- The City is one of several Western customers who assist the Western Area Power Administration and Bureau of Reclamation by providing payment of certain charges one month in advance, which allows those agencies to commit those funds to major capital projects under Federal appropriations rules. These advance payments are offset by bill discounts one month later. The charges and credits of \$466,000 exactly offset each other, and therefore have no budget impact.
- Additional capital project costs of \$420,000 reflect the net impact of project completions and additional project funding. Additional details can be found in Attachment A, Exhibit 2 or below in the Capital Program section of this report.

Gas Fund

Net reserve use in the amount of \$0.5 million is recommended due to an increase of \$552,000 in the FY 2016 Equity Transfer from the Gas Fund to the General Fund accounts for the majority of this impact on the reserve. This correction reflects current capital assets in the Gas Fund per the FY 2015 Comprehensive Annual Financial Report (CAFR). In addition, as a result of increased new construction in Palo Alto and demands for additional customer connections, additional revenue from customer connections and Gas System Customer Connections project costs have increased (\$250,000). Additional details can be found in Attachment A, Exhibit 2 or below in the Capital Program section of this report.

Storm Drainage Fund

There are no net changes proposed for the Storm Drainage Fund; however, there are a few recommended adjustments to note:

- Recognizing \$120,000 in grant revenue from the California Department of Water Resources offset by a commensurate increase in expenditures to implement an early warning system for the San Francisquito Creek watershed.
- A transfer of \$233,662 from the General Fund to the Storm Drainage Fund to reimburse the Storm Drain Replacement and Rehabilitation project (SD-06101) for expenses incurred related to the construction of a sandbag barrier along the San Francisquito Creek downstream of Highway 101. In preparation for the 2015-16 El Niño storm season, the City and other member agencies of the San Francisquito Creek Joint Powers Authority (JPA) concluded that it was prudent to construct a temporary sandbag flood barrier in order to provide enhanced flood protection for local businesses. Additional details can be found in Attachment A, Exhibit 2 or below in the Capital Program section of this report.

Wastewater Collection Fund

Net reserve use in the amount of approximately \$58,000 reflects the net impact of two recommended adjustments partially offset by a reduction in personal services due to the removal of the implied subsidy duplicate funding:

- A transfer from the Waste Water Collection Fund to the Technology Fund of approximately \$46,000 to reimburse the Radio Infrastructure project (TE-05000) for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
- An increase in contractual services to contribute a portion of increased costs for hauling away construction spoils or \$33,000.

Wastewater Treatment Fund

Net reserve increase in the amount of \$116,526 adjusts for the reduction in personal services due to the removal of the implied subsidy duplicate funding partially offset by additional costs associated with the purchase of additional vehicles not included in the current Vehicle Fund Replacement Project (VR-15000).

Water Fund

Net reserve decrease in the amount of \$0.4 million is recommended in the report primarily due to the drought as detailed below:

- A decrease of \$2.1 million to align with year-end projected collections due to drought effects as water use has declined across residential, commercial, industrial and internal (City) customers. This year, a total of \$37.3 million is anticipated by year end, down

from the adopted level of \$39.4 million. A corresponding decrease of \$1.9 million in water commodity expenditures, reflecting the decreased consumption from customers due to drought regulations and conservation efforts partially offsets the decline in revenues.

- An increase of \$85,000 in contractual services is recommended to establish a regular testing and calibration of large water meters program. AWWA recommends that these meters be tested and calibrated once per year.
- A transfer from the Water Fund to the Technology Fund of approximately \$46,000 to reimburse the Radio Infrastructure project (TE-05000) for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
- As a result of increased new construction in Palo Alto and demands for additional customer connections, additional revenue from customer connections and Water System Customer Connections project costs have increased (\$250,000). Additional details can be found in Attachment A, Exhibit 2 or below in the Capital Program section of this report.
- An increase in contractual services to contribute a portion of increased costs for hauling away construction spoils or \$33,000.

Internal Service Funds

Information Technology

Net Reserve increases in the amount of \$123,541 due to an increase in revenues of \$80,292 based on the reconciliation of Stanford's contractual costs for Capital Projects including Radios (\$12,543) and Computer Aided Dispatch Replacement (\$67,749) based on the Fire Safety Services contract with Stanford University and a reduction in costs due to the removal of the implied subsidy duplicate funding. Additional Net-zero increases in revenues and expenses of \$1.3 million associated with the Radio Infrastructure Replacement project are recommended. Additional details can be found in Attachment A, Exhibit 2 or below in the Capital Program section of this report.

Vehicle Replacement Fund

Net Reserve decrease of \$167,509 is recommended in this report primarily to reflect the addition of funding for Scheduled Vehicle and Equipment Replacement (VR-15000) of \$127,624. Additional adjustments include:

- Contractual Service funding of \$80,000 for a consultant study to review the City's Vehicle Replacement allocation methodology.
- A net-zero adjustment to recognize \$214,725 in revenue from the sale of surplus street sweeping vehicles. The proceeds of the sale are being transferred to the Refuse Fund.

Special Revenue & Agency and Trust Funds

California Avenue Parking District Fund

In FY 2015, the City of Palo Alto outsourced street sweeping services. The street sweeping contract for the City provides services for the geographic areas contained within the California Avenue Parking District as well as the University Avenue Parking District, and this action reimburses \$38,552 to the Refuse Fund to for the California Avenue Parking District's proportional share of the contract.

University Avenue Parking District Fund

In FY 2015, the City of Palo Alto outsourced street sweeping services. The street sweeping contract for the City provides services for the geographic areas contained within the University Avenue Parking District as well as the California Avenue Parking District, and this action reimburses \$62,755 to the Refuse Fund for the University Avenue Parking District's proportional share of the contract.

University Avenue Parking Assessment Agency Fund

As a result of the parking audit performed in FY 2016, the City Auditor's Office determined that \$1.8 million should be transferred from the Capital Improvement Fund Infrastructure Reserve to the University Avenue Parking Assessment Agency Fund to reimburse the fund for initial project expenses incurred for the 528 High Street and 445 Bryant Street garages. According to the Auditor's report, after the assessment district was formed and issued special assessment bonds, the City deducted the initial project expenses from the bond proceeds but did not transfer those expenses, totaling \$1,790,295, back to the University Avenue Parking Assessment Agency Fund. It is anticipated that these funds will be used to decrease the special assessment bonds.

Capital Improvement Program Budget

Adjustments to the City's 2016 Capital Improvement Plan for various projects are noted in Attachment A, Exhibit 2, with specific project adjustments described as well. CIP changes fall into three basic categories: 1) projects requiring additional appropriations; 2) projects having reductions in appropriations; and 3) projects with other adjustments such as transfer of funding between projects, closing completed projects or creating new projects. For General Fund Capital Projects, different categories have been created, as described below. Highlights of CIP changes by fund are as follows:

General Fund

The Infrastructure Reserve (IR) serves as the ending fund balance of the Capital Improvement Fund and is required primarily for cash flow purposes, unforeseen urgent projects, and funding for future projects not yet budgeted in the Capital Improvement Program. The actions recommended as part of this report will result in an increase of \$7.4 million in the IR. This increase in the IR will be considered in the development of the 2017-2021 Proposed Capital

Improvement Program.

The table on the following page, as well as the subsequent analysis, summarizes the various recommendations by category. Additionally, staff is currently reviewing the funding strategies for future years, and will incorporate adjustments into the FY 2017 capital budget process with the intention of further increasing the IR to align funding with the assumptions of the Council approved Infrastructure Plan.

Mid-Year Changes to the Capital Improvement Fund Infrastructure Reserve (IR)	Impact on IR Balance Increase/(decrease)
Project Completions	\$31,773
Additional Revenues (Operating & Capital)	\$9,408,814
Additional Appropriations (Operating & Capital)	(\$1,998,005)
Total Mid-Year Change to IR	\$7,442,582

Project completions: \$31,773 will be realized by closing nine completed projects.

Revenues and alternative funding sources: \$35,137 will be realized through two transfers: \$15,810 from Refuse Fund and \$19,327 from the General Fund to reimburse Residential Preferential Parking project (PL-15003) for expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District.

A second adjustment will recognize a \$50,000 donation, with a commensurate increase in project expenditures for the Art Center Auditorium Audio, Visual, and Furnishings project (AC-14000) from the Palo Alto Art Center Foundation for additional expenses incurred during construction.

Technical Adjustments: Technical corrections are being made to two projects totaling \$131,778 to correct errors that occurred during the Fiscal Year 2015 Capital Budget reappropriations process. Funding was inadvertently removed from the Building System Improvements (PF-01003) project and the Security Systems Improvement Project (PF-04000).

Enterprise Funds

Consistent with the recommendations of the City Auditor's Utilities Reserves Audit, the Utilities Department is disencumbering funds for several projects as part of an ongoing effort to improve CIP project management and budgeting for projects. This year, a few projects have revised engineering estimates and require additional funding to be completed. Projects requesting additional funding are listed here. All capital project funding adjustments, including disencumbering and close-outs are shown in Attachment A, Exhibit 2. The net result of mid-year capital adjustments to the Enterprise Funds are shown in the table below.

Fund	# of Projects	Total Increase	Total Revenue	Total Reduction/Closing of Projects	Net
Electric	8	\$600,000	\$0	(\$180,287)	\$419,713
Gas	1	\$250,000	\$250,000	\$0	\$0
Water	4	\$217,000	\$217,000	\$0	\$0
Storm Drain	1	\$233,662	\$233,662	\$8,171	(\$8,171)
Total Enterprise Funds	14	\$1,300,662	\$700,662	(\$172,116)	\$411,542

Electric Fund

EL-11010 - UG District 47

Increase funding by \$400,000 to complete the undergrounding project. The substructure contract bid for this project resulted in higher than anticipated costs and the remaining electrical portion requires an additional \$400,000 for the installation of electrical facilities and purchase of equipment.

EL-89044 - Substation Improvements

Increase funding by \$200,000 to address facility equipment failure issues related to air conditioning and insulation that impact up to 10 metal-clad city buildings.

Gas Fund

GS-80017 – Gas Customer Connections

This action increases funding by \$250,000 to address increases in new construction in Palo Alto and demands for additional customer connections. The expense is offset by \$250,000 in additional revenues from customer connections.

Water Fund

WS-80013 – Water Customer Connections

This action increases funding by \$217,000 to address increased new construction in Palo Alto and demands for additional customer connections. The expense is offset by \$217,000 in additional revenues from customer connections.

WS-07000 – Water Regulation Station Improvements

This action increases funding by \$786,375. On June 29, 2015, the City Council approved CMR# 5634, authorizing a budget amendment increasing the Water Regulation System Improvements project (WS-07000) in the amount of \$786,375, offset by reductions to the Water Reservoir Coating Improvements project (WS-08001) in the amount of \$393,188 and the Seismic Water System Upgrades project (WS-09000) in the amount of \$393,187, with no impact to the reserve levels in the Water Fund. Due to a technical error, this adjustment never occurred. As a result, this action provides the funding necessary to complete the seismic retrofits as outlined in CMR# 5634. The corresponding reductions in reserves are recommended below.

Storm Drain Fund

SD-06101 – Sandbag Reimbursement

This action transfers \$233,662 from the General Fund to the Storm Drainage Fund for expenses incurred related to the construction of a sandbag barrier along the San Francisquito Creek downstream of Highway 101.

Internal Service Funds

The Internal Service Departments have several projects disencumbering funds for several projects as part of an ongoing effort to improve CIP project management and budgeting for projects. The complete list of Internal Service Fund capital funding adjustments is shown in Attachment A, Exhibit 2. The net result of mid-year capital adjustments to the Internal Service Funds are shown in the table below.

Fund	# of Projects	Total Increase	Total Revenue	Total Reduction/ Closing of Projects	Net
Vehicle Replacement	1	\$127,624	\$26,466	\$0	(\$101,158)
Technology	1	\$1,268,272	\$1,268,272	\$0	\$0
Total Internal Service Funds	2	\$1,395,896	\$1,294,738	\$0	(\$101,158)

Table of Organization Changes

The proposed Full Time Equivalent (FTE) adjustments to the Table of Organization include the following requests:

- Delete a 1.0 FTE Management Analyst position with 0.4 FTE funded in the General Fund and 0.6 FTE funded in the Capital Improvement Fund
- Add a 1.0 FTE Senior Management Analyst position with 0.4 FTE funded in the General Fund and 0.6 FTE funded in the Capital Improvement Fund

This action reclassifies a 1.0 FTE Management Analyst position to a 1.0 FTE Senior Management Analyst position to be more commensurate with the level of work currently being performed working on special projects.

- Delete two 1.0 FTE Buyer positions with 1.0 FTE funded in the General Fund and 1.0 FTE funded in the Wastewater Treatment Enterprise Fund
- Add two 1.0 FTE Senior Buyer positions with 1.0 FTE funded in the General Fund and 1.0 FTE funded in the Wastewater Treatment Enterprise Fund

This action reclassifies two 1.0 FTE Buyer positions to two 1.0 FTE Senior Buyer positions to more accurately align the position classification with the duties currently being performed.

- Delete two 0.5 FTE Account Specialist (part-time benefited) positions with 0.5 FTE funded in the General Fund and 0.5 FTE funded in the Residential Parking Permit Programs Fund
- Add a 1.0 FTE Account Specialist (full-time) position with 0.5 FTE funded in the

General Fund and 0.5 FTE funded in the Residential Parking Permit Programs Fund

This action converts two part-time benefited 0.5 FTE Account Specialist positions to a full-time 1.0 FTE Account Specialist position. This full time position will support Neighborhood Parking Programs, including the Residential Parking Permit Program (RPP), College Terrace, and Crescent Park. These programs have caused increased counter, phone, and email contacts requesting information on how to obtain permits and information on the programs. There is also increased citation inquiries/complaints, payment processing, scheduling of hearings, and refunds.

There is no net cost in Fiscal Year 2016 for these position changes, and they will be factored into the development of the Fiscal Year 2017 budget.

As an update to the total FTE count for the City, the table below shows the addition of 2.0 FTE in Fiscal Year 2016. First was a 1.0 FTE Project Manager position with 0.4 FTE funded in the General Fund and 0.6 FTE funded in the Capital Improvement Fund as approved by the Council on December 14, 2015 to implement and maintain the Infrastructure Management System. Second is a 1.0 FTE Management Analyst position funded in the General Fund as recommended to be approved by Council on February 29, 2016 to manage and administer the Business Registry Program.

Fiscal Year 2016 Mid-year Position Change Summary			
	FY 2016 Adopted	FY 2016 Changes	FY 2016 Modified
General Fund	599.31	1.40	600.71
Enterprise Funds	351.09	0.00	351.09
Other Funds	89.70	0.60	90.30
Total	1,040.10	2.00	1,042.10

Resource Impact

Adoption of the attached ordinance will allow for adjustments to the FY 2016 budget, along with amendments to the Table of Organization, and General Fund CIP projects. With the approval of this budget appropriation ordinance, the projected ending balance of the General Fund Budget Stabilization Reserve is \$37.0 million.

The projected ending Rate Stabilization Reserve total for all Enterprise funds collectively decreases by \$3.8 million. Individual fund reserve adjustments are shown in the table below.

Enterprise Fund Reserve	Mid-Year Adjustment
Airport Fund Reserve	\$1,761
Electric Fund Supply Rate Stabilization Reserve	(\$2,445,231)
Electric Fund Distribution Rate Stabilization Reserve	(\$128,683)
Gas Fund Distribution Rate Stabilization Reserve	(\$542,955)
Fiber Optic Fund Rate Stabilization Reserve	(\$70,000)
Refuse Fund Rate Stabilization Reserve	(\$289,626)
Storm Drainage Fund Rate Stabilization Reserve	\$1,739
Water Fund Rate Stabilization Reserve	(\$375,876)
Wastewater Collection Fund Rate Stabilization Reserve	(\$57,882)
Wastewater Treatment Fund Rate Stabilization	\$116,526
Total	(\$3,790,227)

Policy Implications

These recommendations are consistent with existing City policies.

Environmental Assessment

This is not a project under Section 21065 for purposes of the California Environmental Quality Act (CEQA).

Attachments:

- Attachment A, Exhibit 1 - Proposed Fiscal Year 2016 Midyear Adjustments(PDF)
- Attachment A, Exhibit 2 - FY16 Midyear CIP Adjustments (PDF)
- Attachment B - Public Safety Overtime Analysis FY 2014 - FY 2016 (PDF)

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
NON-DEPARTMENTAL			
	Documentary Transfer Tax	200,000	This action increases the Documentary Transfer Tax by \$0.2 million, from \$6.9 million to \$7.1 million to reflect current tracking levels. Through mid-January 2016, Documentary Transfer Tax receipts are running 9.6 percent above the prior year tracking. This revenue source is sensitive to upward and downward movements in the real estate market as well as the mix of commercial and residential transactions in any one year.
	Operating Transfers-In	552,000	This action increases the Fiscal Year 2016 Equity Transfer from the Gas Fund to the General Fund in the amount of \$0.6 million to reflect current capital assets in the Gas Fund per the Fiscal Year 2015 Comprehensive Annual Financial Report.
	Property Tax	900,000	This action increases the estimate for Property Tax receipts by \$0.9 million to an estimated \$36.0 million in Fiscal Year 2016. The increase is due to excess funds from the Educational Revenue Augmentation Fund (ERAF). This is the second year in which the County expects additional ERAF monies. This year end estimate for Property Taxes is based on information received from quarterly meetings with the Santa Clara County Assessor's Office and includes appeals on record with the Assessor's Office, additions to the roll, and movements in assessed values.
	Sales Tax	800,000	This action increases the estimate for Sales Tax revenues by \$0.8 million to an estimated \$28.4 million in Fiscal Year 2016. This change is due to stronger sales tax performance in the 3rd calendar year quarter. In this quarter, sectors showing strength include: furniture/appliance, food markets, restaurants, and construction. Apparel stores, electronic equipment, and business services declined in the 3rd quarter. Other major sectors, such as department stores and new car sales, displayed modest growth.
	Transient Occupancy Tax	3,200,000	This action increases the estimate for Transient Occupant Tax (TOT) by \$3.2 million, from \$18.8 million to \$22.0 million based on actual receipts to date. This increase is attributable to the dramatic improvement in room rates and the City's newest hotels (Hilton Garden Inn and Homewood Suites by Hilton) performing way above expectation. During the first five months of the fiscal year, TOT receipts have trended above expected levels. In this period, average occupancy and daily room rates were 79.5 percent and \$253, respectively. While occupancy percentage has slightly declined due to the addition of new hotel rooms, daily room rates have increased 11.2 percent over the prior year. In addition, the City began collecting TOT revenue from Airbnb rentals starting in January 2015. Of this increase, \$2.3 million is dedicated for infrastructure spending (attributable to new hotels and the voter approved TOT rate increase from 12.0 to 14.0 percent that took effect on January 1, 2016) which is reflected in a transfer from the General Fund to the Capital Improvement Fund. A net increase in the General Fund of \$0.9 million will result from this action.
	Utility Users Tax	(700,000)	This action decreases the Utility Users Tax collections by \$0.7 million, from \$11.2 million to \$10.5 million to reflect current receipt levels and the factors outlined below. The City's utility tax revenue is based on a 5.0 percent tax on electric, water, and gas and 4.75 percent on telephone usage. Gas usage has been lower due to a warmer than expected winter and gas prices have been low due to an abundant gas supply. Water usage is down as a consequence of drought conservation efforts. Although the telephone UUT rate was reduced from 5.0 percent to 4.75 percent in a ballot measure, receipts have been higher than expected.
Source Changes		4,952,000	
	Contingent Account	(19,327)	This action decreases the Planning Transportation Contingency in the General Fund to offset a recommended transfer to the Capital Improvement Fund to reimburse the Residential Preferential Parking project (PL-150003) for a portion of expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District.
	Operating Transfers-Out	1,000,000	This action establishes a transfer of \$1.0 million to the Technology Fund for the Radio Infrastructure Replacement Project (TE-05000) as approved in CMR #6251 <i>Close Fiscal Year 2015 Budget and Approve 2015 CAFR</i> (November 11, 2015).

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
NON-DEPARTMENTAL			
	Operating Transfers-Out	233,662	This action establishes a transfer of \$233,662 from the General Fund to the Storm Drainage Fund to reimburse the Storm Drain Replacement and Rehabilitation project (SD-06101) for expenses incurred related to the construction of a sandbag barrier along the San Francisquito Creek downstream of Highway 101. In preparation for the 2015-2016 El Niño storm season, the City and other member agencies of the San Francisquito Creek Joint Powers Authority (JPA) concluded that it was prudent to construct a temporary sandbag flood barrier in order to provide enhanced flood protection for local businesses. As this expense was not anticipated during preparation of the Fiscal Year 2016 budget, funds were not appropriated for this purpose. As an interim measure, available funding was used in the Storm Drain Replacement and Rehabilitation project for this purpose; however, since storm drain CIP funding is restricted to projects identified in the 2005 storm drainage fee ballot measure (which does not include this project), additional funding in the amount of \$233,662 is needed to reimburse the project for this expense.
	Operating Transfers-Out	40,223	This action provides a one-time transfer in the amount of \$40,223 from the General Fund to the Refuse Fund to reimburse expenses incurred for the City's compost program. The City currently charges the Refuse Fund for janitorial work related to the compost program; however, the use of the Refuse Fund is restricted per Proposition 218. As a result, this action reimburses the Refuse Fund for expenses incurred.
	Operating Transfers-Out	19,327	This action establishes a transfer of \$19,327 from the General Fund to the Capital Improvement Fund to reimburse the Residential Preferential Parking project (PL-150003) for a portion of expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District. A corresponding decrease in the Planning Transportation Contingency in the General Fund is recommended as well to offset this action. An additional \$15,810 is recommended to be transferred from the Refuse Fund elsewhere in this report.
	Salary & Benefits	(255,392)	This action reduces the salary reserve by \$255,392 to partially offset the recommended reduction in revenue from Stanford for Fire Services elsewhere in this report. The Fiscal Year 2016 Adopted Operating Budget revenue estimate assumed additional revenue based on estimated salary increases for International Association of Fire Fighters (IAFF) employees that are currently in negotiations with the City. These estimated salary increases were budgeted in the general fund salary reserve, not in the department.
	Transfer to Infrastructure	6,000,000	This action establishes a transfer of \$6.0 million to the Capital Improvement Fund as approved in CMR #6251 <i>Close Fiscal Year 2015 Budget and Approve 2015 CAFR</i> (November 11, 2015). This funding will be assumed in the development of the Fiscal Year 2017 Capital Budget.
	Transfer to Infrastructure	2,297,000	This action increases the transfer to the Capital Improvement Fund in the amount of \$2.3 million from \$5.4 million to \$7.7 million to reflect current estimated Transient Occupant Tax (TOT) receipts in fiscal year 2016. This transfer reflects the portion of TOT attributable to new hotels and the voter approved TOT rate increase from 12.0 to 14.0 percent that took effect on January 1, 2016 which have been dedicated to the infrastructure plan.
	Transfer to Infrastructure	1,000,000	This action establishes a transfer of \$1.0 million to the Capital Improvement Fund to establish a Roth Building Reserve for future use as approved in CMR #6251 <i>Close Fiscal Year 2015 Budget and Approve 2015 CAFR</i> (November 11, 2015). In CMR #5879 <i>Palo Alto Historical Museum Option To Lease for the Roth Building</i> (June 29, 2015) and after several presentations to City Council requesting public funding, on December 15, 2014, City Council passed a motion instructing staff to identify \$1.0 million to fund rehabilitation costs for the Roth building.
Use Changes		10,315,493	
Net Changes To (From) Reserves		(5,363,493)	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
CITY ATTORNEY			
	Salary & Benefits	(22,748)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(22,748)	
Net Changes To (From) Reserves		22,748	
CITY AUDITOR			
	Contract Services	70,000	This action increases the contract services budget by \$70,000 for the external financial auditor. Interim work is typically performed in April-June (approximately 40-50% of the contract amount), while the rest of the work is done after July 1st of each year. Budgeted funds are not properly aligned with the timing of the work, therefore, this action corrects this and aligns costs for work
	Salary & Benefits	(5,430)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		64,570	
Net Changes To (From) Reserves		(64,570)	
CITY CLERK			
	Salary & Benefits	(12,622)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(12,622)	
Net Changes To (From) Reserves		12,622	
CITY COUNCIL			
	Salary & Benefits	(13,062)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(13,062)	
Net Changes To (From) Reserves		13,062	
CITY MANAGER			
	Contingent Account	51,000	This action increases the City Manager's Office contingency budget by \$51,000 to reimburse expenditures incurred by the startup of the Contract Compliance program and minimum wage monitoring, including the \$20,000 San Jose Minimum Wage contract.
	Salary & Benefits	(19,666)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		31,334	
Net Changes To (From) Reserves		(31,334)	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
ADMINISTRATIVE SERVICES			
	General Expense	45,000	This action increases the Administrative Services training budget to provide funding for the Global Software Training - SAP ease of use software training.
	General Expense	15,000	This action increases the Revenue Collections division of Administrative Services expenditure budget by \$15,000 to provide funding for the replacement of the safe. The current safe as reached the end of useful life and the vendor has indicated the safe is no longer repairable.
	General Expense	15,000	This action increases the Administrative Services contractual budget to ensure sufficient funding for the OpenGov contract renewal. An ongoing increase in the Administrative Services budget will be assessed as part of the development of the Fiscal Year 2017 budget.
	Salary & Benefits	50,880	This action increases the temporary salaries budget in the Purchasing Division to fund contract administration work. It is anticipated that additional one-time funding will be requested to continue this support in the fiscal year 2017 budget as well.
	Salary & Benefits	(84,241)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		41,639	
Net Changes To (From) Reserves		(41,639)	
COMMUNITY SERVICES			
	Charges for Services	25,000	This action increases Charges for Services revenue from the Friends of the Junior Museum and Zoo (FJMZ) to support Santa Clara School District Title 1 schools. This action is offset by a corresponding increase in expenditures. A separate action to include the second and third years of the contract will be included as part of the development of the Fiscal Year 2017 Operating Budget.
	Charges for Services	15,000	This action increases the Charges for Services revenue from Palo Alto Unified School District, offset by a corresponding increase in expenditures. The City now has a contract in place to provide performances to the school district for the next three years, and this will be factored into the development of the Fiscal Year 2017 Operating Budget.
	Charges for Services	10,000	This action increases Charges for Services revenue from the Friends of the Junior Museum and Zoo (FJMZ) to support a field trip for schools in San Mateo County to visit Google. This action is offset by a corresponding increase to expenses below.
	Charges for Services	(20,000)	This action decreases Charges for Services revenue from the Vocal Lessons program budget, offset by a corresponding decrease in expenses. The City will continue to provide a Vocal Lessons program, however, in lieu of directly contracting for the ballroom dancing instructors and collecting the fees for the program, the City will rent the facility to the vocal lessons instructors and participants will pay the instructors directly.
	Charges for Services	(23,000)	This action decreases Charges for Services revenue from the Ballroom Dancing program budget, offset by a corresponding decrease in expenses. The City will continue to provide a Ballroom Dancing program, however, in lieu of directly contracting for the ballroom dancing instructors and collecting the fees for the program, the City will rent the facility to the ballroom dancing instructors and participants will pay the instructors directly.
	Other Revenues	45,000	This action increases Other Revenues for funds received from the Friends of the Palo Alto Children's Theatre (FOPACT) to provide operational support for Children's Theatre activities. This action is offset by a corresponding increase in expenses.
	Other Revenues	15,000	This action increases Other Revenues for funds received from the Friends of the Junior Museum and Zoo (FJMZ) to support the fabrication of a new exhibit. This is offset by a corresponding increase to expenses below.

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
COMMUNITY SERVICES			
	Other Revenues	9,500	This action increases Other Revenues for the Palo Alto Art Center Budget to acknowledge funding that the City has received from Silicon Valley Creates for general operating support of the Palo Alto Art Center, offset by a corresponding expenditure increase.
	Other Revenues	9,000	This action increases revenue the City has received from the Institute of Museum and Library Services (IMLS) due to a one-time budget augmentation of grant funds offset by a corresponding expenditure increase. The funds will be used to offset costs of engaging a consultant to design family discovery kits for the Art Center galleries. The balance of the grant award (\$16,000) will be incorporated into the development of the Fiscal Year 2017 Operating Budget for the creation, fabrication, and distribution of the kits.
Source Changes		85,500	
	Contract Services	45,000	This action increases the Contract Services budget to appropriate additional funding for general operational expenses associated with the Palo Alto Children's Theatre, offset by a corresponding revenue increase.
	Contract Services	15,000	This action increases the Contract Services budget, offset by a corresponding increase in revenues, for Palo Alto Unified School District performances. The City now has a contract in place to provide performances to the school district for the next three years, and this will be factored into the development of the Fiscal Year 2017 Operating Budget.
	Contract Services	9,000	This action increases expenses, offset by a corresponding increase to revenue, to appropriate one-time funding that the City has received from the Institute of Museum and Library Services (IMLS). The funds will be used to offset costs of engaging a consultant to design family discovery kits for the Art Center galleries. The balance of the grant award (\$16,000) will be incorporated into the development of the Fiscal Year 2017 Operating Budget for the creation, fabrication, and distribution of the kits themselves.
	Contract Services	(20,000)	This action decreases Contract Services expenses from the Vocal lessons program budget, offset by a corresponding decrease in revenues. The City will continue to provide a Ballroom Dancing program, however, in lieu of directly contracting for the ballroom dancing instructors and collecting the fees for the program, the City will rent the facility to the vocal lessons instructors and participants will pay the instructors directly.
	Contract Services	(23,000)	This action decreases Contract Services expenses from the Ballroom Dancing program budget, offset by a corresponding decrease in revenues. The City will continue to provide a Ballroom Dancing program, however, in lieu of directly contracting for the ballroom dancing instructors and collecting the fees for the program, the City will rent the facility to the ballroom dancing instructors and participants will pay the instructors directly.
	General Expense	28,000	On June 2, 2014, the Council approved the FY 2015 Teen Programs using the net revenue collected from the Bryant Street Garage. This action restores \$28,000 to the Community Services Department budget from the Library Department. The funding was transferred to the Library to support the continuation of the MakeX program as part of the FY 2016 Adopted Budget, but is now recommended to be transferred back.
	General Expense	9,500	This action increases expenses for the Palo Alto Art Center budget, offset by a corresponding increase in revenues, to appropriate funding that the City has received from Silicon Valley Creates for general operating support of the Palo Alto Art Center.
	Salary & Benefits	25,000	This action increases Salaries and Benefits expenses to support Santa Clara School District Title 1 schools. This action is offset by a corresponding increase in revenues. A separate action to include the second and third years of the contract will be included as part of the development of the Fiscal Year 2017 Operating Budget.
	Salary & Benefits	10,000	This action increases Salaries and Benefits, offset by corresponding revenue from the Friends of the Junior Museum and Zoo (FJMZ), to support a field trip for schools in San Mateo County to visit Google.
	Salary & Benefits	(148,963)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
COMMUNITY SERVICES			
	Supplies & Material	15,000	This action increases supplies and materials by \$15,000, offset by a corresponding increase in revenues, to appropriate funding received from the Friends of the Junior Museum and Zoo (FJMZ) to support the fabrication of a new exhibit at the Junior Museum and Zoo.
Use Changes		(35,463)	
Net Changes To (From) Reserves		120,963	
DEVELOPMENT SERVICES			
	Charges for Services	80,000	This action increases Charges for Services revenues by \$80,000 to provide resources related to the Mayfield Development Project, offset by a corresponding increase in expenses. This action represents estimated costs associated with the project in FY 2016. Anticipated revenues and expenses associated with the Mayfield Project will be incorporated into the development of the FY 2017 Operating Budget.
Source Changes		80,000	
	Contract Services	80,000	This action increases the Contract Services expense budget, offset by a corresponding increase to revenues, by \$80,000 to provide necessary resources related to the Mayfield Development Project. This action represents estimated revenues and expenses associated with the Mayfield Project will be incorporated into the development of the FY 2017 Operating Budget.
	Salary & Benefits	(59,351)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		20,649	
Net Changes To (From) Reserves		59,351	
FIRE			
	Charges for Services	(269,000)	This action is a technical correction to remove revenue for plan check permits from the Fire Department. The revenue for this activity is budgeted and collected in the Development Services Department; however, the budget for this revenue was inadvertently not removed from the Fire Department when the Development Services Department was created as part of the Fiscal Year 2015 Budget.
	Charges for Services	(380,499)	This action decreases the estimated revenue from Stanford in the amount of \$380,499 primarily due to the alignment of the budgeted revenue with the third amendment to the Stanford Fire Services contract that was approved by Council on January 25, 2016 (\$255,392). Additional revenue was assumed in the Fiscal Year 2016 budget based on estimated salary increases for International Association of Fire Fighters (IAFF) employees that are currently in negotiations with the City. These salary increases were budgeted in the general fund salary reserve, not in the department, so a corresponding reduction to the salary reserve of \$255,392 elsewhere in this report will offset the revenue reduction. In addition, this action further decreases revenue from Stanford by \$125,107 due to a variance between the budgeted and actual costs of providing Fire Services to the University for Fiscal Year 2015. The primary contributor to the variance was lower employee service costs due to a large number of vacancies in the department in Fiscal Year 2015.
	From Other Agencies	176,884	This action increases revenue from the California Office of Emergency Services for reimbursement for emergency fire services provided on overtime as part of mutual aid for Strike Teams that responded to wildfires burning throughout California during the summer of 2015.
Source Changes		(472,615)	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
FIRE			
	Contract Services	15,000	This action increases funding for training to fund the administrative costs associated with sending the six Firefighter employees that are anticipated to be hired in Fiscal Year 2016 to a Joint Fire Academy taught by the Sunnyvale Public Safety Department. As with past practice, due to the infrequency of hiring new sworn fire employees, no funding was assumed for academy costs for new employees as part of the Fiscal Year 2016 Budget.
	Salary & Benefits	176,884	This action increases overtime funding for reimbursement from the California Office of Emergency Services for emergency fire services provided as part of mutual aid for Strike Teams that responded to wildfires burning throughout California during the summer of 2015.
	Salary & Benefits	(359,578)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Supplies & Material	51,000	This action increases funding for Uniforms and Personal Protective Equipment (PPE) to fund the outfitting of six new sworn Firefighter employees that will begin work with the City in February 2016 by attending a Joint Fire Academy taught by the Sunnyvale Public Safety Department. PPE includes the employees' daily uniforms as well as turnouts, helmets, boots, gloves, and various other safety equipment needed to effectively put out both structure and wild-land fires. The Department's Fiscal Year 2015 budget includes funding for PPE repair and replacement for existing employees; however, as with past practice due to the infrequency of hiring new sworn fire employees, no funding was assumed for PPE purchases for new employees as part of the Fiscal Year 2016 Budget.
	Supplies & Material	20,000	This action increases funding for Uniforms to fund the replacement of the Fire Department's six hazardous materials (HazMat) protective suits that are past their current useful life. The current HazMat suits are 8-9 years old, but the manufacturer recommends a 5 year useful life for these suits, and recommends suits that are between 5-10 years to be used for training purposes. Outfitting the City's HazMat personnel with current standards will allow them to partner with other agencies for annual testing processes and allow PAFD to begin mitigating higher level hazardous material disasters while awaiting regional teams.
	Supplies & Material	16,500	This action increases funding for tools and equipment to fund the replacement of hoses and nozzles on all fire engines and fire trucks in the fleet. The National Fire Protection Agency (NFPA) requires the first two lines at a structure fire to flow at least 300 gallons per minute (GPM). After testing, it was discovered that PAFD's lines only flow an average of 90 GPM, and that to get the appropriate pressure with the current hardware, PAFD would have to pump the hose lines at a pressure that would not be safe to manage for a single firefighter. In order to safely get to the appropriate GPM and a flow that is manageable, PAFD will replace the current fog nozzles with open smooth bore nozzles and the current hoses with updated hoses that allow more GPM with fewer pounds per square inch (PSI). In addition, this action will fund a hose bed modification to install a metal divider on all fire engines and fire trucks in the fleet to reduce the risk of injury and allow firefighters to deliver water faster and more consistently.
Use Changes		(80,194)	
Net Changes To (From) Reserves		(392,421)	
HUMAN RESOURCES			
	Salary & Benefits	(30,086)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(30,086)	
Net Changes To (From) Reserves		30,086	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
LIBRARY			
	Other Revenues	11,500	This action increases grant revenue for Building Up the Bikes, a grant project from the Pacific Library Partnership. These funds will be offset by a corresponding expenditure increase to install two bike repair stations, produce safe routes to Libraries maps, and offset costs of a bike trailer. A separate action to recognize and appropriate the balance of the grant (\$1,000) for supplies, education, and outreach in Fiscal Year 2017 will be brought forward as part of the development of the Fiscal Year 2017 Operating Budget.
Source Changes		11,500	
	General Expense	11,500	This action increases expenses for Building Up the Bikes, a grant project from the Pacific Library Partnership. These funds will be offset by a corresponding revenue increase to install two bike repair stations, produce safe routes to Libraries maps, and offset costs of a bike trailer. A separate action to recognize and appropriate the balance of the grant (\$1,000) for supplies, education, and outreach in Fiscal Year 2017 will be brought forward as part of the development of the Fiscal Year 2017 Operating Budget.
	General Expense	(28,000)	On June 2, 2014, the Council approved the FY 2015 Teen Programs using the net revenue collected from the Bryant Street Garage. This action restores \$28,000 to the Community Services Department budget from the Library Department. The funding was transferred to the Library to support the continuation of the MakeX program as part of the FY 2016 Adopted Budget, but is now recommended to be transferred back.
	Salary & Benefits	(68,391)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(84,891)	
Net Changes To (From) Reserves		96,391	
PLANNING & COMMUNITY ENVIRONMENT			
	Other Revenue	(265,000)	This action reduces Other Revenue by \$265,000 to reflect that the City is deferring a Master Plan for the area around Fry's Electronics until after a broader vision for the surrounding neighborhood is adopted. As such, the grant from the Valley Transit Authority (VTA) to perform the work will not be obtained. This action is offset by a reduction to expenses.
Source Changes		(265,000)	
	Contract Services	35,000	This action provides \$35,000 for the administration and completion of a commute survey to inform the creation of a Transportation Management Association (TMA). Recommendations related to the creation of the TMA are anticipated to be brought to City Council in Spring 2016. As part of the development of the FY 2015 Operating Budget, \$150,000 was set aside to examine the development of a Transportation Management Association. The FY 2016 Operating Budget included funding for year-two of the development of the TMA, as well as an additional \$100,000 for various TMA pilot programs and start-up costs.
	Contract Services	(300,000)	This action reduces contract services by \$300,000 to reflect the deferral of a Master Plan for the area around Fry's Electronics until after a broader vision for the surrounding neighborhood is adopted. Accordingly, the grant from the Valley Transit Authority (VTA) to perform the work will not be obtained. This action is partially offset by a corresponding reduction to revenues.
	Salary & Benefits	(48,523)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(313,523)	
Net Changes To (From) Reserves		48,523	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
POLICE			
	From Other Agencies	16,005	This action increases revenue from other agencies for reimbursement from the California Commission of the Peace Officer Standard and Training (POST) to reimburse the City for POST certified training courses attended by various Police Department staff.
	Charges for Services	8,692	This action increases revenue from Stanford for the Fiscal Year 2015 Year-End Adjustment due to a variance between the budgeted and actual costs of providing Public Safety Communication Services to the University.
Source Changes		24,697	
	Contract Services	16,005	This action increases funding for training for reimbursement from the California commission of the Peace Officer Standard and Training (POST) to reimburse the City for POST certified training courses attended by various Police Department staff.
	Salary & Benefits	(404,051)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(388,046)	
Net Changes To (From) Reserves		412,743	
PUBLIC WORKS			
	Salary & Benefits	(141,681)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Supplies & Material	10,000	This action provides \$10,000 in one-time funding for additional expenses incurred related to the watering needs of the City's urban forest. Due to extreme drought conditions, an extra water truck and driver were needed to water established trees that were in failure. As a result, Urban Forestry reallocated tree planting funds for the additional rental.
Use Changes		(131,681)	
Net Changes To (From) Reserves		131,681	
Total General Fund Changes to BSR		(4,945,287)	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
GENERAL FUND			
CAPITAL IMPROVEMENT FUND			
	Other Revenues	50,000	This action recognizes a \$50,000 donation, with a commensurate increase in project expenditures for the Art Center Auditorium, Audio, Visual, and Furnishings project (AC-14000), from the Palo Alto Art Center Foundation for additional expenses incurred during construction.
	Transfer from the Refuse Fund	15,810	This action transfers \$15,810 from the Refuse Fund to the Capital Improvement Fund to reimburse the Residential Preferential Parking project (PL-150003) for expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District.
	Transfer from the General Fund	19,327	This action transfers \$19,327 from the Planning Transportation Contingency in the General Fund to the Capital Improvement Fund to reimburse the Residential Preferential Parking project (PL-150003) for expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District.
	Transfer from the Refuse Fund	25,000	This action recognizes a transfer from the Refuse Fund to the Capital Improvement Fund for the Art in Public Places contribution associated with the Landfill Closure (RF-11001). A corresponding increase in the Art in Public Places project budget is recommended as outlined in Attachment A Exhibit 2.
	Transfer from the General Fund	1,000,000	This action recognizes a transfer of \$1.0 million from the General Fund to establish a Roth Building Reserve for future use as approved in CMR #6251 <i>Close Fiscal Year 2015 Budget and Approve 2015 CAFR</i> (November 11, 2015). In CMR #5879 <i>Palo Alto Historical Museum Option To Lease for the Roth Building</i> (June 29, 2015) and after several presentations to City Council requesting public funding, on December 15, 2014, City Council passed a motion instructing staff to identify \$1.0 million to fund rehabilitation costs for the Roth building.
	Transfer from the General Fund	6,000,000	This action increases the estimated transfer from the Budget Stabilization Reserve in the General Fund in fiscal year 2016 by \$6.0 million as approved in CMR #6251 <i>Close Fiscal Year 2015 Budget and Approve 2015 CAFR</i> (November 11, 2015).
	Transfer from the General Fund	2,297,000	This action increases the estimated transfer from the General Fund to the Capital Improvement Fund in the amount of \$2.3 million from \$5.4 million to \$7.7 million to reflect current estimated Transient Occupant Tax (TOT) receipts in fiscal year 2016. A corresponding increase in TOT receipts and transfers out of the General Fund are recommended elsewhere in this report.
	From Other Agencies	1,677	This actions recognizes revenue from Stanford's Fiscal Year 2015 portion of the Fire Station 1 Improvements CIP (PF-14002).
	Source Changes	9,408,814	
	CIP	175,937	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.
	Transfer to the University Ave Parking Assessment Agency Fund	1,790,295	This action established a \$1.8 million transfer from the Capital Improvement Fund to the University Ave Parking Assessment Agency Fund as recommended in the Auditor's review of the City's parking funds. In Fiscal Year 2016, the City Auditor's Office concluded an audit of the City's parking funds. As a result of their investigation, the City Auditor's Office determined that \$1,790,295 should be transferred from the Capital Improvement Fund Infrastructure Reserve to the University Ave Parking Assessment Agency Fund to reimburse the fund for initial project expenses incurred for the 528 High Street and 445 Bryant Street garages. According to the Auditor's report, after the assessment district was formed and issued special assessment bonds, the City deducted the initial project expenses from the bond proceeds but did not transfer those expenses, totaling \$1,790,295, back to the University Avenue Parking In-Lieu Fund.
	Use Changes	1,966,232	
Net Changes To (From) Reserves		7,442,582	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
AIRPORT FUND			
	Source Changes	-	
	Salary and Benefits	(1,761)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	(1,761)	
Net Changes To (From) Reserves		1,761	
Fund Balancing Entries			
		1,761	Change in Fund Balance
Total Airport Fund		1,761	
ELECTRIC FUND			
	Net Sales	(2,533,307)	This action decreases the estimate for surplus energy revenue by approximately \$2.5 million as a result of lower than expected hydroelectric generation due to dry weather conditions. Lower hydro-electric power generation led to lower sales of surplus electric energy in the market.
	Other Income	(465,770)	The City is one of several Western customers who assists the Western Area Power Administration and Bureau of Reclamation by providing payment of certain charges one month in advance, which allows those agencies to commit those funds to major capital projects under Federal appropriations rules. These advance payments are offset by bill discounts one month later. The charges and credits exactly offset each other, and therefore have no budget impact. However, this is a contractual program, and the City will be in default of its contractual obligations if it fails to provide the payments. The capital projects approved for funding under this program decreased from what was projected in the original FY 2016 budget. This credit reduction is offset by a corresponding reduction in expenditures.
	Other Income	3,445	This action recognizes the transfer of \$3,445 from the Information Technology Fund which is reimbursing the Electric Fund for the rental of office space at the Utility Engineering Building. Currently a Senior Technologist responsible for Geographic Information Systems is using a limited amount of office space. The ongoing implication of this usage will be included as part of the development of the Fiscal Year 2017 Operating Budget.
	Source Changes	(2,995,632)	
	CIP	419,713	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.
	Operating Transfers Out	(46,309)	The City of Palo Alto has been participating in a multi-year project with all the Joint Powers Authority members in the Silicon Valley Regional Interoperability Authority (SVRIA) to fund and construct a county-wide radio communications system that will permit all public safety officers across Santa Clara County to communicate with one another. Palo Alto and other municipalities will also use the system for local government radio communication (Public Works, Utilities, etc.). This action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
	Salary and Benefits	(241,276)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget. (\$218,377 Operating and \$22,899 Supply)

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
ELECTRIC FUND			
	Utility Purchases	(88,076)	This actions decreases utility purchase by \$88,076. Drought conditions reduced FY 2015 water allocations of water customers, which Western power customers then had to pay, increasing their cost. Transmission access rates are also much higher than originally budgeted. Offsetting this are reduced costs due to delayed start dates for solar projects, and reduced output from landfill gas plant due to planned maintenance outages in FY 2016. This output was replaced with market purchases, where prices are lower than projected at budget and at lower prices than contract rates. Dry hydro and delayed solar projects also resulted in greatly reducing budgeted surplus energy revenue.
	Utility Purchases	(465,770)	This action is the corresponding offset of charges related to the Western Area Power Administration advance payment program. The capital projects approved for funding under this program decreased from what was projected in the original FY 2016 budget. The reduction in charges is offset by an equal reduction in credits (revenue).
	Use Changes	(421,718)	
Net Changes To (From) Reserves		(2,573,914)	
Fund Balancing Entries			
		(2,573,914)	Change in Fund Balance
Total Electric Fund		(2,573,914)	
FIBER OPTICS FUND			
	Source Changes	-	
	Contract Services	25,000	This action increases the amount budgeted to contract services in the Fiber Optics Fund to engage a consultant to build front-end Fiber module to Engineering's utility system distribution database. The current Fiber database is in Access and outdated.
	Legal Support	45,000	This action increases the amount budgeted to legal services in the Fiber Optics Fund, programming an additional \$45,000 for legal support to provide outside counsel and industry expertise to support Google Fiber and city-owned Fiber-to-the-Premise (FTTP) network initiatives. The increased funding needs are anticipated to continue in FY 2017 and budget actions will be brought forward as appropriate.
	Use Changes	70,000	
Net Changes To (From) Reserves		(70,000)	
Fund Balancing Entries			
		(70,000)	Change in Fund Balance
Total Fiber Optics Fund		(70,000)	
GAS FUND			
	Other Income	250,000	This action recognizes \$250,000 in additional revenue from customer connections, to the Gas System, Customer Connections project (GS-80017) due to increased new construction in Palo Alto and demands for additional customer connections.
	Source Changes	250,000	
	CIP	250,000	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
GAS FUND			
	Contract Services	33,000	This action increase Contract Services costs in the Gas Fund to pay for that Fund's portion of increased costs for hauling away construction spoils. These costs have increased for three reasons: first, with the landfill closing, the utility is unable to dump clean soil at the landfill at a low rate. Second, the number of water and sewer new service installations have substantially increased due to fire code requirements and a utility requirement that sewer lines be replaced when a home is replaced. Lastly, the utility is using open trench methods instead of horizontal drilling for most new water service installations. Spoils hauling costs are shared equally between the water, gas, and sewer funds.
	Operating Transfers Out	552,000	This action is a technical correction to adjust the amount of the FY 2016 Equity Transfer from the Gas Fund to the General Fund. This correction reflects current capital assets in the Gas Fund, per the FY2015 CAFR.
	Operating Transfers Out	46,309	The City of Palo Alto has been participating in a multi-year project with all the Joint Powers Authority members in the Silicon Valley Regional Interoperability Authority (SVRIA) to fund and construct a county-wide radio communications system that will permit all public safety officers across Santa Clara County to communicate with one another. Palo Alto and other municipalities will also use the system for local government radio communication (Public Works, Utilities, etc.). This action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
	Operating Transfers Out	4,986	This action transfers \$9,883 from the Water Fund, \$4,986 from the Gas Fund, and \$11,597 from the Wastewater Treatment Fund, for a total of \$26,466, and draws \$101,158 from the Vehicle Replacement Fund Reserve for a total project expenditure increase of \$127,624 for the replacement and acquisition of additional vehicles not included in Fiscal Year 2015 replacement cycle under project VR-15000.
	Salary and Benefits	(93,340)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget. (\$87,481 Operating and \$5,859 Supply)
	Use Changes	792,955	
	Net Changes To (From) Reserves	(542,955)	
	Fund Balancing Entries		
		(542,955)	Change in Fund Balance
	Total Gas Fund	(542,955)	
REFUSE FUND			
	Operating Transfer-In	214,725	This action recognizes a transfer of \$214,725 from the Vehicle Fund from the salvage value of City street sweepers sold as result of the outsourcing of street sweeping services in Fiscal Year 2015. The proceeds from this transaction are being transferred from the Vehicle Fund to the Refuse Fund reserves.
	Operating Transfer-In	101,307	This action recognizes transfers of \$38,552 and \$62,755 from University Ave Parking District and California Avenue Parking District, respectively, to fund the districts proportional share of the street sweeping contract. In Fiscal Year 2015, the City outsourced citywide street sweeping services which also impacted the California Avenue and University Avenue parking districts. Because street sweeping services are provided in the parking districts, a portion of the street sweeping contract should be funded by the districts. These contract amounts were not budgeted in Fiscal Year 2016 and the Refuse Fund has been carrying the cost of the contract. This actions reimburses the Refuse Fund. The ongoing implications of this change in service delivery model will be factored into the development of the FY 2017 Operating Budget for each of these funds.

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
REFUSE FUND			
	Operating Transfer-In	40,223	This action provides a one-time transfer in the amount of \$40,223 from the General Fund to the Refuse Fund to reimburse expenses incurred for the City's compost program. The City currently charges the Refuse Fund for janitorial work related to the compost program; however, the use of the Refuse Fund is restricted per Proposition 218. As a result, this action reimburses the Refuse Fund for expenses incurred.
	Source Changes	356,255	
	Contract Services	222,022	This action appropriates \$222,022 to correct for an inadvertent error in the final adoption of the Fiscal Year 2016 Operating Budget. On 23 March 2015, City Council approved CMR # 5558 to provide for a Fiscal Year 2015 budget amendment in the amount of \$387,000 for one-time funding for the purchase of kitchen buckets and outreach materials. Due to a clerical error, \$222,022 of the funding was not appropriated to fiscal year 2016 for this activity; this actions corrects for that.
	Contract Services	173,105	This action provides additional one-time funding in the amount of \$173,105 for the annual reconciliation of Fiscal Year 2015 expenses incurred for solid waste. Due to the robust economy, in Fiscal Year 2015, an additional 2,300 tons of municipal solid waste tons were processed at the SMART station and delivered to the Kirby Landfill.
	Contract Services	165,434	This action provides additional one-time funding in the amount of \$165,434 for the GreenWaste contract for expenses invoiced to the City related to CPI increases in rent at the Geng Road facility. GreenWaste incurred annual CPI adjustments to their Geng Road facility but did not pass-through these expenses to the City as required by Section 7.09 of the agreement.
	Contract Services	101,307	In Fiscal Year 2015, the City outsourced citywide street sweeping services which also impacted the California Avenue and University Avenue parking districts. Because street sweeping services are provided in the parking districts, a portion of the street sweeping contract should be funded by the districts. These contract amounts were not budgeted in Fiscal Year 2016 and the Refuse Fund has been carrying the cost of the contract. This action transfers \$38,552 and \$62,755 to the Refuse Fund from University Ave Parking District and California Avenue Parking District, respectively, to fund the districts proportional share of the street sweeping contract.
	Operating Transfers Out	25,000	This action establishes a transfer from the Refuse Fund to the Capital Improvement Fund for the Art in Public Places contribution associated with the CIP RF-11001 (Landfill Closure). A corresponding increase in the Art in Public Places project budget is recommended as outlined in Attachment A, Exhibit 2.
	Operating Transfers Out	15,810	This action transfers \$15,810 from the Refuse Fund to the Capital Improvement Fund to reimburse the Residential Preferential Parking project PL-15003 for expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District.
	Salary and Benefits	(56,797)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	645,881	
	Net Changes To (From) Reserves	(289,626)	
	Fund Balancing Entries		
		(289,626)	Change in Fund Balance
	Total Refuse Fund	(289,626)	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
STORM DRAINAGE FUND			
	Grant Revenue	120,000	In Fiscal Year 2014, the City was awarded a \$120,000 grant from the California Department of Water Resources (DWR) to implement a flood early warning system for the San Francisquito Creek watershed. The grant funded a system of rainfall and stream gauges, telemetry equipment and a web interface that provides early warning to local residents of impending flooding on San Francisquito Creek. The grant requires the City front the initial expenses for the project and then request reimbursement from the DWR. Funding for this project was not budgeted in Fiscal Year 2016 and this action will recognize the \$120,000 in additional revenue from the state offset by a commensurate increase in expenditures.
	Operating Transfer-In	233,662	This action recognizes a transfer of \$233,662 from the General Fund to the Storm Drainage fund to reimburse the Storm Drain Replacement and Rehabilitation project (SD-06101) for expenses incurred related to the construction of sandbag barrier along the San Francisquito Creek downstream of Highway 101. In preparation for the 2015-16 El Niño storm season, the City and other member agencies of the San Francisquito Creek Joint Powers Authority (JPA) concluded that it was prudent to construct a temporary sandbag flood barrier in order to provide enhanced flood protection for local businesses. As this expense was not anticipated during preparation of the Fiscal Year 2016 budget, funds were not appropriated for this purpose. As an interim measure, available funding was used in the Storm Drain Replacement and Rehabilitation project for this purpose; however, since storm drain CIP funding is restricted to projects identified in the 2005 storm drainage fee ballot measure (which does not include this project), additional funding in the amount of \$233,662 is needed to reimburse the project for this expense.
	Source Changes	353,662	
	CIP	241,833	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.
	Contract Services	120,000	In Fiscal Year 2014, the City was awarded a \$120,000 grant from the California Department of Water Resources (DWR) to implement a flood early warning system for the San Francisquito Creek watershed. The grant funded a system of rainfall and stream gauges, telemetry equipment and a web interface that provides early warning to local residents of impending flooding on San Francisquito Creek. The grant requires the City front the initial expenses for the project and then request reimbursement from the DWR. Funding for this project was not budgeted in Fiscal Year 2016 and this action will recognize the \$120,000 in additional revenue from the state offset by a commensurate increase in expenditures.
	Salary and Benefits	(9,910)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	351,923	
	Net Changes To (From) Reserves	1,739	
	Fund Balancing Entries		
		1,739	Change in Fund Balance
	Total Storm Drainage Fund	1,739	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
WASTEWATER COLLECTION FUND			
	Source Changes	-	
	Contract Services	33,000	This action increase Contract Services costs in the Wastewater Collection Fund to pay for that Fund's portion of increased costs for hauling away construction spoils. These costs have increased for three reasons: first, with the landfill closing, the utility is unable to dump clean soil at the landfill at a low rate. Second, the number of water and sewer new service installations have substantially increased due to fire code requirements and a utility requirement that sewer lines be replaced when a home is replaced. Lastly, the utility is using open trench methods instead of horizontal drilling for most new water service installations. Spoils hauling costs are shared equally between the water, gas, and sewer funds.
	Operating Transfers Out	46,309	The City of Palo Alto has been participating in a multi-year project with all the Joint Powers Authority members in the Silicon Valley Regional Interoperability Authority (SVRIA) to fund and construct a county-wide radio communications system that will permit all public safety officers across Santa Clara County to communicate with one another. Palo Alto and other municipalities will also use the system for local government radio communication (Public Works, Utilities, etc.). This action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
	Salary and Benefits	(21,427)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	57,882	
	Net Changes To (From) Reserves	(57,882)	
Fund Balancing Entries			
		(57,882)	Change in Fund Balance
Total Wastewater Collection Fund		(57,882)	
WASTEWATER TREATMENT FUND			
	Source Changes	-	
	Operating Transfers Out	11,597	This action transfers \$9,883 from the Water Fund, \$4,986 from the Gas Fund, and \$11,597 from the Wastewater Treatment Fund, for a total of \$26,466, and draws \$101,158 from the Vehicle Replacement Fund Reserve for a total project expenditure increase of \$127,624 for the replacement and acquisition of additional vehicles not included in Fiscal Year 2015 replacement cycle under project VR-15000.
	Salary and Benefits	(128,123)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	(116,526)	
	Net Changes To (From) Reserves	116,526	
Fund Balancing Entries			
		116,526	Change in Fund Balance
Total Wastewater Treatment Fund		116,526	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
ENTERPRISE FUNDS			
WATER FUND			
	Net Sales	(2,144,842)	This action decreases the budgeted revenue estimates by \$2.1 million to align with year end projected collections due to drought effects as water use has declined across residential, commercial, industrial and internal (City) customers. This year, a total of \$37.3 million is anticipated by year end, down from the adopted level of \$39.4 million. These revenue decreases are largely offset by corresponding decrease in water purchases and rates are projected to increase over the next few years to stabilize the fund.
	Other Income	217,000	This action recognizes \$217,000 in additional revenue from customer connections, to the Water System, Customer Connections project (WS-80013) due to increased new construction in Palo Alto and demands for additional customer connections.
Source Changes		(1,927,842)	
	CIP	217,000	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.
	Commodity Purchases	(1,898,396)	This action decreases expenditures in water commodity purchases, reflecting the decreased consumption from customers due to drought regulations and conservation efforts.
	Contract Services	85,000	This action increase Contract Services costs in the Water Fund to establish a regular testing and calibration of large water meters program. AWWA recommends that these meters be tested and calibrated once per year. The last round of testing and calibration was completed at the end of FY 2014, so these meters are nearly overdue for annual testing. It is anticipated that this annual test will be an ongoing cost and therefore will be factored in the development of the FY 2017 Operating Budget.
	Contract Services	33,000	This action increase Contract Services costs in the Water Fund to pay for that Fund's portion of increased costs for hauling away construction spoils. These costs have increased for three reasons: first, with the landfill closing, the utility is unable to dump clean soil at the landfill at a low rate. Second, the number of water and sewer new service installations have substantially increased due to fire code requirements and a utility requirement that sewer lines be replaced when a home is replaced. Lastly, the utility is using open trench methods instead of horizontal drilling for most new water service installations. Spoils hauling costs are shared equally between the water, gas, and sewer funds.
	Operating Transfers Out	9,883	This action transfers \$9,883 from the Water Fund, \$4,986 from the Gas Fund, and \$11,597 from the Wastewater Treatment Fund, for a total of \$26,466, and draws \$101,158 from the Vehicle Replacement Fund Reserve for a total project expenditure increase of \$127,624 for the replacement and acquisition of additional vehicles not included in Fiscal Year 2015 replacement cycle under project VR-15000.
	Operating Transfers Out	46,309	The City of Palo Alto has been participating in a multi-year project with all the Joint Powers Authority members in the Silicon Valley Regional Interoperability Authority (SVRIA) to fund and construct a county-wide radio communications system that will permit all public safety officers across Santa Clara County to communicate with one another. Palo Alto and other municipalities will also use the system for local government radio communication (Public Works, Utilities, etc.). This action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
	Salary and Benefits	(44,762)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		(1,551,966)	
Net Changes To (From) Reserves		(375,876)	
Fund Balancing Entries			
		(375,876)	Change in Fund Balance
Total Water Fund		(375,876)	

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
TRUST & AGENCY FUNDS			
UNIVERSITY AVENUE PARKING ASSESSMENT AGENCY FUND			
	Operating Transfers In	1,790,295	This action recognizes a \$1.8 million transfer from the Capital Improvement Fund to the University Ave Parking Assessment Agency Fund as recommended in the Auditor's review of the City's parking funds. In Fiscal Year 2016, the City Auditor's Office concluded an audit of the City's parking funds. As a result of their investigation, the City Auditor's Office determined that \$1.8 million should be transferred from the Capital Improvement Fund Infrastructure Reserve to the University Ave Parking Assessment Agency Fund to reimburse the fund for initial project expenses incurred for the 528 High Street and 445 Bryant Street garages. According to the Auditor's report, after the assessment district was formed and issued special assessment bonds, the City deducted the initial project expenses from the bond proceeds but did not transfer those expenses, totaling \$1.8 million, back to the University Avenue Parking Assessment Agency Fund.
	Source Changes	1,790,295	
Net Changes To (From) Reserves		1,790,295	
SPECIAL REVENUE FUNDS			
CALIFORNIA AVENUE PARKING DISTRICT FUND			
	Operating Transfers Out	38,552	In Fiscal Year 2015, the City outsourced citywide street sweeping services which also impacted the California Avenue and University Avenue parking districts. Because street sweeping services are provided in the parking districts, a portion of the street sweeping contract should be funded by the districts. These contract amounts were not budgeted in Fiscal Year 2016 and the Refuse Fund has been carrying the cost of the contract. This action transfers \$38,552 and \$62,755 to the Refuse Fund from University Ave Parking District and California Avenue Parking District, respectively, to fund the districts proportional share of the street sweeping contract.
	Use Changes	38,552	
Net Changes To (From) Reserves		(38,552)	
UNIVERSITY AVENUE PARKING DISTRICT FUND			
	Operating Transfers Out	62,755	In Fiscal Year 2015, the City outsourced citywide street sweeping services which also impacted the California Avenue and University Avenue parking districts. Because street sweeping services are provided in the parking districts, a portion of the street sweeping contract should be funded by the districts. These contract amounts were not budgeted in Fiscal Year 2016 and the Refuse Fund has been carrying the cost of the contract. This action transfers \$38,552 and \$62,755 to the Refuse Fund from University Ave Parking District and California Avenue Parking District, respectively, to fund the districts proportional share of the street sweeping contract.
	Use Changes	62,755	
Net Changes To (From) Reserves		(62,755)	
INTERNAL SERVICE FUNDS			
VEHICLE REPLACEMENT FUND			
	Operating Transfer In	26,466	This action recognizes transfers of \$26,466 (\$9,883 from the Water Fund, \$4,986 from the Gas Fund, and \$11,597 from the Wastewater Treatment Fund) to partially offset the replacement and acquisition of additional vehicles not included in Fiscal Year 2015 replacement cycle under project VR-15000.

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
INTERNAL SERVICE FUNDS			
VEHICLE REPLACEMENT FUND			
	Other Income	214,725	This action recognizes \$214,725 in revenue in the Vehicle Fund from the salvage value of City street sweepers sold as result of the outsourcing of street sweeping services in Fiscal Year 2015. The proceeds from this transaction are being transferred from the Vehicle Fund to the Refuse Fund reserves.
Source Changes		241,191	
	Operating Transfer Out	214,725	This action budgets a \$214,725 transfer from the Vehicle Fund to the Refuse Fund. Surplus receipts from the salvage value of City street sweepers sold as result of the outsourcing of street sweeping services in Fiscal Year 2015 are being transferred back to the Refuse Fund.
	CIP	127,624	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.
	Contract Services	80,000	This action provides \$80,000 in one-time funding for a consultant study to review the City's Vehicle Replacement Allocation methodology.
	Salary and Benefits	(13,649)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Use Changes		408,700	
Net Changes To (From) Reserves		(167,509)	
INFORMATION TECHNOLOGY FUND			
	From Other Agencies	80,292	Stanford's Fiscal Year 2015 portion of the Radio Infrastructure Replacement CIP (TE-05000) \$12,543 and Computer Aided Dispatch Replacement CIP (TE-09000) \$67,749
	Operating Transfers-In	1,000,000	This action transfers \$1,000,000, representing the unfunded General Fund portion of the Silicon Valley Regional Interoperability Authority's (SVRIA) project, to the Technology Fund. As discussed in the Close of the Fiscal Year 2015 Report (CMR 6512), \$1,000,000 was to be held in reserve in the General Fund and subsequently transferred to the Technology Fund.
	Operating Transfers-In	185,235	The City of Palo Alto has been participating in a multi-year project with all the Joint Powers Authority members in the Silicon Valley Regional Interoperability Authority (SVRIA) to fund and construct a county-wide radio communications system that will permit all public safety officers across Santa Clara County to communicate with one another. Palo Alto and other municipalities will also use the system for local government radio communication (Public Works, Utilities, etc.). This action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
	Other Income	83,037	As discussed above, this action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
Source Changes		1,348,564	
	CIP	1,268,272	This action increases appropriated expenditures in various capital projects as outlined in Attachment A, Exhibit 2.

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO			
MID-YEAR ADJUSTMENTS TO THE CITY MANAGER'S 2016 ADOPTED BUDGET			
	Category	Amount	Description
INTERNAL SERVICE FUNDS			
INFORMATION TECHNOLOGY FUND			
	Operating Transfer Out	3,445	This action transfers \$3,443 from the Information Technology Fund to the Electric Fund to provide funding for the rental of a cubicle at the Utility Engineering Building for use by the Senior Technologist responsible for Geographic Information Systems. A separate action to establish this transfer on an ongoing basis will be brought forward as part of the development of the Fiscal Year 2017 Operating Budget.
	Salary and Benefits	(46,694)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	1,225,023	
Net Changes To (From) Reserves		123,541	
PRINT AND MAIL FUND			
	Salary and Benefits	(9,393)	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
	Use Changes	(9,393)	
Net Changes To (From) Reserves		9,393	

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
CAPITAL PROJECT FUND					
PROJECT COMPLETIONS					
Hopkins Park Improvements (Formerly Pe-07001)	PG-11000	\$ -	\$ -	Infrastructure Reserve	Project Completed
Children's Theatre Replacement And Expansion	AC-09001	\$ -	\$ -	Infrastructure Reserve	Project Completed
New Sound System For Lucie Stern Community Theatre	AC-09002	\$ -	\$ -	Infrastructure Reserve	Project Completed
Dimmer Replacement And Lighting System	CC-09001	\$ -	\$ -	Infrastructure Reserve	Project Completed
Rinconada Park Improvements	PE-08001	\$ -	\$ -	Infrastructure Reserve	Project Completed
Scott Park Improvements (Formerly PC-11004)	PG-11003	\$ -	\$ (1,429)	Infrastructure Reserve	Removes remaining funding due to completion of the project
Cubberley Roof Replacement	PF-14000	\$ -	\$ (1,442)	Infrastructure Reserve	Removes remaining funding. Work will continue in the Cubbereley Capital Improvement Fund project CB-16002.
Golf Course Tree Maintenance	PG-12002	\$ -	\$ (6,818)	Infrastructure Reserve	Removes remaining funding due to completion of the project
Eleanor Pardee Park Improvements	PE-12012	\$ -	\$ (22,084)	Infrastructure Reserve	Removes remaining funding due to completion of the project
Subtotal - Project Completions		\$ -	\$ (31,773)		
ADDITIONAL APPROPRIATIONS					
Art in Public Places Project	AC-86017	\$ 25,000	\$ 25,000	Operating Transfers-In	This action transfers \$25,000 from the Refuse Fund to the Capital Improvement Fund for the Art in Public Places contribution associated with the CIP RF-11001 (Landfill Closure). This was one of the last projects under the legacy Public Art program, wherein eligible Public Art costs were transferred at the conclusion of the project. Current practice is to budget eligible Public Art funding directly to the Art in Public Places project.
Art in Public Places Project	AC-86017	\$ -	\$ 38,000	Infrastructure Reserve	This action transfers \$30,000 from CIP PG-12006 (Magical Bridge Playground Project) and \$8,000 from PE-13016 (El Camino Park Restoration) to AC-86017 (Art in Public Places) for eligible Public Art costs. These were two of the last projects under the legacy Public Art program, wherein eligible Public Art costs were transferred at the conclusion of the project. Current practice is to budget eligible Public Art funding directly to the Art in Public Places project.

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
CAPITAL PROJECT FUND					
Residential Preferential Parking	PL-15003	\$ 35,137	\$ 35,137	Operating Transfers-In	This action transfers \$15,810 from the Refuse Fund and \$19,327 from the Planning Transportation Contingency in the General Fund to the Capital Improvement Fund to reimburse Residential Preferential Parking project PL-15003 for expenses incurred for the installation of new residential parking permit and street sweeping signage installed in the Downtown Residential Preferred Parking District.
Art Center Auditorium Audio, Visual, and Furnishings	AC-14000	\$ 50,000	\$ 50,000	Other Revenue	This action recognizes a \$50,000 donation, with a commensurate increase in project expenditures for the Art Center Auditorium Audio, Visual, and Furnishings project (AC-14000) from the Palo Alto Art Center Foundation for additional expenses incurred during construction.
Building System Improvements	PF-01003	\$ -	\$ 100,000	Infrastructure Reserve	This action provides \$100,000 to the Building Systems Improvement Project (PF-01003) to correct a technical error that occurred during the Fiscal Year 2015 budget reappropriations process. Funding was inadvertently removed from the project.
Security System Improvements	PF-04000	\$ -	\$ 31,778	Infrastructure Reserve	This action provides \$31,778 to the Security Systems Improvement Project (PF-04000) to correct a technical error that occurred during the Fiscal Year 2015 budget reappropriations process. Funding was inadvertently removed from the project.
Salaries and Benefits - Capital Improvement Fund CIP Projects	AS-10000	\$ -	\$ (34,205)	Infrastructure Reserve	This action is a technical correction to remove costs in all funds associated with the Implied Subsidy for Retiree Healthcare that was inadvertently budgeted as part of the allocation for retirement healthcare costs to Departments in the Fiscal Year 2016 Budget.
Magical Bridge Playground Project	PE-12013	\$ -	\$ (30,000)	Infrastructure Reserve	This action transfers \$30,000 from CIP PG-12006 (Magical Bridge Playground Project) to AC-86017 (Art in Public Places) for eligible Public Art costs. This was one of the last projects under the legacy Public Art program, wherein eligible Public Art costs were transferred at the conclusion of the project. Current practice is to budget eligible Public Art funding directly to the Art in Public Places project.

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
CAPITAL PROJECT FUND					
El Camino Park Restoration Project	PE-13016	\$ -	\$ (8,000)	Infrastructure Reserve	This action transfers \$8,000 from PE-13016 (El Camino Park Restoration) to AC-86017 (Art in Public Places) for eligible Public Art costs. This was one of the last projects under the legacy Public Art program, wherein eligible Public Art costs were transferred at the conclusion of the project. Current practice is to budget eligible Public Art funding directly to the Art in Public Places project.
Subtotal - Additional Appropriations		\$ 85,137	\$ 207,710		
TOTAL GENERAL FUND CIP MID-YEAR ADJUSTMENTS					
		\$ 85,137	\$ 175,937		
ELECTRIC FUND					
PROJECT COMPLETIONS					
El Camino Underground	EL-05000	\$ -	\$ (25,124)	Electric Fund Reserve	Removes remaining funding due to completion of the project
UG District 45	EL-06002	\$ -	\$ (59,271)	Electric Fund Reserve	Removes remaining funding due to completion of the project
E. Charleston 4/12kV	EL-08000	\$ -	\$ (60,861)	Electric Fund Reserve	Removes remaining funding due to completion of the project
AMR/AMI – Feasibility	EL-10008	\$ -	\$ 115	Electric Fund Reserve	Additional funding of \$115 is needed to close this project.
Rebuild Greenhouse	EL-11007	\$ -	\$ (26,118)	Electric Fund Reserve	Removes remaining funding due to completion of the project
Rebuild UG Dist 12	EL-12000	\$ -	\$ (9,028)	Electric Fund Reserve	Removes remaining funding due to completion of the project
Subtotal - Project Completions		\$ -	\$ (180,287)		

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
ELECTRIC FUND					
ADDITIONAL APPROPRIATIONS					
Substation Improvements	EL-89044		\$ 200,000	Electric Reserve	This action provides \$200,000 in additional funding from the Electric Fund reserve to the Substation Facility Improvements project (EL-89044) to address two major causes of equipment failure that include adding an air conditioning or insulation additions to ten (10) metal-clad substation buildings and replace melted remote terminal units (RTU) in several substations. There are ten (10) metal-clad buildings in the Palo Alto system. The existing fan-run, air-moving system cut into the walls do not provide sufficient temperature regulation and facility temperatures have exceeded the microprocessor and IC based manufacturer's equipment ratings with the fans on full-blast which have resulted in equipment failures. Although the equipment ratings have risen, so have the air conditioning requirements as the newer equipment runs at higher operating temperatures in each iteration of the evolution of microprocessor development. There is also a safety concern as the substations crews need to work in there also and they have had to delay work because of the high temperatures.
Underground District 47-Middlefield, Homer, Webster, Addison	EL-11010		\$ 400,000	Electric Reserve	This action provides \$400,000 in additional funding from the Electric Fund reserve to the Underground District 47 – Middlefield, Homer, Webster, Addison (EL-11010) project for the undergrounding of the existing overhead distribution system. The substructure contract bid for this project resulted in higher than anticipated costs and as a result the remaining electrical portion has yet to be completed and will require an additional \$400,000. The additional funds are required for the installation of electrical facilities and purchase of equipment.
Subtotal - Additional Appropriations			\$ -	\$ 600,000	
TOTAL ELECTRIC FUND CIP MID-YEAR ADJUSTMENTS			\$ -	\$ 419,713	

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
GAS FUND					
ADDITIONAL APPROPRIATIONS					
Gas System, Customer Connections	GS-80017	\$ 250,000	\$ 250,000	Connection Charges	This action provides \$250,000 in additional funding from the Gas Fund reserve, offset by the recognition of \$350,000 in additional revenue from customer connections, to the Gas System, Customer Connections project (GS-80017) due to increased new construction in Palo Alto and demands for additional customer connections.
Subtotal - Additional Appropriations		\$ 250,000	\$ 250,000		
TOTAL GAS FUND CIP MID-YEAR ADJUSTMENTS		\$ 250,000	\$ 250,000		
REFUSE FUND					
ADDITIONAL APPROPRIATIONS					
Landfill Closure	RF-11001	\$ -	\$ (25,000)	Refuse Fund Reserve	This action transfers \$25,000 from the Refuse Fund to the Capital Improvement Fund for the Art in Public Places contribution associated with the CIP RF-11001 (Landfill Closure). This was one of the last projects under the legacy Public Art program, wherein eligible Public Art costs were transferred at the conclusion of the project. Current practice is to budget eligible Public Art funding directly to the Art in Public Places project.
Subtotal - Additional Appropriations		\$ -	\$ (25,000)		
TOTAL REFUSE FUND CIP MID-YEAR ADJUSTMENTS		\$ -	\$ (25,000)		
STORM DRAINAGE FUND					
PROJECT COMPLETIONS					
Storm Drain Master Plan Update	SD-15008	\$ -	\$ 8,171	Storm Drainage Reserve	This action adds \$8,171 from the Storm Drainage Reserve to the Storm Drain Master Plan Update project (SD-15008) to correct a technical error in order to provide funding for expenses charged to the project after it was closed.
Subtotal - Project Completions		\$ -	\$ 8,171		

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
STORM DRAINAGE FUND					
ADDITIONAL APPROPRIATIONS					
Storm Drainage System Replacement and Rehabilitation	SD-06101	\$ 233,662	\$ 233,662	Storm Drainage Reserve	This action transfers \$233,662 from the General Fund to the Storm Drainage to reimburse the Storm Drain Replacement and Rehabilitation project (SD-06101) for expenses incurred related to the construction of sandbag barrier along the San Francisquito Creek downstream of Highway 101. However, since storm drain CIP funding is restricted to projects identified in the 2005 storm drainage fee ballot measure (which does not include this project), additional funding in the amount of \$233,662 is needed to reimburse the project for this expense. Additional details can be found in the Enterprise Funds transactions for the Storm Drainage Fund Operating Transfers In, outlined in Attachment A, Exhibit 1.
Subtotal - Additional Appropriations		\$ 233,662	\$ 233,662		
TOTAL STORM DRAINAGE FUND CIP MID-YEAR ADJUSTMENTS		\$ 233,662	\$ 241,833		
TECHNOLOGY FUND					
ADDITIONAL APPROPRIATIONS					
Radio Infrastructure Replacement	TE-05000	\$ 1,000,000	\$ 1,000,000	Technology Fund Reserve	This action appropriates \$1,000,000 that was held in the Budget Stabilization Reserve through FY 2015 (see CMR 6215) for the City's unfunded General Fund portion of the Silicon Valley Regional Interoperability Authority's (SVRIA) Radio Infrastructure project (TE-05000) to move towards a county-wide 700 Mhz radio communications system.

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
TECHNOLOGY FUND					
Radio Infrastructure Replacement	TE-05000	\$ 268,272	\$ 268,272	Technology Fund Reserve	The City of Palo Alto has been participating in a multi-year project with all the Joint Powers Authority members in the Silicon Valley Regional Interoperability Authority (SVRIA) to fund and construct a county-wide radio communications system that will permit all public safety officers across Santa Clara County to communicate with one another. Palo Alto and other municipalities will also use the system for local government radio communication (Public Works, Utilities, etc.). This action reimburses the Radio Infrastructure project (TE-05000) in the amount of \$268,272, distributed as follows: \$83,037 in other revenue; \$46,309 from the Water Fund; \$46,309 from the Electric Fund; \$46,309 from the Gas Fund, and \$46,309 from Wastewater Collection Fund, for costs associated with the Silicon Valley Regional Communications System for Utilities and Stanford University which were not specifically included in the Fiscal Year 2016 Capital budget.
Subtotal - Additional Appropriations		\$ 1,268,272	\$ 1,268,272		
TOTAL TECHNOLOGY FUND CIP MID-YEAR ADJUSTMENTS		\$ 1,268,272	\$ 1,268,272		
VEHICLE REPLACEMENT FUND					
ADDITIONAL APPROPRIATIONS					
Scheduled Vehicle and Equipment Replacement - Fiscal Year 2015	VR-15000	\$ 26,466	\$ 127,624	Vehicle Fund Reserve	This action transfers \$9,883 from the Water Fund, \$4,986 from the Gas Fund, and \$11,597 from the Wastewater Treatment Fund, for a total of \$26,466, and draws \$101,158 from the Vehicle Replacement Fund Reserve for a total project expenditure increase of \$127,624 for the replacement and acquisition of additional vehicles not included in Fiscal Year 2015 replacement cycle under project VR 15000.
Subtotal - Additional Appropriations		\$ 26,466	\$ 127,624		
TOTAL VEHICLE REPLACEMENT FUND CIP MID-YEAR ADJUSTMENTS		\$ 26,466	\$ 127,624		

Attachment A, Exhibit 2

FY 2016 CIP Mid-Year Adjustments

Title	Project Number	Revenue	Expense	Funding Source	Comments
WATER FUND					
ADDITIONAL APPROPRIATIONS					
Water System Customer Connections	WS-80013	\$ 217,000	\$ 217,000	Connection Charges	This action provides \$217,000 in additional funding from the Water Fund reserve, offset by the recognition of \$217,000 in additional revenue from customer connections, to the Water System, Customer Connections project (WS-80013) due to increased new construction in Palo Alto and demands for additional customer connections.
Water Regulation Station Improvements	WS-07000	\$ -	\$ 786,375	Water Reserve	On June 29, 2015, the City Council approved CMR# 5634, authorizing a budget amendment increasing the Water Regulation System Improvements project (WS-07000) in the amount of \$786,375, offset by reductions to the Water Reservoir Coating Improvements project (WS-08001) in the amount of \$393,188 and the Seismic Water System Upgrades project (WS-09000) in the amount of \$393,187, with no impact to the reserve levels in the Water Fund. Due to a technical error, this adjustment never occurred. As a result, this action provides the funding necessary to complete the seismic retrofits as outlined in CMR# 5634. The corresponding reductions in reserves are recommended below.
Water Reservoir Coating Improvements	WS-08001	\$ -	\$ (393,188)	Water Reserve	This action reflects the reduction in the Water Reservoir Coating Improvements project (WS-08001) in the amount of \$393,188, as discussed above in the Water Regulation Station Improvements adjustment.
Seismic Water System Upgrades	WS-09000	\$ -	\$ (393,187)	Water Reserve	This action reflects the reduction in the Seismic Water System Upgrades project (WS-09000) in the amount of \$393,187, as discussed above in the Water Regulation Station Improvements adjustment.
Subtotal - Additional Appropriations		\$ 217,000	\$ 217,000		
TOTAL WATER FUND CIP MID-YEAR ADJUSTMENTS		\$ 217,000	\$ 217,000		

Attachment B

Public Safety Departments
Overtime Analysis for Fiscal Years 2014 through 2016

	2014	2015	<i>thru 1/31/16</i> 2016
POLICE DEPARTMENT			
Overtime Expense			
Adopted Budget	\$1,500,000	\$1,500,000	\$1,500,000
Modified Budget	1,500,000	1,500,000	1,539,053
Net Overtime Cost - see below	593,565	946,558	500,774
Variance to Budget	<u>\$906,435</u>	<u>\$553,442</u>	<u>\$1,038,279</u>
Overtime Net Cost			
Actual Expense	<u>\$1,711,764</u>	<u>\$1,893,220</u>	<u>\$1,108,967</u>
Less Reimbursements			
Stanford Communications	54,552	62,000	33,208
Utilities Communications Reimbursement	29,845	36,614	18,204
Local Agencies (A)	8,905	10,417	7,630
Police Service Fees	73,934	69,570	65,195
Total Reimbursements	<u>167,236</u>	<u>178,601</u>	<u>124,238</u>
Less Department Vacancies	<u>950,963</u>	<u>768,061</u>	<u>483,956</u>
Net Overtime Cost	<u>\$593,565</u>	<u>\$946,558</u>	<u>\$500,774</u>
Department Vacancies (number of days)	4,251	3,223	2,192
Workers' Compensation Cases	14	16	7
Department Disabilities (number of days)	776	502	173
FIRE DEPARTMENT			
Overtime Expense			
Original Budget	\$1,424,414	\$1,424,414	\$1,382,714
Modified Budget (B)	1,750,956	1,608,710	1,382,714
Net Overtime Cost - see below	1,012,521	94,836	418,023
Variance to Budget	<u>\$738,435</u>	<u>\$1,513,874</u>	<u>\$964,691</u>
Overtime Net Cost			
Actual Expense	<u>\$2,562,549</u>	<u>\$2,171,795</u>	<u>\$1,522,454</u>
Less Reimbursements			
Stanford Fire Services (C)	776,452	658,054	500,000
Cal-Fire/FEMA (Strike Teams)	50,542	184,296	-
Total Reimbursements	<u>826,994</u>	<u>842,350</u>	<u>500,000</u>
Less Department Vacancies	<u>723,034</u>	<u>1,234,609</u>	<u>604,431</u>
Net Overtime Cost	<u>\$1,012,521</u>	<u>\$94,836</u>	<u>\$418,023</u>
Department Vacancies (number of days)	2,618	3,712	2,171
Workers' Compensation Cases	18	10	6
Department Disabilities (number of days)	489	249	94

NOTES:

- (A) Includes Animal Services contract with Los Altos and Los Altos Hills.
(B) FY 2016 Does not include Strike Team Reimbursement of \$176,884 recommended in this Report.
(C) Stanford reimbursed 30.3% of Fire Services through FY 2015. Of the FY 2016 total flat amount, \$6.5 million, \$500,000 estimated for overtime.