

City of Palo Alto

MEMORANDUM

TO: City Council

DATE: June 11, 2015

SUBJECT: Summary of the June 8 Fiscal Year 2016 City Council Budget Hearing

Summary of Council, Finance Committee, and staff changes to the Fiscal Year 2016 Proposed Budget

In the June 8, 2015 City Council meeting, as recommended by the Finance Committee and staff, staff presented the revised City Manager’s Proposed Operating and Capital Budgets and Municipal Fee Schedule. After an extensive Council discussion and several motions to tentatively approve the Fiscal Year 2016 Proposed Budget as revised and various City Council referrals as detailed in this memorandum, the revised General Fund budget surplus is \$390,000 as outlined in the table below.

Date	Dept	Description	Expenses	Revenues	Net
Proposed Budget - BSR Change			\$0	\$0	\$0
Actions Proposed by Finance Committee					
5/5	COU	Council meals for extra meetings	\$5		(\$5)
5/26	CSD	Additional special event funding	50		(50)
5/26	SUS	Office of Sustainability consultant funding	(190)		190
5/26	PCE/DS	1.0FTE Code Enforcement Lead elimination	(120)		120
<i>Subtotal - Actions Proposed by Finance Committee</i>			<i>(\$255)</i>	<i>\$0</i>	<i>\$255</i>
Actions Proposed by Staff					
5/14	PWD	San Francisquito Creek JPA	\$27	\$27	\$0
5/26	POL/FIR	Reallocate Police Chief from Fire - Stanford Revenue Impact		(50)	(50)
5/26	PWD	Urban Forest Study	122		(122)
5/26	CMO	Palo Alto Animal Services Transition Funding	250		(250)
5/26	NON	Additional Infrastructure transfer (alignment w/ TOT revenue)	325		(325)
5/26	NON	Revised Property Tax projection		525	525
5/26	Various	FY 2015 budget surplus to offset Council meals, Stanford revenue revenue impact, Urban Forest Study, & PAAS transition		427	427
<i>Subtotal - Actions Proposed by Staff</i>			<i>\$724</i>	<i>\$929</i>	<i>\$205</i>
Revised Proposed Fiscal Year 2016 Budget Surplus as Recommended			\$469	\$929	\$460
Staff Proposed Items to be Presented on June 8					
5/26	IT/Safety	1.0 Senior Technologist Elimination for Public Safety, fund with contractual dollars	0		0
6/8	POL	1.0 Community Service Officer frozen	(\$100)		\$100
Revised Proposed Fiscal Year 2016 Budget Surplus			\$369	\$929	\$560
Proposed Changes During June 8 City Council Budget Hearing					
6/8	PCE/DS	1.0 Code Enforcement Lead Addition	\$120		(\$120)
6/8	FIRE	Automatic External Defibrillators Funding	50		(50)
Tentatively Approved Fiscal Year 2016 Budget Surplus			\$539	\$929	\$390

The City's adopted General Fund reserve policy stipulates that a reserve range of 15-20 percent of operating expenditures, with a target of 18.5 percent, shall be maintained. The amendments to the budget, as tentatively approved by the City Council result in a Fiscal Year 2016 projected General Fund Budget Stabilization Reserve (BSR) of \$34.64 million, or 18.7 percent. This BSR level is \$291,000 above the City's 18.5 percent target.

Vehicle Replacement Funding Restoration

The Fiscal Year 2016 Proposed Capital Budget includes \$2.8 million in the Vehicle Fund for the scheduled replacement of vehicles and equipment that had met or exceeded age and/or utilization standards. This funding allowed for the replacement of five sedans (\$150,000), two of which were thought to be "pool" vehicles assigned to the Planning and Community Environment Department (PCE) (\$60,000). At the May 26, 2015 Finance Committee meeting, the Committee expressed concern about the utilization, purchase, and replacement of "pool" vehicles. As a result, the Finance Committee's recommendation to forward the 2016 Capital Budget to the full City Council did not include funding for these two vehicles. Additionally, the Finance Committee recommended that staff return to the Finance Committee at a later date for a discussion on the practice of assigning vehicles to a pool. At the June 8, 2015 City Council meeting, the City Council tentatively approved the Fiscal Year 2016 Proposed Budget as amended which restored the funding based on additional information that clarified that the sedans were not "pool" vehicles for the PCE Department, but rather inspector vehicles for the Development Services Department. However, the Council tentatively referred to the Finance Committee discussion of usage and replacement of pool vehicles. Staff has committed not to use any of the restored funding until after discussion and potential direction from the Finance Committee.

Tentatively approved changes to the Fiscal Year 2016 Proposed Revised Budget and Council referrals

Listed below are draft motions by Council that occurred during the June 8, 2015 City Council budget hearings. Staff will present these motions for Council approval at the June 15 City Council meeting.

1. **MOTION:** Council Member Kniss moved, seconded by Council Member Scharff to tentatively approve the Police and Fire CIP Budgets related to Stanford University.
 - **MOTION PASSED:** 7-0 DuBois not participating, Filseth absent

2. **MOTION:** Council Member DuBois moved, seconded by Mayor Holman to direct Staff to evaluate capping the fee for Single Story Overlay (SSO) from residents per application for Fiscal Year 2016 and to return to City Council on June 29, 2015.
 - **MOTION AS AMENDED PASSED:** 6-0 Schmid, Wolbach not participating, Filseth absent

3. **MOTION:** Council Member DuBois moved, seconded by Mayor Holman to direct Staff to place on the June 29, 2015 an Action item that would consider referral of policy matters that relate to SSO and other neighborhood overlays that could provide neighborhood protections.
 - **MOTION PASSED:** 5-1 Kniss no, Schmid, Wolbach not participating, Filseth absent

4. **MOTION:** Council Member Burt moved, seconded by Mayor Holman to refer to the Finance Committee consideration of stronger encroachment fees for construction that impact portions or all of a city street or sidewalk.


- **MOTION PASSED:** 8-0 Filseth absent
5. **MOTION:** Council Member Kniss moved, seconded by Council Member Burt to keep the Code Enforcement-Lead position in the Fiscal Year 2016 budget; and direct the City Manager to propose an alternate position be removed from the Fiscal Year 2016 budget if required to maintain a budget surplus (At this point a \$390,000 surplus is remaining).
- **MOTION AS AMENDED PASSED:** 8-0 Filseth absent
6. **MOTION:** Council Member Scharff moved, seconded by Council Member Kniss to tentatively approve the budget including \$50,000 for Automated External Defibrillators (AED) and amendments as discussed:
- A. Budget Amendment Ordinance which includes:
 - 1. City Manager’s Fiscal Year 2016 Proposed Operating and Capital Budget; and
 - 2. Amendments to the City Manager’s Fiscal Year 2016 Proposed Operating and Capital Budget; and
 - 3. Revised City Table of Organization; and
 - 4. Fiscal Year 2016 Proposed Municipal Fee Changes; and
 - B. Resolution Adopting a Dark Fiber Rate Increase of 2.7 Percent and Amending Utility Rate Schedules EDF-1 and EDF-2; and
 - C. Resolution Amending Utility Rate Schedule D-1 (Storm and Surface Water Drainage) to Increase Storm Drain Rates by 2.7 Percent Per Month Per Equivalent Residential Unit for Fiscal Year 2015; and
 - D. Resolution Adopting a Wastewater Collection Rate Increase of 9.0 Percent and Amending Utility Rate Schedules S-1, S-2, S-6 and S-7; and
 - E. Resolution Adopting a Refuse Rate Increase Ranging Between 9.0 Percent and 19.0 Percent and Amending Utility Rules and Regulations 2, 3, 11, and 24; and
 - F. Resolution Amending Salary Schedules for the Management, Professional, and Confidential Unit, the Utilities Managers of Palo Alto Professional Association, and the Service Employees International Union; and
 - G. Refer to the Finance Committee a discussion of changes to the Public Art Ordinance to simplify the calculation of the Public Art Fee and a discussion of usage and replacement of pool vehicles.
- **MOTION PASSED:** 8-0 Filseth absent
7. **MOTION:** Council Member DuBois moved, seconded by Council Member Scharff to direct Staff and the Finance Committee to return in six months with an update on the Animal Shelter.
- **MOTION PASSED:** 8-0 Filseth absent
8. **MOTION:** Council Member Scharff moved, seconded by Council Member Berman to direct Staff to investigate increasing Business Registry participation up to and including increasing late fees.
- **MOTION PASSED:** 8-0 Filseth absent

DEPARTMENT HEAD:



LALO PEREZ
Director, Administrative Services/CFO

CITY MANAGER:



JAMES KEENE
City Manager