



City of Palo Alto

City Council Staff Report

(ID # 11176)

Report Type: Consent Calendar

Meeting Date: 3/23/2020

Summary Title: Budget Amendment Ordinance for Planning & Development Services

Title: Approval of a \$360,000 Net Zero Budget Amendment in the General Fund for the Planning & Development Services Department's Cost Recovery Program for Private Development Studies

From: City Manager

Lead Department: Planning and Development Services

Recommendation

Staff recommends that the City Council approve a net zero amendment to the Fiscal Year 2020 Budget Appropriation Ordinance for the General Fund in the Planning and Development Services Department by:

- a. Increasing the revenue estimate for Current Planning operations by \$360,000; and,
- b. Increasing the expenditure appropriation for Current Planning contracts by \$360,000.

This action requires 2/3 of the Council to approve the amendment.

Background

The Planning and Development Services Department pursues full cost recovery for private development projects through the use of deposit-based fees. In many cases, the department utilizes the expertise of outside consultants to augment and expedite entitlement studies such as historic, environmental, and compliance. In practice, the applicant pays upfront for contract services related to their project and funding is held in a deposit account until services are performed. The number of projects that use this program fluctuates from year to year and the associated revenue and expense are realized in the Planning and Development Services budget when incurred. Historically, the department has been able to utilize salary savings and other funding adjustments within the annual department appropriation to close the gap between the budgeted expense versus actual need.

Discussion

Upon submitting a project to the City, an applicant completes the department's Planning Review Application (<https://www.cityofpaloalto.org/civicax/filebank/documents/73097>). The

application lists the City's cost recovery policies and procedures for more complex projects. The cost recovery program provides the City with additional resources to meet the development needs of the community by offering the applicant the opportunity to use outside consultant services related to historic, environmental, and compliance review studies for private development projects. If the applicant chooses to utilize the program, the applicant submits sufficient funds to cover the anticipated program costs. Private development services related contracts are exemption from competitive solicitation per Municipal Code Section 2.30.360 as the services are funded wholly by private developers. Therefore, contracts do not come before the City Council. The firms conducting these studies are selected for their experience and expertise.

As these contracts are invoiced, the expense is posted to the department contracts budget. Corresponding revenues are posted quarterly. In Fiscal Year 2020, the revenues and expenses from to these projects have exceeded the budgeted amount. The department is requesting an increase of \$360,000 to the contracts budget to pay for consultant services and a corresponding increase of \$360,000 to the revenue budget, resulting in a net zero impact to the General Fund. Annually, the City receives about fifty direct cost recovery projects per year. These projects vary from single family dwellings, to mixed used project, to new hotels being developed in Palo Alto.

Resource Impact

Staff is requesting City Council approval of a net zero budget amendment in the General Fund to increase both revenues and expenses by \$360,000. Funds to cover all costs are received by applicants utilizing the program. Based on Muni Code regulations, this amendment requires 2/3 approval by the City Council.

Policy Implications

Authorization of this budget amendment does not represent a change to any existing policy.

Stakeholder Engagement

Since this is an internal budgeting action only, stakeholder involvement has been limited to the Planning and Development Services and Administrative Services departments.

Environmental Review

Action on this item does not constitute a project.