



# City of Palo Alto

## City Council Staff Report

(ID # 12132)

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**Report Type: Consent Calendar**

**Meeting Date: 4/12/2021**

**Council Priority: Fiscal Sustainability**

**Summary Title: FY 2021 and Prior Finance Committee Referrals Status Update**

**Title: Finance Committee and Staff Recommend the City Council Review the Fiscal Year 2021 and Prior Finance Committee Referrals Update and Accept the Committee's Current Status Report; and Direct the Finance Committee to Review Long-term Financial Trends for Public Safety**

**From: City Manager**

**Lead Department: Administrative Services**

### **Recommendation**

The Finance Committee recommends that the City Council:

- 1) Review and accept the Fiscal Year 2021 and prior Finance Committee referrals update and current status report; and
- 2) Direct staff to return to the Finance Committee with an additional review of Public Safety long term financial trends, beginning with the Fire Department, and concurrent with the annual September review of pensions.

### **Background and Discussion**

The staff report linked ([CMR 11966](#)) was presented to the Finance Committee on February 2, 2021 and provides an update on all outstanding City Council referrals to the Finance Committee. Staff researched the referrals and the current list reflects direction as recently as the FY 2021 Adopted Budget to 2013. During this period staff has found records for approximately 36 referrals of which 20 have been completed. The table below outlines the remaining 16 referrals of which 11 are recommended to be closed and five (5) remain outstanding as work continues.

During the Committee’s review of the referral to explore changing delivery of services from a dominant fire-oriented model to a dominant medical-oriented model, the Committee, using the Fire Department as an example, discussed the long-term sustainability of employee costs. The Committee members remarked, based on their analysis, on the trend of sound financial management, ensuring revenues and expenses remain in-line annually, however, the trend that this has been done by a slow erosion of staffing resources as staffing costs increase. The Committee moved to request that Council direct staff to return to the Finance Committee with analysis to support additional review of Public Safety long term financial trends, beginning with the Fire Department, and concurrent with the Committee’s review of pension reports from CalPERS in fall 2021.

A revised complete list of referrals reviewed and discussed by the Committee is below, updated for the discussion at both the City Council retreat on January 30, 2021 as well as at the Finance Committee.

<b>Referral</b>	<b>Assigned Department</b>	<b>Status</b>
<i>CY2019 Fiscal Sustainability Workplan: Improvement of code enforcement, 311 system, and customer relationship management activities. Referred April 2019.</i>	Planning & Development Services/ City Manager’s Office/ Information Technology Department	<b>In Progress</b> This item has been delayed due to vacancies and resource availability. In addition, code enforcement reductions were approved as part of the FY 2021 Adopted Budget, freezing two of three code enforcement staff.
<i>Evaluation of Printing &amp; Mailing Services levels and service delivery. Referred May 2019.</i>	Administrative Services	<b>In Progress</b> This item has been delayed due to vacancies and resource availability. Development of a request for proposal (RFP) is underway.
<i>Refer to the Finance Committee, a proposal to consider affordable housing funding. Referred February 2020, revised January 2021.</i>	Planning & Development Services Department/ Administrative Services Department	<b>In Progress</b> Staff expects to bring initial discussion on this item during the first half of 2021.
<i>Stanford University Medical Fund Referred January 30, 2021</i>		<b>In Progress</b> At the City Council retreat, recognizing that the review of SUMC Funds has related policy and finance/budget aspects, the City Council switched the SUMC referral currently with the Policy and Services Committee be to the Finance Committee. Staff anticipated review of these funds as part of the annual budget process.
<i>Review sworn versus non-sworn staffing for cost savings/enhanced services/increased revenues. Referred May 2016.</i>	Police Department/ Fire Department	<b>Recommend to Policy &amp; Services Committee</b> Staff continue to evaluate delivery of services through the annual budget process with a lens towards cost savings. However, considering the current race and equity work, it is recommended that this work be reassigned to the Policy and Services Committee in alignment with the services reforms being explored

Referral	Assigned Department	Status
		through race and equity workplan. Fire staffing models have been discussed below in the summary of the current status of Fire medical services delivery.
<i>Resume work on a potential business tax or local tax ballot measure. Referred March 2020</i>	Administrative Services	<b>On Hold</b> March 2020, this work was placed on hold in March 2020 as part of CMR #11161 due to the COVID-19 public health emergency. As discussed at the January 30, 2021 City Council retreat, it is expected that this work will resume in calendar year 2021.
<i>FY2021 Budget: A report or item on the JMZ six months after it opens and what it would look like to eliminate the General Fund Subsidy through a fully cost recoverable program. Referred June 2020</i>	Community Services Department	<b>On Hold</b> The Junior Museum and Zoo (JMZ) construction project is 98% complete. In May 2020, staff presented the preliminary operating plan to Council ( <a href="#">CMR 11222</a> ) along with adjustments to the municipal fee schedule ( <a href="#">memo</a> ). Due to COVID-19, re-opening of the new facility was delayed. Staff anticipated a March 2021 opening; however, that has been further delayed due to the pandemic. Staff and the Friends of the JMZ are now considering a FY 2021 opening as discussed in the FY 2021 Mid-Year Budget Review. Staff will return with an analysis and modeling of a fully cost-recoverable program once JMZ is completely operational.
<i>Police Services Utilization and Resources Study: evaluating the possibility of using the CA commission for Police Officer Standards and Training to conduct the police service evaluation or issue an RFP. Referred 2013.</i>	Police Department	<b>Closed</b> This study was not commissioned however, given the age of this referral is recommended closed. Work is actively under review as part of the City's Race and Equity projects which ensure the intention of this is addressed however, updated for current priorities.
<i>Consideration of stronger encroachment fees for construction that impact portions or all of a city street or sidewalk. Referred May 2015.</i>	Public Works Department	<b>Closed</b> As part of the application process for any development or construction project work, street and sidewalk closures are reviewed and appropriate fees assessed. As part of the annual review of the municipal fee schedule, staff works to maintain full cost recovery on these fees.
<i>Discussion of changes to the Public Art Ordinance to Simplify the Calculation of the Public Art Fee Part of Public Art Master Plan. Referred May 2015.</i>	Community Services Department	<b>Closed</b> The City Council considered ordinance changes for the City's Public Art Program on October 5, 2020 (City Manager Report <a href="#">#11539</a> <i>Percent for Public Art Ordinances</i> ). No changes to the public art ordinance for public or private development projects were made.
<i>Capture costs associated</i>	Office of	<b>Closed</b>

Referral	Assigned Department	Status
<i>with parking and traffic initiatives attaining cost recovery between revenues and expense. Referred May 2016.</i>	Transportation	This item is no longer applicable. Through the establishment of the Office of Transportation including additional resources for parking management activities, programs are brought forward by this team. For example, plans brought forward for the opening of the new California Avenue parking garage.
<i>Report to City Council on the plan and implications of power redundancy. Referred May 2017.</i>	Utilities Department	<b>Closed</b> Staff is providing an update via an information item as part of the February 8, 2021 City Council agenda <i>Update on Progress Toward a Second Transmission Line Corridor Connecting the City of Palo Alto Electric Distribution System to the Pacific Gas &amp; Electric Transmission Grid.</i>
<i>Colleagues' Memo on Fiscal Transparency in Labor Negotiations: Workplan and Suggested Terms Requires Informed Conversations w/ Labor Groups. Referred September 2018</i>	Human Resources Department	<b>Closed</b> This item was considered by the Finance Committee on September 4, 2018 (CMR #9549). Work was directed to the Human Resources Department to review this with the City's bargaining units and incorporate this in the City's next round of labor negotiations. As a result of the financial implications of the COVID-19 public health emergency, in June 2020, contracts were extended through a one-year roll-over provision with the agreement of zero wage increases. Therefore, the majority of the City's contracts remain closed and staff have not begun the next round of labor negotiations. Contracts are expected to re-open over the coming 12 -18 months if not sooner for some; this work will be included as part of those discussions.
<i>CY2019 Fiscal Sustainability Workplan: Proposals to address/ recruitment &amp; retention challenges. Referred April 2019.</i>	Human Resources Department	<b>Closed</b> This item is no longer applicable. Staff remain focused on restructuring the workforce to adapt to the current changing workforce environment, making adjustments based on financial constraints, and preparing for the new normal.
<i>CY2019 Fiscal Sustainability Workplan: Parking Management Referred April 2019.</i>	Office of Transportation	<b>Closed</b> This item is no longer applicable. Through the establishment of the Office of Transportation including additional resources for parking management activities, programs are brought forward by this team. For example, plans brought forward for the opening of the new California Avenue parking garage.
<i>Direct the Finance Committee to come up with proposed thresholds for Council to consider related</i>	Administrative Services Department	<b>Closed</b> This item was agendaized separately on this same February 2, 2021 agenda for Finance Committee Review and consideration and to the City Council as

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<p><i>to Section 2.4.L, Consent Calendar Categories, which determines the eligibility for items to be placed on the Consent Calendar. Referred February 2020.</i></p>		<p>well. This item was previously agendized on December 15, 2021, however during the Finance Committee meeting was deferred until calendar year 2021.</p>
<p><i>FY2021 Budget: Explore changing delivery of services from a dominant fire-oriented model to a dominant medical-oriented model. Referred June 2020</i></p>	<p>Fire Department</p>	<p><b>Closed</b>  Included in the staff report is a summary of the current status of Fire medical services delivery. Staff recommends that considering the current medically oriented agency status and complementary cross-staffing model, that no immediate action be taken. The Fire Department will continue to look for efficiencies and methods for modernization of its delivery of services.</p>

**Stakeholder Engagement**

This is an informational report to follow up on Council referral items and has been coordinated internally among departmental parties.

**Resource Impact**

This is an information item to follow up on Council referral items and has no fiscal impact.

**Environmental Impact**

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