

**Finance MEETING**

5/12/21

Received Before Meeting

**1**

# FY 2021-2022 PROPOSED OPERATING AND CAPITAL BUDGETS

## Finance Committee Item #1

May 12, 2021

[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)



# OVERVIEW

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## At places memorandums:

- Palo Alto Transportation Management Association (PATMA) letter and corresponding budget adjustment (Item #3c)
- Additional information and corrections:
  - current crossing guard locations,
  - adjustments to municipal fees (inadvertent omission),
  - survey responses as of 5/11 @3pm

## Survey Responses

# BUDGET SURVEY STATUS UPDATE

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## Budget Survey

- Budget survey released on May 5, 2021
- Survey closes May 21 at 12 p.m.
- First summary of results received to date incorporated in the May 12 At-Places Finance Committee report
- Next summary will be provided as an At-Places for the May 17 Finance Committee Update at the Council Meeting

# BUDGET SURVEY SUMMARY RESULTS

## Summary Results May 4- May 11

- Total visitors: 673
- Total responses: 526

### QUESTION 1

**Please prioritize the following Citywide Service Areas.**

1. Community/Library Services
2. Public Safety
3. Planning/Transportation
4. Strategic Support

### QUESTION 2

**From the list of FY 2021-22 Proposed Budget reductions listed below, please prioritize up to ten (10) items that are the most important to you to restore if funding becomes available.**

**Ranking #1 means this item is your highest priority service to be restored, if additional funding is available.**

1. Neighborhood Libraries and Maintain Distribution Services
2. Children's Theatre Operations and Production Staffing
3. Arts Center Operating Hours & Programming and Increase Fees
4. Sports and Recreation Programming and Increase Fees
5. Crossing Guard Services 50%
6. Police Patrol Staffing
7. Teen Center Operations and Use the Think Fund/Bryant Street Garage Fund
8. Investment in the City's Infrastructure Catch-up and Keep-up
9. Emergency Incident Response Services Brown Out (Fire Station 2)
10. Junior Museum and Zoo Marketing Resources



# BUDGET SURVEY SUMMARY RESULTS

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## QUESTION 3

**If you could balance the budget through alternative funding sources, how would you rank the following funding**

**sources? Funds would be used to provide City services such as libraries, community services, and public safety.**

**Rank one (1) is the highest priority for use/pursuit.**

1. Reduce City Reserves by 25%
2. Advance the 2nd Year American Rescue Program Act (ARPA) Funding set aside for FY 2022-23 in FY 2021-22
3. Reduce City Reserves by 10%
4. Establish a New Revenue (requires voter approval; e.g. a business tax or a charge on customer utility bills)
5. Increase an Existing Tax (requires voter approval)
6. Reduce City Reserves by 50%
7. Reduce City Reserves by 65%

- Question 4 is an open field, for general comments. Staff is still reviewing these comments



# FOR CONSIDERATION: EXAMPLE BALANCING ADJUSTMENTS

<b>EXAMPLE</b> <b>Finance Committee Adjustments to Budget*</b>	<b>FY 2022 GF</b>
Beginning Balance - ARPA Reserve	\$ 3,192,580
Revised ARPA Allocation (\$1.2M over 24 months)	600,000
Budget Stabilization Reserve (maintain at ~17.3%)	2,000,000
Restore FY 2022 Proposed Budget Adjustments	(4,000,000)
E.G. Equivalent of Police, Fire, Library, Community Services	
Adjust New JMZ Fees from \$18 to \$12	(660,000)
	<b>Remaining: \$ 1,132,580</b>

\*This presumes the City achieves labor concessions from all groups.



# COUNCIL POLICY PARAMETER ASSUMPTIONS

- Review of service delivery – City as primary provider or alternative service providers (i.e. non-profits)
- Use of alternative one-time funding sources (i.e. ARPA, SUMC, donations/fees)
  - Revised ARAP allocation, \$13.7M
- Long Range Financial Forecast Scenario B
  - Preliminary Q3 revenue estimates
- Level and use of reserves (15-20% range)
- Debt Financing
- Proactive funding of long-term obligations

## **Preliminary Q3 Revenues, +\$2M to \$3.3M**

Increase FY 2021 estimated BSR from \$35.8M to \$37.8M (roughly 18.5% target)

+ Property Tax

~ Sales Tax

- Transient Occupancy Tax

+ Documentary Transfer Tax

# JOIN THE BUDGET CONVERSATION

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Save the date on the following ways for the community to join the budget conversations:

- **Finance Committee FY 2021-22 Budget Preview:**  
May 4, At 2:00 P.M.
- **Online Survey to be Released:** May 5
- **Budget Town Hall:** FY 2021-22 Budget Discussion  
May 6, 6:00 P.M. – *Recording Available*
- **Finance Committee Budget Hearings:**  
May 11, 12, 25, All Hearings Begin At 9:00 A.M.
- **Finance Committee Update at Council:**  
May 17
- **City Council Budget Adoption:** June 21, at 5 P.M.



*Join the Conversation*  
**On The City's Budget**

*Join the conversation and share your budget priorities through a series of community engagement opportunities.*

For specific agendas, go to [www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)



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ITEM #2

**FY 2022 PROPOSED BUDGET HEARINGS**

**COMMUNITY AND LIBRARY SERVICES  
SERVICE AREA**

**Community Services & Library  
Departments**

**Ops Pg. 185 – 203, 245-253**

**May 12, 2021**

**[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)**

# FY 2022 PROPOSED BUDGET SUMMARY

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<b>Department</b>	<b>General Fund Revenue</b>	<b>General Fund Expenses</b>	<b>General Fund FTE</b>
<b>Community Services</b>	\$11,974,991	\$28,987,248	103.72
<b>Library</b>	\$116,116	\$8,354,023	39.59



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# COMMUNITY SERVICES DEPARTMENT

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Operating Pg. 185 – 203

# FY 2022 BUDGET SUMMARY (COMMUNITY SERVICES)

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## Balancing Strategy

Increase cost-recovery for some programs, pause programs/events with low cost-recovery or that promote gatherings, reduce operating hours or close some facilities, scale back or eliminate contracts

## Major Proposed Changes in General Fund

- Reduce operating hours and programming at Art Center, Cubberley Artist Studio Program (CASP), and Baylands Interpretive Center (-\$235,000)
- Increase fees and cost recovery levels, and recognition of revenue to offset teen service (\$141,000 rev/- \$55,000 exp)
- Restoration of Foothills Supervising Ranger and recognition of vehicle entry fee revenue (\$343,000 rev/\$150,000 exp)
- Reduce administrative and programmatic staffing (-\$170,000)
- Reduce staff support for Cubberley and Children's Theatre operations and productions (-\$162,000)
- Decrease marketing funding for Enjoy! Catalogue and Junior Museum and Zoo (JMZ) (-\$120,000)



## FY 2022 DEPARTMENT OUTLOOK (COMM. SVC.)

- CSD will continue to offer recreation, theatre, and art classes and programs, striving for high cost-recovery levels
- Park, playground, and open space areas will be open and maintained for safety
- Programming and opportunities for teens will continue to be offered with some reductions
- The new JMZ will open with new animals and exhibits and improved accessibility
- CSD will continue collaborations with our nonprofit partners
- Funding for human services needs through HSRAP remains consistent with FY 2021 levels



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# Library Services Department

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Operating Pg. 245-253

# FY 2022 BUDGET SUMMARY (LIBRARY)

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## Balancing Strategy

Eliminate service hours at 3 neighborhood Library branches. Adjust service delivery to focus on two full-service libraries open 6 days per week. Consolidate services to increase efficiency with available staffing resources, down from FY 2020 by 35% FTE, or 50% total number of positions.

## Major Proposed Changes in General Fund

- Close all Neighborhood Library Branches, Downtown, Children's (reduced from Full-Service to Neighborhood Branches in FY 2021), and College Terrace, to the public (-\$532,000)
  - Up to 75% of the Children's Library collection will be moved to nearby Rinconada Library
  - Customers can pick up holds at Rinconada and Mitchell Park Libraries or at Holds Machines/Library-on-Demand Vending Machines planned to be installed at Downtown and College Terrace Libraries

## FY 2022 DEPARTMENT OUTLOOK (LIBRARY)

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- The Library Services Department continues to nurture innovation, discovery and delight through connecting our diverse community through knowledge, resources and opportunities.
- Two libraries would remain open to support patrons.
- Programming will continue to be offered at approximately 50% of FY 2020 levels.
- Continue to provide technology and support for those seeking education and professional development in this time of economic crisis.

# SERVICE AREA SUMMARY

	General Fund FY 2020 Adopted (Pre-Pandemic)	General Fund FY 2022 Proposed	% change	FY 2020 Adopted General Fund FTE (Pre-Pandemic)	FY 2022 Proposed General Fund FTE	% change
Community & Library Services Area	\$41.2 M	\$37.3 M	(9.4%)	186.19 FTE	143.31 FTE	(23.0%)

ITEM #3  
**FY 2022 PROPOSED BUDGET  
HEARINGS**

**PLANNING & TRANSPORTATION SERVICES AREA**

**PLANNING & DEVELOPMENT SERVICES  
DEPARTMENT, OFFICE OF TRANSPORTATION, &  
SPECIAL REVENUE FUNDS**

**OPS PG. 87-106, 159-168, 263-276**



# FY 2022 PROPOSED BUDGET SUMMARY (MAY 12)

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
Planning & Development Services	\$15,834,447	\$17,527,059	54.96	\$18,651,447	\$17,893,612	55.84
Office of Transportation	\$201,332	\$1,746,209	5.20	\$4,539,885	\$6,734,219	14.78



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# PLANNING & DEVELOPMENT SERVICES

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OPERATING PG. 87-106, 263-276

May 12, 2021

[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)

# FY 2022 BUDGET SUMMARY (PLANNING & DEVELOPMENT SERVICES)

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## Balancing Strategy

Assessing the resource needs for each program area and reducing service delivery models to maintain critical programming at minimal operational levels.

## Major Proposed Changes in General Fund

- Current Planning Staffing Reduction (-\$138,000)
- Planning Travel & Training Reduction (-\$31,000)
- Data Analysis Resource Adjustment (\$56,000)
- Development Services Inspection and Plan Check Support, offset by the Development Services reserve for prior year works in progress (\$746,000)

# FY 2022 DEPARTMENT OUTLOOK (PLANNING AND DEVELOPMENT SERVICES)

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- Customer Service
  - Restore in person transactions
  - Strengthen online permit services / website
  - Implement a customer service feedback loop
  - Improve complaint responsiveness ([pdsdirector@cityofpaloalto.org](mailto:pdsdirector@cityofpaloalto.org))
- Process Improvements
  - Revise and recommit to permit review times
  - Streamline and track energy permits (PV, ESS, EVCS, Hot Water Heat Pumps)
  - Strengthen Project Coordinator's oversight of building permits
- Data Analysis
  - Integrate systems to allow comprehensive access to historical and current land and development information through the application process (Online Permitting Services, GIS and Accela)
  - Creation of the Land Use and Development Open Data portal
    - Access to critical City, County, Regional data impacting land use and development



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# OFFICE OF TRANSPORTATION

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OPERATING PG. 87-106, 263-276

# FY 2022 BUDGET SUMMARY (OFFICE OF TRANSPORTATION)

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## Balancing Strategy

The Office of Transportation continues to pursue new revenue streams and shift resources in order to maintain service delivery of its core projects and programming.

## Major Proposed Changes in General and Special Revenue Fund

- Decrease on-call engineering, traffic data and parking study consultant contracts (-\$69,000)
- Dedicated grant funding reimbursement for .60 FTE Coordinator – Transportation Systems Management (-\$60,000)
- Reduce support of local bicycle education and encouragement programming (-\$46,000)
- Reduce travel, training, and membership expenses (-\$25,000)



## FY 2021 DEPARTMENT OUTLOOK (OFFICE OF TRANSPORTATION)

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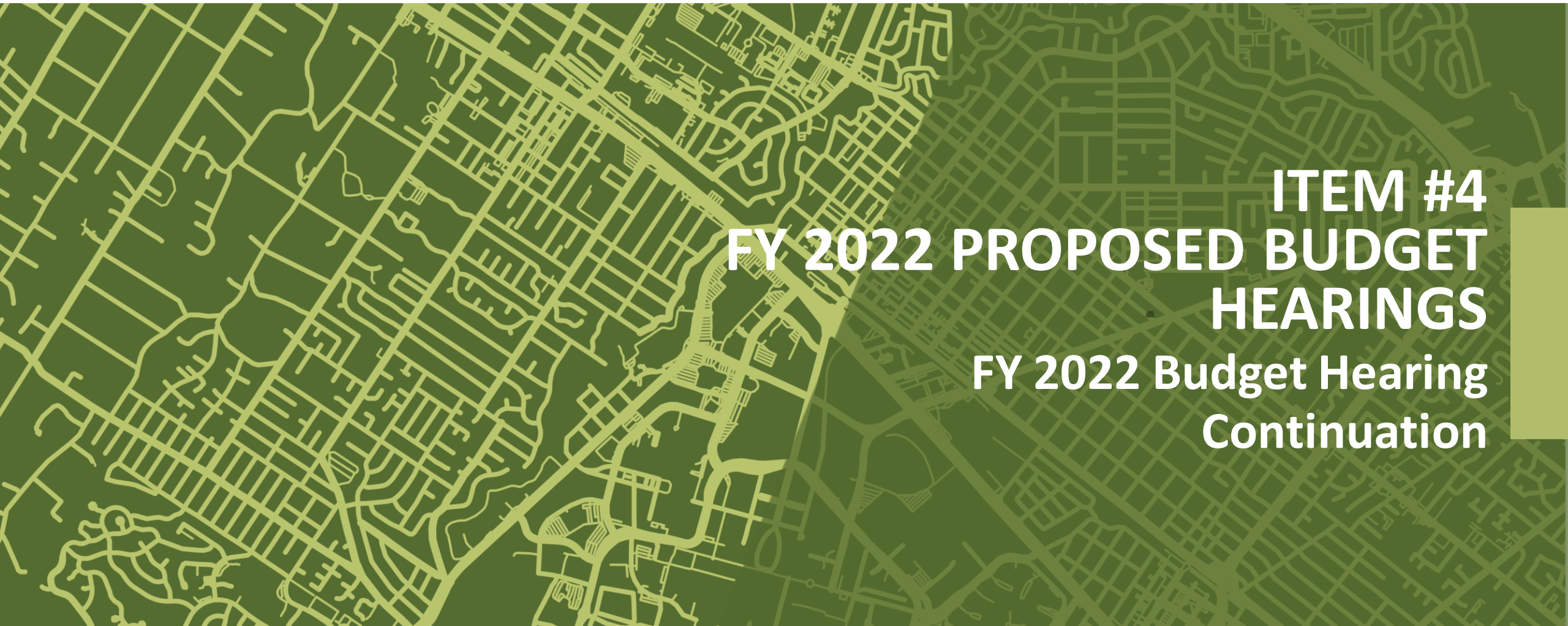
Focus available resources in the following major areas:

- Reduction of single-occupancy vehicle trips
- Parking management including garages and lots, on-street, and residential district parking in business districts
- Railroad crossing/grade separation planning and community engagement
- Monitor operational improvements and modifications of the transportation and traffic systems
- Continue Safe Routes to School educating families to safely walk, bicycle, bus, and carpool to school.

# SERVICE AREA SUMMARY

	General Fund FY 2020 Adopted (Pre-Pandemic)	General Fund FY 2022 Proposed	% change	FY 2020 Adopted General Fund FTE (Pre-Pandemic)	FY 2022 Proposed General Fund FTE	% change
Planning & Transportation Services	\$22.7 M	\$19.3 M	(15.0%)	72.05	60.16	(16.5%)

	Other Funds FY 2020 Adopted (Pre-Pandemic)	Other Funds FY 2022 Proposed	% change	FY 2020 Adopted Other Funds FTE (Pre-Pandemic)	FY 2022 Proposed Other Funds FTE	% change
Planning & Transportation Services	\$7.2 M	\$5.4 M	(26.0%)	11.39	10.46	(8.2%)



**ITEM #4**  
**FY 2022 PROPOSED BUDGET**  
**HEARINGS**  
FY 2022 Budget Hearing  
Continuation

**May 12, 2021**

**[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)**



# TAX REVENUE UPDATE

Mid-year projections approved by Council on March 1<sup>st</sup> ([CMR 11872](#), p. 17)

	Actual 2019	Actual 2020	Adopted 2021	as of 12/31 Projected 2021	% chg	as of 5/11 Prelim. Q3 Adjustments
<b>Revenue &amp; Other Sources</b>						
Sales Taxes	36,508	30,563	20,500	25,030	22.1%	
Property Taxes	47,327	51,089	52,000	53,173	2.3%	+\$1M to \$1.5M
Transient Occupancy Tax	25,649	18,554	14,900	4,830	-67.6%	-\$0.5M to \$0.8M
Documentary Transfer Tax	6,923	6,903	4,700	6,875	46.3%	\$2.4M to \$3M
Utility Users Tax	16,402	16,140	15,100	14,080	-6.8%	
Other Taxes and Fines	1,888	1,172	1,925	392	-79.6%	
<b>Subtotal: Taxes</b>	<b>134,697</b>	<b>124,421</b>	<b>109,125</b>	<b>104,380</b>	<b>-4.3%</b>	



ITEM #5

**FY 2022 PROPOSED BUDGET  
HEARINGS  
FY 2022 MUNICIPAL FEE SCHEDULE**

Staff Report #12193

**May 12, 2021**

**[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)**



# Background & Fee Adjustment Summary

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## ❖ User Fee Cost Recovery Level Policy

- Low: 0% to 30%
- Medium: 30.1% to 70%
- High\*: 70.1% to 100.0%

*\*Certain types of fees, such as fines, penalties and/or late charges, or any charge imposed for entrance to or use of, as well as the purchase, rental, or lease of local government property, are not bound by state laws that limit to full cost recovery*

## ❖ General Rate of Increase = 2.0%

## ❖ FY 2022 Proposed Municipal Fee Schedule Summary

- 21 new fees
- 28 deleted fees
- 37 changed fees

# New & Deleted Fees p. 3-7

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## ❖ New Fees

- Rental Discount – 30% off basic rate (non-profit rate for all Cubberley theater rentals)
- Alarm Registration Fees – Municipal code amendment to definition of False Alarm
- Pre-Application Staff Consultation Fee – recover and offset staff costs for services

## ❖ Deleted Fees

- Animal Services Adoptions-Cockatiels (consolidated and merged into one fee)
- Overdue Materials-Link+ (obsolete, services no longer provided)
- Bicycle-Change of Ownership (obsolete, fee no longer required)

# Changed Fees (Attachment A)

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## Examples of Changed Fees included in Attachment A

### ❖ Fee Study

- Park, Community Center, and Library Development Impact Fee Justification Study (CMR 12163)

### ❖ Market value and service delivery model

- Locker Rental and Synthetic Turf Field

### ❖ Cost recovery level

- Utility Standards-Project Plan Set ( Up to 25 sheets)

**FY 2022 PROPOSED BUDGET  
HEARINGS  
INFRASTRUCTURE AND  
ENVIRONMENT SERVICE AREA**

**Public Works & Utilities Departments**

**Ops Pg. 289-339 & 341-392**

**ITEM #6**

**MAY 12, 2021**

**[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)**

# FY 2022 PROPOSED BUDGET SUMMARY (MAY 12)

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
Utilities	\$0	\$0	0.00	\$286,905,078	\$330,211,802	267.84
Public Works	\$3,291,085	\$18,587,083	48.19	\$107,841,828	\$135,439,323	169.31



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# **UTILITIES DEPARTMENT ELECTRIC, FIBER, GAS, WASTEWATER COLLECTION, WATER FUNDS**

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Operating Pg. 341-392

# FY 2022 BUDGET SUMMARY (UTILITIES – ELECTRIC)

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## Balancing Strategy

To achieve a second year of 0% rate increases, reserves will be drawn down to minimal guideline levels. Electric load is 10% lower compared to historical trends.

## Major Proposed Changes in Electric Fund

- Reallocate 2.24 FTE from various utilities funds to Electric fund to support electrification, S/CAP and advanced metering infrastructure
- 5% rate increases in FY 2023 and 2024 to bring reserves back to target guidelines
- Electric will be required to drawdown ~ \$15 M in supply, distribution and CIP reserves
- Additional contract expense for line crew until internally staffed
- Increased capital investment in the electric distribution system due to system age

# FY 2022 DEPARTMENT OUTLOOK (UTL – ELECTRIC)

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- Potential low hydroelectric supply
- Expand education, communication and implementation of building electrification
- Citywide evaluation of electrical distribution system
- Test and pilot phases for advanced metering infrastructure project



# FY 2022 BUDGET SUMMARY (UTILITIES – FIBER)

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## **Balancing Strategy**

FY 2022 CPI rate increase of 2.0% proposed for EDF-1 rate per contractual agreement. Majority of Fiber customers are on EDF-3 rates and unaffected by CPI increase. Fiber Fund reserves of approximately \$37 M may be drawn for Fiber expansion efforts.

## **Major Proposed Changes in Fiber Fund**

- Reallocate 0.20 FTE from Fiber to Electric Fund
- Pause Fiber Optics Network Rebuild CIP until the detailed engineering design of the fiber backbone and Fiber-to-the-Home (FTTH) distribution network is completed.

## FY 2022 DEPARTMENT OUTLOOK (UTL – FIBER)

- Accelerate and complete community education and engagement of FTTH
- Conduct a residential and commercial broadband survey
- Develop a business plan and financing model for FTTH
- Explore joint trenching opportunities with other capital projects and abandoned infrastructure to reduce cost for FTTH

# FY 2022 BUDGET SUMMARY (UTILITIES - GAS)

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## Balancing Strategy

The UAC and Finance Committee recommends 3% rate increase for FY 2022. Gas sales is 6% lower compared to historical trends.

## Major Proposed Changes in Gas Fund

- Reallocate 0.26 FTE from Gas to Electric Fund
- 5% rate increases in FY 2023 through 2025 to bring reserves back to target guidelines
- Increase supply costs of \$2.5M or 18%\*(i.e. transmission, carbon offsets)
- Resume crossbore safety inspection program (\$1.8M)
- Reduce \$2M in Gas Main Replacement Project 24 to minimize rate increase

# FY 2022 BUDGET SUMMARY (UTILITIES – WASTEWATER COLLECTION)

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## Balancing Strategy

The UAC and Finance Committee recommends 3% rate increase for FY 2022. Projected revenue loss of \$0.9M in FY 2022 from commercial and restaurant due to pandemic.

## Major Proposed Changes in Wastewater Collection Fund

- Reallocated 1.0 FTE to Electric
- 3% rate increase in FY 2023 and 5% annually in FY 2024 through FY 2026
- Regional Water Quality Control Plant needs rehabilitation (~ \$310M) resulting in annual 7.9% increase in treatment costs
- Deferred Sewer Main Replacement CIPs by one year and reduced size of project by \$1.6M to minimize rate increases

# FY 2022 BUDGET SUMMARY (UTILITIES - WATER)

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## Balancing Strategy

No rate change is recommended in FY 2022. Operations reserves are above maximum guideline due to delays in capital improvement projects.

## Major Proposed Changes in Water Fund

- Reallocate 0.78 FTE from Water to Electric Fund
- 5% rate increases in FY 2023 through 2026
- SFPUC projects an average water supply rate increase of 7% from FY 2023 through FY 2025
- Install back-up generators at emergency wells
- Replace or seismically rehabilitate three reservoirs



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# **PUBLIC WORKS**

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Operating Pg. 289-340

# FY 2022 BUDGET SUMMARY (PUBLIC WORKS)

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## Balancing Strategy

The strategy evaluated the balance of in-house work, capital improvement program construction work, and contractor work to identify services that could be reduced in the short term without serious long-term consequences, including reduction of vacant positions.

## Major Proposed Changes in General Fund

- Eliminate 3.46 FTE (Business Operations; Structures & Grounds; Traffic) (exp -\$369,000)
- Shift cost of public restrooms in downtown area from General Fund to University Avenue Parking District Fund (Facilities) (exp -\$198,000)
- Reduce contract services (Streets; Traffic) (exp -\$65,000)
- Adjust revenues for encroachment permit fees (Engineering Services) (rev +\$70,000)

## FY 2022 DEPARTMENT OUTLOOK (PUBLIC WORKS)

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- Facilities will continue to provide maintenance and custodial services for City Buildings emphasizing COVID-19 recovery, with longer response times and delays in completing some preventative maintenance.
- Traffic operations will continue to provide traffic control services, with reduced capacity for special events support.
- Sidewalks and Streets groups will work closely with the capital program to partially mitigate temporary reductions to capital projects
- Work on the S/CAP will be a priority, with a department-level emphasis on planning for electrification of the Fleet and City Buildings



# FY 2022 BUDGET SUMMARY (PUBLIC WORKS – OTHER FUNDS)

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## Balancing Strategy

Reductions are not proposed for Public Works enterprise funds. Refuse Fund is not proposing a rate increase for FY 2022. A FY 2022 rate increase of 2% is proposed for the Stormwater Management Fund.

## Major Proposed Changes in Enterprise and Internal Service Funds

- Eliminate 1.0 FTE in the Vehicle Replacement Fund (exp -\$100,000)
- Reduce contract services for fueling in the Vehicle Replacement Fund (exp -\$100,000)
- Add a part time General Laborer in the Airport Fund (exp +\$31,000)
- Increase contract services for hangar door maintenance at the Airport (exp +\$75,000)

# FY 2022 DEPARTMENT OUTLOOK (PW-OTHER FUNDS)

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- Fleet will continue to coordinate with departments to prioritize vehicle replacements in response to budget reductions
- Study of Fleet EV opportunities and charger infrastructure needs in progress and to be completed
- The Airport will complete the third and final phase of the Airport Apron project, utilizing a 100% FAA grant
- Initiatives to rebuild the RWQCP will continue with commencement of two significant capital projects.
- The first of the 13 high priority Stormwater Management projects is complete, with the next 3 completing design

# SERVICE AREA SUMMARY

	General Fund FY 2020 Adopted (Pre-Pandemic)	General Fund FY 2022 Proposed	% change	FY 2020 Adopted General Fund FTE (Pre-Pandemic)	FY 2022 Proposed General Fund FTE	% change
Infrastructure & Environment	\$19.2 M	\$16.6 M	(13.5%)	50.45	48.19	(4.6%)

	Other Funds FY 2020 Adopted (Pre-Pandemic)	Other Funds FY 2022 Proposed	% change	FY 2020 Adopted Other Funds FTE (Pre-Pandemic)	FY 2022 Proposed Other Funds FTE	% change
Infrastructure & Environment	\$424.2 M	\$447.0 M	5.4%	390.53	388.96	(0.4%)

**FY 2022 PROPOSED BUDGET  
HEARINGS**

**INTERNAL SERVICE DEPARTMENTS,  
COUNCIL APPOINTED OFFICERS, &  
NON-DEPARTMENTAL**

**OPS PG. 119-183, 235-244, 393-400**

**ITEM #7**

**May 12, 2021**

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# FY 2022 PROPOSED BUDGET

Department	General Fund Revenue	General Fund Expenses	General Fund FTE	All Funds Revenue	All Funds Expenses	All Funds FTE
City Attorney	\$1,416,114	\$3,851,127	10.00	\$1,416,114	\$3,851,127	10.00
City Auditor	\$947,497	\$941,464	0.00	\$947,497	\$941,464	0.00
City Clerk	\$714,940	\$1,263,833	5.00	\$714,940	\$1,263,833	5.00
City Council	\$218,670	\$432,572	7.00	\$218,670	\$432,572	7.00
City Manager	\$1,556,076	\$3,277,618	9.00	\$1,556,076	\$3,277,618	9.00
Administrative Services	\$4,481,218	\$8,825,365	37.63	\$6,031,218	\$10,296,062	39.73
Human Resources	\$1,869,697	\$3,843,891	14.00	\$13,302,637	\$16,153,881	16.48
Information Technology	\$0	\$0	0.00	\$15,585,902	\$21,049,044	29.58



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# Administrative Services Department

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Operating Pg. 169 - 183

# **FY 2022 BUDGET SUMMARY (ADMINISTRATIVE SERVICES)**

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## **Balancing Strategy**

Maintain work and required financial reporting. Reorganize and restructure areas such as accounting, procurement, and revenue collections in order to share resources working to minimize impacts and delays to City processes in accounting, procurement, and revenue collections.

## **Major Proposed Changes in in General Fund**

- Administrative programming and vehicle maintenance reductions (-\$102,000)
- Credit card surcharge implementation (+\$50,000 rev)
- Procurement staff realignment (-\$49,000)
- Revenue collections staffing reduction (-\$30,000)

## FY 2022 DEPARTMENT OUTLOOK (ASD)

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- Quarterly financial and investment reporting, the Annual Financial Report, and the annual budget process will continue such as the Long Range Financial Report, Mid-Year Budget review, and budget adoption.
- Redeploying staff and balancing delays in processing timeline with internal control risk such as changes in purchasing and payment processing.
- Continue to process biweekly payroll for all City employees
- Property management, treasury services, and warehouse management will continue
- Revenue collections will continue in a modified format





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# Human Resources Department

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Operating Pg. 215 - 233

# FY 2022 BUDGET SUMMARY (HUMAN RESOURCES)

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## **Balancing Strategy**

Human Resources does not plan to eliminate or discontinue services, given the nature of the work, the balancing strategy will require reductions in personnel hours and redistributing resources into critical programs to meet operational needs.

## **Major Proposed Changes in General Fund**

- Reduce staff resources (-\$230,000)

## FY 2022 DEPARTMENT OUTLOOK (HR)

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- Guiding and supporting workforce safety and health through COVID-19 and shelter-in-place orders.
- Implementing Federal Families First legislation
- Implementing workforce reductions, leading safe return-to-work strategies, meeting legal obligations related to unions, and assisting with organizational issues related to the budget and ongoing pandemic.
- Continue HR strategies focused on new employee orientation, staffing and recruitment management, talent and skill development, performance assessments, safety and wellness programs; and to support employee relations, compensation, job classification, risk management, and organization development



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# Information Technology

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Operating Pg. 235 - 244

# FY 2022 BUDGET SUMMARY (INFORMATION TECHNOLOGY)

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## **Balancing Strategy**

Positioning the department for operational efficiency by reducing overlapping responsibilities and span of control

## **Major Proposed Changes in the Information Technology Fund**

- Reduction of Technology Project Management and Enterprise Staffing (-\$658,000)
- Cyber Security Staffing Consolidation; reduction of IT Security Manager and Restoration of Chief Information Officer (CIO) (\$75,000)

# FY 2022 DEPARTMENT OUTLOOK (IT)

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- Continue with the implementation of
  - ERP (Enterprise Resource Planning) Upgrade (Phase 2)
  - GIS (Geographic Information System) Modernization
  - Council Chambers Audio Visual and ADA Upgrades
  - Cybersecurity Strategic Plan
- Provide a broad range of high-quality technology-related solutions to employees, departments, council members, and the community; support and improve essential technology infrastructure



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# City Attorney's Office

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Operating Pg. 119-126



# FY 2022 BUDGET SUMMARY (CITY ATTORNEY'S OFFICE)

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## **Balancing Strategy**

City Attorney's Office has recognized one-time salary savings in order to restore staffing and continuing education to necessary levels. This will allow the department to function effectively and fulfill essential duties.

## **Major Proposed Changes in General Fund**

- Restore 0.5 FTE Legal Fellow position and funding for minimum travel and training needed (\$92,000)
- Recognize one-time savings from underfilling 1.00 FTE Assistant City Attorney with the equivalent of 1.00 FTE Deputy City Attorney (-\$92,000)

## FY 2022 DEPARTMENT OUTLOOK (ATTORNEY)

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- Continue to provide legal support and services to the City Council, City Manager and departments.
- The Attorney's Office will focus on new priorities in the City government organization during the COVID-19 recovery phase.



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# City Auditor Office

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Operating Pg. 127-132

# FY 2022 BUDGET SUMMARY (CITY AUDITOR'S OFFICE)

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## **Balancing Strategy**

The City Auditor's Office will realign services provided to the available budget. The balancing strategy may include a reduction of audit activities, a reduction of budget for ad hoc or other services, continuing to limit travel to reduce out of pocket expenses. The realignment of services to the available budget will be reflected in the FY22 audit plan as well as through future approval of Task Orders.

## **Major Proposed Changes in General Fund**

- City Auditor Services Contract Reduction by -\$75,000 (Baker Tilly Contract)

## FY 2022 DEPARTMENT OUTLOOK (AUDITOR)

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- Conduct audit activities in accordance with the Audit Plan approved in March 2021
- Perform the FY22 Risk Assessment and make updates to the Audit Plan as needed
- Assist in management of the FY21 financial audit, and manage the process to solicit proposals for the FY22 audit
- Begin audit follow up work on completed audit activities to ensure corrective actions are implemented
- Undergo a peer review by the Association of Local Government Auditors



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# City Clerk's Office

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Operating Pg. 133-142

# FY 2022 BUDGET SUMMARY (CITY CLERK'S OFFICE)

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## Balancing Strategy

The City Clerk's Office eliminated funding for transcription services to keep the department's budget fiscally sustainable with minimal impacts to the community and other City departments. This balancing strategy realizes additional savings as it will result in the reduction of the amount of staffing required at each City Council and Standing Committee meetings, as well as the removal of minutes transcription review.

## Major Proposed Changes in General Fund

- Meeting and Public Hearing Support Services Reduction (-\$63,000)

## FY 2022 DEPARTMENT OUTLOOK (CLERK)

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- Continue to provide support and services to the City Council, staff and the community while working to maintain transparency and public participation in the legislative process.
- Focus on a successful transition back to City Hall for all Council and Standing Committee meetings.
- Successful administration of the November 2022 Election, which will include Council Members and potential initiatives, will be a major focus for the City Clerk's Office.





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# City Council

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Operating Pg. 143-146

# FY 2022 BUDGET SUMMARY (CITY COUNCIL OFFICE)

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## **Balancing Strategy**

Maintain current service levels with minimal impacts to overall City finances.

## **Major Proposed Changes in General Fund**

- None

## FY 2022 DEPARTMENT OUTLOOK (CCO)

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- The City Council will continue to provide leadership and management to the City government organization while working with the Council Appointed Officers Offices to maintain and enhance Palo Alto's quality of life.
- Focus on current Council Priorities
  - Economic Recovery
  - Housing for Social and Economic Balance
  - Social Justice
  - Climate Change – Protection and Adaptation



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# City Managers Office

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Operating Pg. 147-168

# FY 2022 BUDGET SUMMARY (CITY MANAGER OFFICE)

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## Balancing Strategy

To balance the need to lower costs while still working to achieve current Council priorities and expectations for the organization, the CMO realigned services provided while also reducing expenses in staffing categories and contract expenses to keep the department's budget balanced and fiscally sustainable.

## Major Proposed Changes in General Fund

- Communications Staffing and Programming (-\$73,000)
- Federal Lobbyist and National Citizen's Survey (-\$68,000)

## FY 2022 DEPARTMENT OUTLOOK (CMO)

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- The City Manager's Office will continue to provide leadership and management to the City government organization while working with the City Council to maintain and enhance Palo Alto's quality of life.
- The City Manager's Office will focus on priorities that support residents, local businesses, and the City government organization during the COVID-19 recovery phase.
- Continue citywide strategic focus areas including legislative affairs, race and equity, business support and coordination, communications and community engagement, City 311 service request process review, sister city support, and other citywide efforts.



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# Non-Departmental Funds

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Operating Pg. 393-400

# FY 2022 BUDGET SUMMARY (NON-DEPARTMENTAL)

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## Balancing Strategy

Non-Departmental includes things not associated with specific departments like the payments associated with the month-to-month Cubberley Lease to PAUSD and the Transfer to Infrastructure as well as contingencies for various departments.

## Major Proposed Changes in General Fund

- Reserve: Utilities Transfer Litigation (Equity Transfer) (\$8.4M)
- Reserve: Remaining American Recovery Plan Act Funding (\$3.2M) excludes revised ARPA allocation
- Reserve: Strategic Investments (\$0.8M)
- Reserve: Transition Costs for FY 2021 & 2022 Budget Implementation (\$0.8M)
- Labor Concessions All Employee Groups (-\$1.6M)



# SERVICE AREA SUMMARY

	General Fund FY 2020 Adopted (Pre-Pandemic)	General Fund FY 2022 Proposed	% change	FY 2020 Adopted General Funds FTE (Pre-Pandemic)	FY 2022 Proposed General Fund FTE	% change
Administration and Governance	\$23.5 M	\$22.4 M	(4.4%)	94.32	82.63	(12.4%)

	Other Funds FY 2020 Adopted (Pre-Pandemic)	Other Funds FY 2022 Proposed	% change	FY 2020 Adopted Other Funds FTE (Pre-Pandemic)	FY 2022 Proposed Other Funds FTE	% change
Administration and Governance	\$36.9 M	\$34.8 M	(5.6%)	40.16	33.16	(17.4%)