



City of Palo Alto

Finance Committee Staff Report

(ID # 14455)

Meeting Date: 5/24/2022

Report Type: Action Items

Title: Discussion on the Fiscal Year (FY) 2023 Budget Wrap-Up and Recommended FY 2023 Budget including the FY 2023 Municipal Fee Schedule for City Council Adoption

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the Finance Committee:

1. Review and discuss:
 - a. Additional information provided as requested by the Committee or at staff's behest;
 - b. Summary of current budget adjustments to the Fiscal Year 2023 Proposed Operating and Capital Budgets and Municipal Fee Schedule in alignment with the work completed by the Committee May 10, and 11, 2022; and
2. Recommend to the City Council:
 - a. Adoption of the FY 2023 Operating and Capital Budgets and Municipal Fee Schedule, amended by the actions outlined in this report and approved in the wrap-up discussion,
 - b. Approve the FY 2023-2027 Capital Improvement Plan, amended by the actions outlined in this report and approved in the wrap-up discussion.

Executive Summary

At the conclusion of the May 24, 2022 Budget Wrap-up discussion with the Finance Committee, the Committee is ultimately tasked with providing a recommendation of adjustments to the FY 2023 Proposed Operating and Capital Budgets and Municipal Fee Schedule for the City Council consideration and adoption scheduled for June 20, 2022. After significant deliberations over the month of May, staff have consolidated all actions in this memorandum for ease of the Committee's final review including:

1. Adjustments tentatively approved by the Finance Committee
2. Finance Committee "parking lot" items for further discussion;
3. Additional staff recommended adjustments;

4. Additional information provided at the request of the Finance Committee or at staff's behest; and
5. Summary of Finance Committee review of FY 2022 Proposed Budget

Below is a summary table showing all the changes recommended. These changes are recommended to amend the original Proposed Budgets issued April 29, 2022. The chart is split into two columns to show the net cost impact to the General Fund and All Funds (which includes the General Fund). In addition, there are three items at the bottom of the chart that the Finance Committee put in the parking lot for further discussion as part of the wrap-up meeting. The dollar amounts for these items are associated with previous funding or the amounts in the proposed document, but are only displayed for reference at this point. More information and further descriptions for the parking lot items and recommended changes are outlined in this memorandum for reference.

Adjustments to FY 2023 Proposed Budget	General Fund FY 2023 Net Cost	All Funds FY 2023 Net Cost
University Avenue Valet Funding	-	(290,000)
National Citizen Survey	-	-
Performing Arts Seating Replacement (AC- 18000) Lucie Stern	-	50,000
Barron Park Alley (Cypress Lane)	18,000	18,000
General Fund Transfer to the Public Art Fund	14,000	-
Utilities Position Addition	-	276,000
Utilities Water Rate and Corresponding Adjustments	(87,000)	3,176,000
Utilities Fiber CPI Revenue Adjustment	-	96,000
Utilities Position Technical Correction	-	-
Ramos Park	-	300,000
Substation Physical Security Project	-	2,200,000
Additional Capital Improvement Program FY 2022 Reappropriations to FY 2023 as of May 2022	-	25,454,000
Total	(55,000)	31,280,000
Parking Lot Items for Further Discussion		
Downtown Housing Plan Grant Recognition and General Fund Support	(150,000)	(150,000)
Youth Connectedness Initiative (YCI)	50,000	50,000
United Nations Association Film Festival (UNAFF)	10,000	10,000

1. ADJUSTMENTS TENTATIVELY APPROVED BY THE FINANCE COMMITTEE

During the deliberations with the Finance Committee on May 10 and 11, the Committee reviewed the FY 2023 Operating Budget, Capital Budget, and Municipal Fee Schedule. The FY 2023 Budget reflects continued cautious optimism, consistent with the conservative financial

assumptions used to develop the FY 2022 Adopted Budget. This budget recommends ongoing reinvestments for urgent, critical needs for health, safety, and prior council direction (\$2.6 million, including \$1 million for Project Homekey) and also recommends approximately \$4 million in reinvestment in services previously reduced with the use of one-time funds, American Rescue Plan Act (ARPA) funding and major tax revenues expected to exceed budgeted estimates by approximately \$14 million in FY 2022. These one-time funds are recommended to assist in the restoration of services for a two-year period (through FY 2024). This approach allows the City to continue its ambitious plans to rebuild community services; however, to sustain these reinvestments beyond the limited term, ongoing revenues will be needed. The potential revenue ballot measure to affirm the current transfer of natural gas proceeds would provide the required ongoing funding needed to sustain these reinvestments in services.

As part of their review, the Finance Committee tentatively approved two adjustments to the Proposed FY 2023 Budget as described below:

University Avenue Valet Funding

At the May 11 meeting, the Finance Committee tentatively approved the elimination of FY 2023 funding of \$289,972 for the Parking Attendant Program in the University Avenue Parking Permit Fund (Special Revenue Fund). Valet programs are typically in use at Lots R, CC, CW, and S during peak usage as a method to increase garage capacity. As parking demand and revenue have been reduced compared to pre-pandemic levels, this expenditure will be eliminated during FY 2023 and staff will re-evaluate funding needs as part of the FY 2024 budget development.

National Citizen Survey (NCS)

At the May 11 meeting, the Finance Committee tentatively approved to restore \$30,000 in funding to conduct the NCS on an annual basis. In FY 2021, the NCS was transitioned from the City Auditor to the City Manager's Office, and as a cost-saving measure was reduced to being conducted on a biannual basis during odd numbered Fiscal Years. Most departments include NCS survey results as part of performance metrics and the reinstatement of annual surveys will enable the City to receive community feedback more frequently. Funding is currently budgeted for the NCS in FY 2023 and this adjustment will not impact the current budget; however, funding will be included annually beginning in FY 2024.

2. FINANCE COMMITTEE "PARKING LOT" ITEMS FOR FURTHER DISCUSSION

During budget hearings, the Finance Committee moved items to the 'Parking Lot' for further discussion at a future meeting. This section outlines those items and provides additional information requested by the Finance Committee and/or provided at staff's behest regarding the items in the parking lot.

Youth Community Services (YCS) Youth Connectedness Initiative (YCI) and United Nations Association Film Festival (UNAFF)

At the May 11 meeting, the Finance Committee discussed potential funding for YCS/YCI and UNAFF programs. In prior years, the YCS/YCI program has been funded annually at \$50,000 to supplement the City's teen mental health services. The Finance Committee also discussed potential funding for the UNAFF program. In prior years, this has been funded at an estimated cost of \$10,000 annually using the City Manager's or Special Events Contingency Reserves and waived rental costs at City facilities. Additionally, the Committee considered recommending that Council discuss whether to channel these funding requests into the City's current non-profit grant application and funding policy and process. The City's current mechanism for funding non-profits is through the Human Services Resource Allocation Process (HSRAP), which occurs biennially. This process involves the City's Human Relations Committee conducting a competitive Request for Proposal Process and is overseen by the City's Purchasing Department. The process considers the merits of each applicant based on its alignment with the City's Human Services Needs Assessment and other factors such as its impact to the community and amount of funding correlated to the programs being provided. The Committee then passes on their funding recommendations to the City Council for final approval.

Downtown Housing Plan Grant Recognition and General Fund Support

At the April 18 Council meeting ([CMR 14119](#)), Council directed staff to return with this item as a proposal in the FY 2023 Proposed Budget. During the May 11 Finance Committee meeting, the Committee tentatively approved the Planning and Development Services Department budget but placed the Downtown Housing Plan Grant budget proposal in the Parking Lot for further discussion. The current proposal recognizes and appropriates the award of \$800,000 in grant funding from the Metropolitan Transportation Commission (MTC) and appropriates an additional \$600,000 from the City's General Fund (\$150,000 annually for the next four fiscal years) to prepare a Downtown Housing Plan. The plan will focus on identifying and proposing strategies to address constraints to housing production, including affordable housing, in the Downtown area. Preparation of the plan is consistent with policies from the City's Comprehensive Plan. The plan would be prepared by a consulting firm(s) and services would include design and development of the plan for presentation to Council, community outreach, and project management services. The City is currently in the procurement process of selecting a firm for drafting the plan, and would have a separate procurement process for selecting a project manager. As part of finance deliberations, the Finance Committee considered deferring this action until the staff has the capacity to be more directly involved with the development of the plan due to the unique aspects of the Downtown area and the lack of familiarity that outside firms may have. Deferral of the plan would reallocate the grant funding to another jurisdiction and potentially reduce the City's ability to produce additional housing units to support the goals and policies of the current Housing Element or its successor until a plan is completed.

3. ADDITIONAL STAFF RECOMMENDED ADJUSTMENTS

In addition to the tentative adjustments outlined by the Finance Committee, staff recommends adjustments for several items requiring technical corrections to align the budget with

anticipated activity levels and changes that occurred following the release of the FY 2023 budget:

Long-Range Financial Plan for all Major Funds

As part of the updated requirements for the Government Finance Officers Association (GFOA) best practices as reflected in annual budget award criteria, it is recommended that jurisdictions include long-range financial plans with at least two years projected beyond the planned budget year for all major funds. Major funds are defined as any budgeted funds that have annual revenues or expenses of more than 10% of the operating budget. Based on the Proposed FY 2023 Citywide expense budget of \$934.2 million, funds with more than \$93 million in expenses or revenues would need to be included. This would include the General Fund, the Electric Fund, and the Wastewater Treatment Fund. In order to display this in the City's budget document, staff is recommending including a section in the annual Operating Budget with Source (revenues and transfers into the fund) and Use (expenditures and transfers out of the fund) statements for major funds. These statements will show point in time information, based on the FY 2023 Adopted Budget and future year estimates based on current information. These numbers can and will change as part of future year budget development processes; however, staff will be able to use these statements to explain changes from what was previously planned in a fiscal year to what is being proposed as the budget for that fiscal year. It should be noted, that similar to the review of the five-year Capital Improvement Plan, the future year numbers beyond FY 2023 on these statements are only for planning purposes and when adopting the Budget, the Council is only adopting the next fiscal year, FY 2023. An example Source and Use Statement for each of the three funds can be seen in **Attachment A**.

SPECIAL REVENUE FUNDS

General Fund Transfer to the Public Art Fund

The Public Art Fund was created in FY 2014 to support the City's Public Art Program. As Public Art expenses have increased, the FY 2023 transfer from the General Fund to the Public Art Fund is recommended to increase by \$14,000 from \$170,000 to \$184,000. This will keep the fund in compliance with requirements that limit the administration expenses that are funded through fees (ordinance 5226).

ENTERPRISE FUNDS

Utilities Position Addition

As part of the May 11 meeting with the Finance Committee, the Utilities Department presented an [at places memo](#) to recommend adding a 1.0 FTE Principal Utilities Program Manager to the FY 2023 Budget. This recommendation would create a new classification to provide high level strategic management support across multiple Utilities divisions (Engineering, Operations, Resource Management, Customer Support), and collaborate with other City departments (City Manager, Office of Sustainability, Development Services, Transportation, Public Works) on citywide initiatives such as the Sustainability and Climate Action Plan (S/CAP). The Human

Resources Department approves this new Utilities classification in concept; however, any new job classification requires completion of appropriate review, including any potential discussions with bargaining groups. The position will be funded across the Electric, Gas, and Water Funds with a total salaries and benefits cost of approximately \$275,000. The Finance Committee approved the addition of this position as part of their vote to tentatively approve the Utilities Department Operating Budget (passed 3-0).

Utilities Water Rate and Corresponding Adjustments

On May 10, 2022 the San Francisco Public Utilities Commission (SFPUC) approved a wholesale water commodity rate increase of 15.9%, which will be passed through to Palo Alto water utility customers. FY 2023 is the first year the Water fund commodity pass through costs are being implemented since SFPUC's water supply rates remained flat from FY 2017 through FY 2022. SFPUC is increasing rates due to drought related water restrictions and increasing debt service for major capital projects on the Hetch Hetchy Regional Water System. This results in an 8.9% systemwide average rate increase for water, comprised of the 4% distribution rate increase plus a water commodity pass-through rate increase. The Water Utility's reserves will be used to smooth rate increases over several years. Adjustments to the FY 2023 Proposed budget are recommended to align anticipated revenues and expenses to reflect SFPUC's 15.9% commodity rate increase. Prior to the May 10th meeting, SFPUC provided a range of increase estimated between 15.1% and 25.1%. To mitigate commodity cost impact to City customers including the General Fund, staff assumed the most conservative scenario for water revenues and corresponding charges by modeling a 25.1% rate increase. Due to lower than modeled commodity rate increase, water revenues and corresponding charges will decrease by \$1.7 million from the FY 2023 Proposed amount of \$49.6 to \$47.9 million, which results in an approximately \$87,000 expense reduction in the General Fund, \$90,000 across all funds. For the FY 2023 Proposed commodity budget, staff maintained a relatively flat expense level given the uncertainty and wide range of proposed increases. With SFPUC's approved 15.9% rate increase, water commodity purchases will increase by \$1.5 million from the FY 2023 Proposed amount of \$21.8 to \$23.3 million to reflect the wholesale rate increase.

Utilities Fiber CPI Revenue Adjustment

Fiber revenues are recommended to decrease by \$0.1 million in FY 2023 from \$3.7 to \$3.6 million in alignment with the anticipated revenues from Dark Fiber Licensing Services on the EDF-1 Rate Schedule increase based on the annual Consumer Price Index (CPI) of 4.2%. Commercial fiber optic fees charged under the EDF-1 Rate Schedule are adjusted annually in accordance with the CPI, which is published by the United States Bureau of Labor Statistics. This adjustment also includes a technical correction to remove revenue from industrial fiber customers, as there are no longer customers in this category.

Utilities Position Technical Correction

A technical correction to the Electric Operations Technologist Staff Reclassification adjustment performed in the FY 2023 Proposed book is recommended. This correction reallocates FTE in

the correct cost centers and results in a 0.49 FTE and \$90,000 decrease to the Water Fund with a commensurate 0.49 FTE and \$90,000 increase in the Gas Fund.

CAPITAL IMPROVEMENT PROGRAM (CIP) PLAN

Capital Project Reappropriations

The Municipal Code requires City Council authorization to reappropriate fund for capital projects from one year to the next. These amounts are assessed in early spring to develop the FY 2022 Proposed budget and as an amendment to the proposed budget once more refined estimates are available. These adjustments do not change the overall funding levels and “true-up” the budget to the fiscal year that activity is anticipated to occur; projects experiencing delays in the current year will have funding increased and available at the onset of FY 2023 and projects with higher than anticipated expenditure levels in the current year will have funding reduced in FY 2023. Departments have refined current year estimates and staff recommends a total of \$83.6 million to be reappropriated from FY 2022 to FY 2023 across all funds, a \$27.6 million increase from the \$56.0 million in the Proposed Budget. This re-review of projects results in an increase to the FY 2023 Capital Improvement Fund Budget by \$6.0 million, from \$27.3 million to \$33.3 million. These amounts supersede the reappropriations presented to the Finance Committee at the May 10 at places memo and a detailed presentation of adjustments will be included in the FY 2023 Budget Adoption staff report, tentatively scheduled for City Council review on June 20, 2022. A summary of these adjustments is presented in **Attachment B**.

Ramos Park (PG-14000) – The design for this project is complete and the Community Services Department anticipates bidding this project in Summer 2022. Funding for this project has been diminished in prior years through administrative charges, so staff recommends adjusting this project in FY 2023 to fund the award of the project. The amount of this adjustment is \$300,000 and the funding will be reimbursed from the Capital Improvement Fund Administration project (AS-10000), so the Infrastructure Reserve will not be impacted by this action.

Substation Physical Security (EL-16003) – This action increases the Substation Physical Security Project (EL-16003) by \$2.2 million in FY 2023 from the proposed level of \$2.2 million to \$4.4 million. The \$2.2 million is comprised of \$1.1 million reappropriated from FY 2022 and \$1.1 million from year-end savings in various projects within the Electric fund which were reprioritized and deferred due to staffing shortages (\$0.5 million Substation Breaker Replacement EL-17002; \$0.6 million Facility Relocation for Caltrain Modernization Project EL-17007). The resulting \$4.4 million budget in FY 2023 for EL-16003 will cover the estimated costs and related staffing expenses to install security walls, perimeter lighting and cameras at all nine Electric Substations.

Stormwater Management Oversight Committee Review of the FY 2023 Stormwater Management Fund Budget

On April 7, 2022, the Stormwater Management Oversight Committee met to discuss the Fiscal Year 2023 proposed Stormwater Management Fund budget and compared it with the provisions of the Storm Water Management Fee approved by Palo Alto property owners in 2017. The Committee concurred that funding generated by the Storm Water Management Fee will be applied solely to fund the capital improvement projects, green stormwater infrastructure projects, innovative stormwater projects, enhanced maintenance of storm drain system, and storm water quality protection programs specified for implementation in the ballot measure in Fiscal Year 2023. The Committee submitted a letter (**Attachment C**) for the Finance Committee and City Council's review.

Planning and Transportation Commission Review of the New Projects in the 2023-2027 Capital Improvement Plan

On May 11, 2022, the Planning and Transportation Commission (PTC) reviewed the 12 new projects in the 2023-2027 Capital Improvement Plan for each of the project's compliance with the City's 2030 Comprehensive Plan. The Commission determined that all 12 projects are in compliance with the Comprehensive Plan and submitted a Letter of Conformance (**Attachment D**) for the Finance Committee and the City Council's review. The PTC also recommended the following adjustments to the Fire Training Center (FD-24000) 1) include funding in FY 2023, instead of FY 2024, for the feasibility study for this project, and 2) consider expanding the budget to include funding for adequate temporary training facilities for fire personnel until the new training facility is completed.

Fire Training Center (FD-24000)

Staff from the Fire and Public Works Departments have reviewed the PTC letter with regard to the Fire Training Center (FD-24000) capital project and recommend keeping the funding for the feasibility study in FY 2024 due to workload availability already at capacity with other programmed capital projects in FY 2023. The Fire Department is currently evaluating additional needs for training, beyond the capacity of the temporary training trailer and the current training center on the Stanford campus, while FD-24000 is being designed and constructed. At this time, the Department is estimating that additional overtime funding may be required to send personnel to more specialized training outside the City; however, the cost is not fully defined. The Department estimates the cost may be in the range of \$0.3 million to \$0.5 million per year and will return as part of the FY 2023 Mid-Year Budget Review to increase funding in FY 2023 if needed. This funding will also be added to the FY 2024 Budget through FY 2026 as part of the FY 2024 Budget process.

3. ADDITIONAL INFORMATION AT THE REQUEST OF THE FINANCE COMMITTEE OR AT STAFF'S BEHEST

During budget deliberations, the Finance Committee requested a more in-depth review of summary information or topics not currently included in the FY 2023 Proposed Budget. This section outlines those items and provides additional information. Staff has noted these items for the Finance Committee consideration to recommend to the City Council as potential referrals to staff.

City Auditor's Office Key Performance Measures

The Office of the City Auditor currently tracks multiple key performance metrics, including the number and progress of hotline reports and the progress of implementation of corrective actions in response to audit recommendations. These metrics are reported in quarterly reports as well as in the annual report. In the coming year, the Office of the City Auditor will report on additional metrics related to the completion of audit activities and work with the Policy and Services Committee to identify additional metrics. Several proposed Key Performance Measures for the City Auditor's Office being considered for the budget document are:

- Percentage of Planned Activities Completed
- Number of correction actions completed in a timely manner
- 'Customer' satisfaction based on a survey of the Executive Leadership Team

Plan for Lucie Stern Theater Seating Replacement

Funding in the Performing Arts Venues Seat Replacement (AC-18000) project in FY 2022 (\$0.4 million) will be used to award a contract to repair the seats at the Children's Theater; however, there will not be enough funding to complete repairs at the Lucie Stern Theater. Bids were received for work at the Children's Theater in May 2022 and based on the estimated work at the Lucie Stern Theater, Staff recommends adding funding of \$0.7 million to AC-18000 to replace the seats at the Lucie Stern Theater. Damages to the seats at the Lucie Stern Community Center include: broken springs, loose and missing screws, ripped and stained upholstery, and missing seat numbers. In addition, broken seat mechanisms are limiting accessibility and the replacement seating will also incorporate a more modern ADA compliance design. The additional funding will program \$50,000 in FY 2023 for design work at the Lucie Stern Community Center and \$650,000 in FY 2024 to complete construction.

Overall Plan, Status, and Next Steps for the Bike and Pedestrian Project

Work is underway for improvements to the street network and bicycle and pedestrian infrastructure in alignment with the 2012 Bicycle and Pedestrian Transportation Plan (BPTP) as resources allow. Some BPTP projects are funded via the Bicycle and Pedestrian Transportation Plan Implementation capital project (PL-04010) while others have been pulled out into their own capital projects or are funded out of the Safe Routes to School project (PL-00026) where appropriate.

Recent accomplishments include:

- Charleston-Arastradero Road Corridor Project in final construction phase (PE-13011)
- Highway 101 Pedestrian and Bicycle Overcrossing connecting Adobe Creek Reach Trail (PE-11011)
- N. California Avenue (PL-04010), Homer (PL-04010), and Los Robles Enhanced Bikeways (PL-04010)
- Ross, Louis, and Moreno Bicycle Boulevards (PL-04010)
- Various Locations:
 - Trail access improvements (PL-04010)
 - Enhanced bikeways (PL-04010)
 - Intersection spot improvements (PL-12000, PL-05030, PL-00026, PL-04010)
 - Bike rack installations (PL-04010)

Initiated projects include:

- Newell Road Bridge Crossing engineering phase, design in progress (PE-12011)
- Churchill Avenue engineering, design in progress (PL-14000) and South Palo Alto Enhanced Bikeways concept, ongoing (PL-0026)
- Geng Road Trail (Bay Trail) Widening/Repaving partially completed through a project managed outside the City
- Castilleja-Park-Wilkie and Bryant Street Bicycle Boulevards, partially completed (PL-04010)
- El Camino Real/Embarcadero Intersection Improvement; engineering, paused due to grade separation planning. Staff is reviewing near-term options east of Alma Street (PL-15001).

Via the upcoming Bicycle and Pedestrian Plan update, staff will engage the community to re-evaluate and prioritize future bicycle and pedestrian projects, including 2012 BPTP projects not yet initiated and the paused Neighborhood Traffic Safety and Bicycle Boulevard Project (NTSBB). Work will continue with the Pedestrian and Bicycle Advisory Committee, City/School Transportation Safety Committee, and Planning and Transportation Commission to recommend prioritization of BPTP projects.

Cumulative investments made in Grade Separation to date

To date, the cumulative investment for the Grade Separation (tracking through the Rail Grade Separation capital project PL-17001) is \$4.6 million. Costs date back to FY 2017 with Mott McDonald and AECOM contracts included. Associated funding has been used to:

- Identify and recommend alternatives for consideration at four at-grade separation locations
- Prepare conceptual plans for various alternatives for grade separation
- Perform data collection and conduct studies needed to determine the major impacts at this preliminary evaluation
- Community engagement and Outreach efforts in providing information to community
- Support Technical and Advisory Groups such as Expanded Community Advisory Panel (XCAP)

This project is essential to support the City Council work related to a prior Council priority to determine a preferred method for rail grade separation in Palo Alto. It provides engineering support, circulation studies, community engagement efforts, and other subsequent tasks needed to advance the City’s goal of grade separating railroad crossings. This project changes four rail grade crossings and is estimated to exceed \$1 billion, potentially representing the largest public works project the City has ever undertaken.

Barron Park Alley (Cypress Lane) Cost Estimate and Strategy to Explore Ownership

Following Finance Committee direction, staff researched the ownership history of Cypress Lane (i.e., the alley behind Barron Park). Cypress Lane is located in the Barron Park subdivision and was annexed from the County of Santa Clara in the 1970s (see map in **Attachment E**, area marked “Lane”). Subdivision maps from 1925 – 1937 indicate that the former owners had unsuccessfully attempted to dedicate the land to the County for public use.

Staff had engaged North American Title Company (now Doma Holdings, Inc.) in 2002 and First American Title Insurance Company in 2009 to assist with determining ownership of Cypress Lane. Both title companies similarly concluded that fee title to Cypress Lane is held by the adjoining property owners. Staff has since reached out to both title companies for further clarification and assistance to determine actual ownership. This project can be broken out into three steps: 1) Confirm current ownership of Cypress Lane; 2) based on the findings in step 1, determine how the City could take ownership of Cypress Lane; and 3) if the City takes ownership of the property, repair and maintain Cypress Lane. At this time, if the Committee wishes to recommend this project proceed, at minimum, increasing funding in the Administrative Services Department Real Estate Division by \$18,000 for staffing and consultant resources is needed for step 1 of the project. Staff could then return with the results of step 1 and recommend necessary actions and funding needs to continue with steps 2 and 3 if desired, during FY 2023.

Summary of Capital Projects Transitioned from the I.T. Capital Budget to Operating Budget, and Top I.T. Department Software Expenditures

As technology continues to move toward a software as a service (SaaS) or subscription-based model, expenses are typically considered as operating expenses rather than capital expenses. More and more frequently, organizations are moving to an operating expenditure model rather

than a capital one, as capital expenses are generally reserved for static investments while operating expenses are intended for fluctuating costs that can be scaled as necessary. This is the case for most of the City's information technology processes now. A few examples of services moving from capital to operating are the City's enterprise resource planning (ERP) software, Amazon Web Services (AWS), laptop replacements, and network infrastructure (e.g., switches, hubs and, wireless access points). See **Attachment F** for a listing of significant contract/consultant expenditures from FY 2020 – 2022.

Sustainability/Climate Action Plan (S/CAP) Overview and Staffing Requests

As discussed during the Finance Committee's budget hearing on May 10, the S/CAP review was an overlay of budget items included within individual departments' budgets but was presented separately to reflect the cross-departmental nature of the S/CAP effort and its status as one of the 2022 Council Priorities. The review included new positions approved by Council during the FY 2022 Mid-year, and new positions and resources recommended in the Proposed FY 2023 Budget. For the June 20 Budget Adoption item, staff will include an overview of the functional areas involved in implementing the electrification efforts needed to support the 80 percent greenhouse gas reduction by 2030 goal, and how the staffing and other resources recommended in the FY 2023 budget support these areas and the goal.

Reserve: Supplemental Pension Trust Fund Contributions

This \$1.3 million reserve sets aside six months of funding to phase-in a reduction of the assumed rate of return, from 6.2 percent to 5.3 percent, for supplemental contributions to the City's Section 115 Pension Trust Fund ("Pension Trust"). This action more closely aligns the rate of return with the recent CalPERS Asset Liability Management (ALM) study, which includes a survey of external asset managers and consultants to gain expert projections on expected market returns. In the most recent ALM study completed in November 2021, the median expected returns of survey participants were 5.3 percent (10-year) to 6.2 percent (20-year)¹. It is important to note that the Pension Policy ([CMR 11722](#)) does not require realignment of this rate based on market returns, or other external factors. However, a lower discount rate aligns with the policy's intent to fund pensions at a rate that more closely reflects market projections. The City has engaged in extensive conversations to address the cost of current and forecasted pension benefits, including strategies to pre-fund long-term pension obligations. As part of pension funding guidelines in September 2018, the Finance Committee directed the use of a 6.2 percent rate of return for financial planning purposes ([CMR 9604](#)). This rate was consistent with CalPERS investment consultant (Wilshire Associates) 10-year projection as of November 2016. Wilshire continues to provide pension consultancy services to CalPERS and participates in survey responses included in the ALM study.

All Funds "Catch-up" Pension Contribution (one-time)

¹ CalPERS ALM Quarterly Webinar, August 03.2021 (slide 26) - <https://www.calpers.ca.gov/docs/alm-quarterly-webinar-08-03-2021.pdf>

This one-time action transfers \$550,000 from other funds (Enterprise, Internal Service, and Special Revenue Funds) to the General Benefits Fund for supplemental contributions to the City's Pension Trust. In FY 2022, the City Council approved an additional \$1.0 million contribution to the Pension Trust from the General Fund Budget Stabilization Reserve (BSR) ([CMR 13801](#)). Through FY 2022, the City will have made \$41.3 million in principal contributions to the Pension Trust (Approximately 65 percent from the General Fund). This one-time "catch-up" aligns contributions from other funds at levels consistent with the General Fund, ensuring consistent contribution levels across all funds.

Discount Rate Assumptions – Pensions and Other Post-Employment Benefits (OPEB)

The discount rate assumption reflects the assumed real rate of return and annual price inflation, currently 4.50 percent and 2.50 percent, respectively, for the City's pension plans. Therefore, changes to these assumptions or actuarial experience that vary from anticipated will impact the overall fund status and unfunded liability. A sensitivity analysis for price inflation is included in the most recent June 30, 2020 CalPERS Annual Valuation, presented in the tables below ([CMR 13440](#)).

Sensitivity to the Price Inflation Assumption (Miscellaneous Group)

As of June 30, 2020	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	6.0%	7.0%	8.0%
Inflation	1.5%	2.5%	3.5%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	19.01%	17.78%	16.35%
b) Accrued Liability	\$956,181,093	\$909,429,635	\$847,993,148
c) Market Value of Assets	\$592,313,289	\$592,313,289	\$592,313,289
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$363,867,804	\$317,116,346	\$255,679,859
e) Funded Status	61.9%	65.1%	69.8%

Sensitivity to the Price Inflation Assumption (Safety Group)

As of June 30, 2020	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	6.0%	7.0%	8.0%
Inflation	1.5%	2.5%	3.5%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	32.49%	30.36%	27.95%
b) Accrued Liability	\$513,251,154	\$487,159,688	\$455,858,893
c) Market Value of Assets	\$293,857,975	\$293,857,975	\$293,857,975
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$219,393,179	\$193,301,713	\$162,000,918
e) Funded Status	57.3%	60.3%	64.5%

Actuarial assumptions for the most recent June 30, 2019 OPEB bi-annual valuation report include a real rate of return and annual price inflation of 4.00 percent and 2.75 percent, respectively ([CMR 11284](#)). At the time of FY 2023 Proposed Budget development, an updated valuation for the period ending June 30, 2021 had not yet been finalized. Staff anticipates returning to the Finance Committee in June 2022 to provide an update on the fund's status as of June 30, 2021 for use in FY 2023 and FY 2024 budget development.

Update on Website Search and Future Plans for Document Search

During the budget hearing deliberations, the Finance Committee asked questions about the City's new website specifically related to the search function and future plans for document search capacity. The following provides a brief update on these two focus areas.

Web Search Functionality – The City Manager's Office, in collaboration with the Information Technology Department, manage the City's official website and related sites located at www.cityofpaloalto.org and www.paloaltozoo.org. Over the last three years, a Citywide effort was implemented to migrate the City's existing webpages to a new online platform. This culminated in the Spring of 2021 launch of a new website focused on several improvements such as new design, robust search including new 'search near' map, and online web forms. This involved migrating over an estimated 3,900 pages and 90,000 documents and adding over 1,600 new pages. The new website transition included a seven-month training period that took place in the middle of the COVID-19 pandemic.

Over the past year, a web team of contributors from each of the City's twelve departments, City Auditor's Office, City Attorney's Office, City Clerk's Office, and City Manager's Office, have maintained and continue to update existing pages. This work is ongoing and includes ensuring search optimization. The City is actively focused on ensuring the search functionality is as robust as possible. Weekly reports on website search terms are used to reinforce and improve search results. In addition, the City Manager's Office is evaluating other resources to audit the search function which will be used to support enhanced search elements and complement current staff work on this effort.

Document Retention System & Search – The City Clerk's Office is in the final stages of implementing an online document management system for the City's legislative records that includes a robust search capability allowing key word searches of documents, and the application of filters for search criteria such as document type, board name and date. Additionally, on May 16, 2022, the City Council approved a contract for a new Agenda Management System which will further enhance access to City records. The City Clerk, City Information Officer, and Chief Communications Officer are working together on ensuring that these tools are available on the City's website in a way that offers the best approaches for the public to search City Council agenda materials, City Boards, Commissions, and Committees meeting materials, and legislative documents like ordinances, resolutions, meeting minutes, and contracts. The City Clerk anticipates both the record management system and the agenda management system to launch this summer for public access. Information will be shared with the public through the City's communications channels when these options become available.

4. SUMMARY OF FINANCE COMMITTEE REVIEW OF FY 2023 PROPOSED BUDGET (ACTIONS & REFERENCES)

Action Minutes to the Finance Committee Hearings can be found on the City's webpage here: <https://www.cityofpaloalto.org/Departments/City-Clerk/City-Council-Standing-Committees/Finance-Committee>. In addition, throughout the Finance Committee Budget

Hearings, various memoranda were distributed “At Places” in order to respond to inquiries made by the Committee or provide additional pertinent information at staff’s behest. In addition, summary presentations were given at each hearing providing high level overviews of each item. Specific meetings and reference links to materials are outlined below.

May 2, 2022 City Council Meeting

Action Minutes:

- <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220502/20220502amccsm.pdf>

Presentations:

- FY 2023 Proposed Budget Overview
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/item-presentations/2022/20220502/20220502pptccsm-item-4-fixed.pdf>

Video: <https://www.youtube.com/watch?v=TrvhBgCIBY4>

May 10, 2022 Finance Committee

Action Minutes:

- <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220510/20220510amfscsm.pdf>

Presentations:

- FY 2023 Proposed Operating and Capital Budgets:
<https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy2023-city-budget/budget-hearing-related/may-10-2022-finance-committee-presentation.pdf>

Video: <https://www.youtube.com/watch?v=8HBgO5VebYM>

May 11, 2022 Finance Committee

Action Minutes:

- <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220511/20220511amfscsm.pdf>

Presentations:

- FY 2023 Proposed Operating and Capital Budgets Continuation:
<https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy2023-city-budget/budget-hearing-related/may-11/may-11-2022-finance-committee-presentation.pdf>

Video: <https://www.youtube.com/watch?v=7U9TO5BEs6o>

List of Supplemental Information provided during Budget Deliberations

During the Finance Committee hearings and the City Council update, staff provided additional information to Committee members to assist in the review of the Fiscal Year 2023 Proposed Budget. Below is a list of links to those memoranda:

- May 10 [At Places Memorandum: Additional Information](#)

- May 11 [At Places Memorandum: Infrastructure and Environment, Item 5A](#)

Additional Information Memos from May 10 (provided at staff's behest)

In previous years, the City Council has made a variety of requests to provide context and/or additional data points of reference to aid in budget deliberations. Staff compiled and transmitted the following items at the May 10, 2022 budget meeting:

- Capital Fund reappropriations list
- Vacancy report, as of May 2022
- City's list of lease information
- Service provider spend report
- Department organization charts
- Responses to City Council questions from May 2 Study Session
 - Hiring status of positions added during FY 2022
 - Potential cost savings due to delayed hiring in FY 2023
 - Citywide General Expense Reconciliation (FY22 Adopted to FY23 Proposed)
 - Status of various capital projects (verbal update during Capital Fund Projects Overview)

Fiscal Sustainability Community Conversation Feedback

Starting February 15, 2022, the City produced focused public information as well as solicited online and mailed feedback regarding the City's fiscal sustainability efforts using a simple [form](#). Community members could rank their priorities for community services, provide suggestions for additional service priorities, and pose questions about the City's fiscal sustainability efforts and revenue measures. There were 433 responses as of May 17, 2022 (242 online survey responses and 191 mailed survey responses). The most highly ranked priorities for the survey respondents were Maintaining basic services; Repairing streets/roads; Investing in community-owned assets; Adding public safety services such as police, fire, and emergency medical; and Funding affordable housing and homeless services. This communication has continued to provide updates on the City budget and ballot measure development efforts.

Attachments:

- Attachment A: Source & Use Statements, Major Funds
- Attachment B: FY 2022 Reappropriations to FY 2023
- Attachment C: Stormwater Management Oversight Letter
- Attachment D: PTC Conformance Letter
- Attachment E: Cypress Lane Map
- Attachment F: Information Technology Significant Contract Expenses

Attachment A: Long-Range Financial Plan for all Major Funds

General Fund (102 & 103)

	2021 Actuals	2022 Adopted	2023 Proposed*	2024 Forecast	2025 Forecast
SOURCE OF FUNDS					
Beginning Fund Balance					
Reserve for Encumbrances	5,676,000	6,259,890	13,716,110	13,716,110	13,716,110
Other Reserves**	17,093,000	18,436,498	17,486,447	16,928,912	16,928,912
Budget Stabilization Reserve	35,871,000	49,089,000	54,649,949	45,799,000	44,529,602
Total Beginning Fund Balance	58,640,000	73,785,388	85,852,506	76,444,022	75,174,624
Revenues					
Charges to Other Funds	11,660,650	14,165,061	13,690,062	14,459,569	14,810,218
Other Revenue	2,424,383	2,260,235	2,200,950	2,141,689	2,142,448
Other Taxes and Fines	682,630	1,434,412	1,784,412	1,784,412	1,784,412
Return on Investments	1,013,632	852,200	1,066,145	1,090,986	1,117,388
Sales Taxes	29,127,329	28,183,600	32,580,000	33,786,000	34,867,000
Charges for Services	24,478,498	23,870,483	30,270,998	31,450,841	32,134,945
Rental Income	13,366,049	14,476,395	15,572,454	16,213,454	16,815,454
Permits and Licenses	7,887,723	8,405,604	9,763,947	9,959,403	9,999,814
From Other Agencies	2,173,407	8,521,400	7,525,613	1,281,001	998,240
Operating Transfers-In	20,887,000	23,120,524	22,532,100	22,532,100	22,532,100
Documentary Transfer Tax	10,627,362	7,136,900	7,216,839	6,868,448	7,029,857
Property Taxes	56,571,734	51,227,800	59,770,000	63,050,000	66,533,000
Transient Occupancy Tax	5,178,992	8,427,700	18,199,239	22,603,845	26,521,090
Utility Users Tax	14,641,912	14,370,000	15,578,726	16,225,829	16,918,781
Total Revenues	200,721,301	206,452,313	237,751,484	243,447,579	254,204,747
TOTAL SOURCE OF FUNDS	259,361,301	280,237,701	323,603,990	319,891,600	329,379,371
USE OF FUNDS					
Expenses					
Allocated Charges	17,422,905	20,117,387	22,801,217	23,643,780	24,187,358
Contract Services	17,763,614	30,199,708	24,006,101	22,312,432	22,336,342
Facilities & Equipment	463,849	426,969	480,334	429,469	429,469
General Expense	6,581,155	7,938,045	21,663,752	8,368,545	8,337,299
Operating Transfers-Out	4,270,890	4,296,286	4,908,121	4,498,745	4,529,765
Rents & Leases	1,782,482	1,297,533	1,332,873	1,368,299	1,404,638
Salary & Benefits	125,792,751	131,548,656	148,362,685	155,320,903	159,974,284
Supplies & Material	2,204,180	2,980,132	3,204,884	3,113,534	3,113,534
Transfer to Infrastructure	9,294,087	10,405,648	20,400,000	25,661,269	30,630,496
Total Expenses	185,575,913	209,210,364	247,159,968	244,716,977	254,943,185
Ending Fund Balance					
Reserve for Encumbrances	6,259,890	13,716,110	13,716,110	13,716,110	13,716,110
Other Reserves**	18,436,498	17,486,447	16,928,912	16,928,912	16,928,912
Budget Stabilization Reserve	49,089,000	39,824,780	45,799,000	44,529,602	43,791,163
Total Ending Fund Balance*	73,785,388	71,027,337	76,444,022	75,174,624	74,436,185
TOTAL USE OF FUNDS	259,361,301	280,237,701	323,603,990	319,891,600	329,379,371

* FY 2023 Fund Balances have been revised to include FY 2022 adjustments and use of reserves.

** Other Reserves include Notes Receivable, Prepaid Items, Interfund Advances, Inventory of Materials & Supplies, Development Services, Edgewood Plaza, and other items.

Note: Excludes Unrealized Gains/Losses, Non-Budgetary Reserves for GASB 68 (Pension) and GASB 75 (OPEB)

Electric Fund (513 & 523)

SOURCE OF FUNDS	2021 Actuals	2022 Adopted	2023 Proposed*	2024 Forecast	2025 Forecast
Beginning Fund Balance					
Reserve for Encumbrances	9,308,052	7,090,272	18,963,199	18,963,199	18,963,199
Operating Reserves	121,760,948	116,493,684	113,893,000	88,093,244	79,766,275
Total Beginning Fund Balance	131,069,000	123,583,956	132,856,199	107,056,443	98,729,474
Revenues					
Charges for Services	112,197	220,000	220,000	220,000	220,000
Charges to Other Funds	142,329	188,523	188,523	188,523	188,523
Net Sales	156,125,186	157,063,270	172,681,248	185,591,126	191,318,140
Operating Transfers-In	2,582,005	2,291,326	2,293,766	2,293,766	2,293,766
Other Revenue	6,248,107	8,918,000	8,918,000	8,918,000	8,918,000
Return on Investments	1,990,185	2,083,800	1,563,800	1,563,800	1,563,800
Total Revenues	167,200,009	170,764,919	185,865,337	198,775,215	204,502,229
TOTAL SOURCE OF FUNDS	298,269,009	294,348,875	318,721,536	305,831,657	303,231,702
USE OF FUNDS					
Expenses					
Allocated Charges	8,130,486	10,658,402	10,752,675	11,042,610	11,180,350
Contract Services	13,338,013	33,393,031	32,190,206	26,312,915	26,322,445
Debt Service	7,745,552	8,071,519	9,003,300	9,003,300	9,003,300
Equity Transfer	13,638,000	14,298,000	14,635,000	14,635,000	14,635,000
Facilities & Equipment	-	16,000	16,000	16,000	16,000
General Expense	1,338,777	5,113,367	5,263,037	5,544,537	5,259,037
Operating Transfers-Out	141,758	-	-	-	-
Rents & Leases	6,301,099	6,490,030	6,642,470	6,832,470	7,027,470
Salary & Benefits	23,038,647	26,864,709	29,727,650	31,060,597	32,161,619
Supplies & Material	2,386,730	911,207	911,207	911,207	911,207
Transfer to Infrastructure	165,080	-	780,000	-	-
Utility Purchase	98,460,911	96,512,497	101,743,548	101,743,548	101,743,548
Total Expenses	174,685,053	202,328,763	211,665,093	207,102,184	208,259,976
Ending Fund Balance					
Reserve for Encumbrances	7,090,272	18,963,199	18,963,199	18,963,199	18,963,199
Operating Reserves	116,493,684	73,056,914	88,093,244	79,766,275	76,008,528
Total Ending Fund Balance	123,583,956	92,020,113	107,056,443	98,729,474	94,971,727
TOTAL USE OF FUNDS	298,269,009	294,348,875	318,721,536	305,831,657	303,231,702

* FY 2023 Beginning Fund Balance adjusted for projected FY 2022 adjustments

Note: Excludes Non-Budgetary Reserves for GASB 68 (Pension) and GASB 75 (OPEB)

Wastewater Treatment Fund (526)

	2021	2022	2023	2024	2025
	Actuals	Adopted	Proposed*	Forecast	Forecast
SOURCE OF FUNDS					
Beginning Fund Balance					
Reserve for Encumbrances	6,821,072	18,760,222	24,714,973	24,714,973	24,714,973
Unrestricted Beginning Fund Balance	10,938,928	617,109	6,788,000	22,485,807	9,316,985
Total Beginning Fund Balance	17,760,000	19,377,331	31,502,973	47,200,780	34,031,958
Revenues					
Charges to Other Funds	53,558	65,086	66,756	68,057	69,391
Net Sales	29,802,965	31,572,584	33,831,924	33,831,924	33,831,924
Other Revenue	675,368	32,407,270	198,012,900	21,123,000	210,500
Other Taxes and Fines	0	4,000	4,000	4,000	4,000
Return on Investments	290,435	316,000	219,100	219,100	219,100
Total Revenues	30,822,326	64,364,940	232,134,680	55,246,081	34,334,915
TOTAL SOURCE OF FUNDS	48,582,326	83,742,271	263,637,653	102,446,860	68,366,873
USE OF FUNDS					
Expenses					
Allocated Charges	5,534,100	6,209,427	6,783,470	7,163,026	7,370,437
Contract Services	7,652,847	33,899,911	189,702,028	41,046,228	7,750,228
Debt Service	701,034	1,468,851	1,468,851	1,468,851	1,468,851
Facilities & Equipment	0	7,500	7,500	7,500	7,500
General Expense	459,088	494,729	641,969	641,969	641,969
Operating Transfers-Out	0	14,000	26,900	0	0
Rents & Leases	498	0	334,785	344,956	355,307
Salary & Benefits	13,228,524	14,782,006	15,376,977	15,647,979	16,126,289
Supplies & Material	1,628,903	2,094,393	2,094,393	2,094,393	2,094,393
Total Expenses	29,204,995	58,970,818	216,436,874	68,414,903	35,814,974
Ending Fund Balance					
Reserve for Encumbrances	18,760,222	24,714,973	24,714,973	24,714,973	24,714,973
Unrestricted Ending Fund Balance	617,109	56,480	22,485,807	9,316,985	7,836,926
Total Ending Fund Balance	19,377,331	24,771,453	47,200,780	34,031,958	32,551,899
TOTAL USE OF FUNDS	48,582,326	83,742,271	263,637,653	102,446,860	68,366,873

* FY 2023 Beginning Fund Balance adjusted for projected FY 2022 adjustments

Note: Excludes Non-Budgetary Reserves for GASB 68 (Pension) and GASB 75 (OPEB)

Capital Improvement Plan FY 2022 Reappropriations to FY 2023 as of May 2022

Fund Number and Name	Project Title	Proj. No.	Expense Reappropriation Adjustment	Revenue Reappropriation Adjustment	
471 - Capital Improvement Fund	Americans With Disabilities Act Compliance	PF-93009	438,000.00		
	Animal Shelter Renovation	PE-19002	917,700.00		
	Art In Public Spaces	AC-86017	1,477,200.00		
	Athletic Courts Resurfacing	PG-06001	75,800.00		
	Baylands Comprehensive Conservation Plan	PG-17000	7,100.00		
	Boulware Park Improvements	PE-17005	3,124,000.00	1,500,000.00	
	Building Systems Improvements	PF-01003	100,000.00		
	Cameron Park Improvements	PG-14002	101,500.00		
	Churchill Avenue Enhanced Bikeway	PL-14000	2,776,100.00		
	Churchill Avenue/Alma Street Railroad Crossing Safety Improvements	PL-20000	3,845,900.00	3,845,900.00	
	City Bridge Improvements	PE-20001	70,000.00		
	City Facility Parking Lot Maintenance	PE-09003	199,000.00		
	City Hall Space Planning	PE-19000	575,000.00		
	Civic Center Electrical Upgrade & EV Charger Installation	PE-17010	485,400.00	240,000.00	
	Civic Center Fire Life Safety Upgrades	PE-18016	205,100.00		
	Civic Center Waterproofing Study and Repairs	PE-15020	301,000.00		
	Curb and Gutter Repairs	PO-12001	11,600.00		
	Dog Park Installation and Renovation	PG-18001	144,500.00	144,500.00	
	Downtown Automated Parking Guidance Systems, Access Controls & Revenue Collection Equip.	PL-15002	2,419,100.00		
	Extinction Tool Replacement	FD-20000	118,187.00		
	Facility Interior Finishes Replacement	PF-02022	203,800.00		
	Fire Station 4 Replacement	PE-18004	195,000.00		
	Foothills Nature Preserve Boronda Lake Dock Replacement	OS-18000	210,000.00		
	Golf Reconfiguration & Baylands Athletic Center Improvements	PG-13003	200,000.00		
	JM2 Renovation	AC-18001	1,279,200.00		
	Library Automated Material Handling	LB-21000	575,093.00	350,000.00	
	Magical Bridge Playground Rubber and Synthetic Turf Resurfacing	ME-21003	163,000.00		
	Municipal Service Center A, B, & C Roof Replacement	PF-17000	131,000.00		
	Municipal Service Center Lighting, Mechanical, and Electrical Improvements	PF-16006	5,866,100.00	1,539,000.00	
	New California Avenue Area Parking Garage	PE-18000	814,400.00		
	New Downtown Parking Garage	PE-15007	10,600.00		
	Newell Road/San Francisquito Creek Bridge Replacement	PE-12011	2,129,000.00		
	Off-Road Pathway Resurfacing And Repair	OS-09001	57,000.00		
	Open Space Trails and Amenities	OS-00001	13,000.00		
	Park and Open Space Emergency Repairs	PG-09002	83,300.00		
	Park Restroom Installation	PG-19000	326,300.00	336,700.00	
	Parking Management and System Implementation	PL-16002	110,000.00		
	Police Video Recording Systems Replacement	PD-20000	15,000.00		
	Railroad Grade Separation and Safety Improvements	PL-17001	1,145,863.00		
	Ramos Park Improvements	PG-14000	8,900.00		
	Roofing Replacement	PF-00006	100,000.00		
	Safe Routes To School	PL-00026	700,000.00		
	Sidewalk Repairs	PO-89003	65,000.00		
	Sign Reflectivity Upgrade	PO-11000	47,000.00		
	Street Maintenance	PE-86070	314,000.00		
	Thermoplastic Lane Marking and Striping	PO-11001	78,000.00		
	Transportation and Parking Improvements	PL-12000	934,903.00	500,000.00	
University Avenue Parking Improvements	PF-14003	100,000.00			
Water, Gas, Wastewater Office Remodel	PE-19001	-	570,000.00		
471 - Capital Improvement Fund Total			33,267,646.00	9,026,100.00	
472 - Cubberley Property Infrastructure Fund	Cubberley Field Restroom	CB-17002	262,600.00		
	Cubberley Repairs	CB-17001	387,000.00		
	Cubberley Roof Replacements	CB-16002	145,600.00		
472 - Cubberley Property Infrastructure Fund Total			795,200.00		
530 - Airport Enterprise Fund	Airport Apron Reconstruction	AP-16000	532,000.00		
	Airport Layout Plan	AP-21000	305,000.00	274,500.00	
	Airport Temporary Office Buildings	AP-22001	61,000.00		
	Automated Weather Observation System (AWOS)	AP-19000	88,000.00	79,200.00	
530 - Airport Enterprise Fund Total			986,000.00	353,700.00	
523 - Electric Fund	Capacitor Bank Installation	EL-16002	146,000.00		
	Coleridge/Cowper/Tennyson 4/12kV Conversion	EL-14000	1,250,000.00		
	Colorado Distribution Feeder Outlet Replacement	EL-22002	400,000.00		
	Colorado Substation Site Improvements	EL-19002	650,000.00		
	East Meadow Circles 4/12kV Conversion	EL-17001	240,000.00		
	Electric Utility Geographic Information System	EL-02011	160,000.00		
	Foothills Rebuild (Fire Mitigation)	EL-21001	1,500,000.00		
	Inter-substation Line Protection Relay	EL-17005	150,000.00		
	Rebuild Underground District 26	EL-16000	183,000.00		
	SCADA System Upgrades	EL-02010	120,000.00		
	Substation Physical Security	EL-16003	2,200,000.00		
	523 - Electric Fund Total			6,999,000.00	
	524 - Gas Fund	Gas Distribution System Improvements	GS-11002	250,000.00	
Gas Main Replacement - Project 23		GS-13001	93,694.00		
Gas Main Replacement - Project 24		GS-14003	1,980,000.00		
524 - Gas Fund Total			2,323,694.00		
528 - Stormwater Management Fund	Corporation Way System Upgrades and Pump Station	SD-21000	2,964,200.00		
	Green Stormwater Infrastructure	SD-22001	500,000.00		
	Storm Drainage System Replacement And Rehabilitation	SD-06101	653,100.00		
	Trash Capture Device Installation	SD-22002	506,000.00	613,000.00	
	West Bayshore Road Pump Station	SD-20000	350,000.00		
	West Bayshore Road Trunk Line Improvements	SD-23000	5,800.00		
528 - Stormwater Management Fund Total			4,979,100.00	613,000.00	
527 - Wastewater Collection Fund	Wastewater Collection System Rehabilitation/Augmentation Project 30	WC-17001	879,688.00		
	Wastewater System Improvements	WC-15002	100,000.00		
527 - Wastewater Collection Fund Total			979,688.00		
526 - Wastewater Treatment Fund	Advanced Water Purification Facility	WQ-19003	194,000.00	1,691,000.00	
	Horizontal Levee Pilot	WQ-22001	42,900.00		
	New Laboratory And Environmental Services Building	WQ-14002	2,572,600.00	2,510,000.00	
	Outfall Line Construction	WQ-19000	10,582,800.00	10,582,800.00	
	Plant Repair, Retrofit, and Equipment Replacement	WQ-19002	6,985,100.00		
	Primary Sedimentation Tank Rehabilitation	WQ-14003	2,628,000.00	12,632,000.00	
	Secondary Treatment Upgrades	WQ-19001	34,200.00	4,462,000.00	
526 - Wastewater Treatment Fund Total			23,039,600.00	31,877,800.00	
522 - Water Fund	Water General Equipment/Tools	WS-13002	55,000.00		
	Water Main Replacement - Project 28	WS-14001	2,000,000.00		
	Water Main Replacement - Project 29	WS-15002	374,600.00		
	Water Meters	WS-80015	400,000.00		
	Water Regulation Station Improvements	WS-07000	548,150.00		
522 - Water Fund Total			3,377,750.00		
682 - Technology Fund	City Council Chambers Upgrade	TE-19001	1,697,500.00		
	Enterprise Resource Planning Upgrade	TE-19000	2,029,000.00		
	Radio Infrastructure Replacement	TE-05000	259,900.00		
	Utilities Customer Bill System Improvements	TE-10001	130,000.00		
682 - Technology Fund Total			4,116,400.00		
681 - Vehicle Replacement & Maintenance Fund	Scheduled Vehicle and Equipment Replacement - Fiscal Year 2020	VR-20000	1,413,700.00		
	Scheduled Vehicle and Equipment Replacement - Fiscal Year 2021	VR-21000	271,700.00		
	Scheduled Vehicle and Equipment Replacement - Fiscal Year 2022	VR-22000	1,069,000.00		
681 - Vehicle Replacement & Maintenance Fund Total			2,754,400.00		
Grand Total			83,618,478.00	41,870,600.00	



Storm Water Management Oversight Committee

MEMORANDUM

Date: April 7, 2022

To: Honorable Finance Committee of the Palo Alto City Council

From: Members of the Storm Water Management Oversight Committee

Subject: Review of the Proposed Fiscal Year 2023 Stormwater Management Fund Budget

As directed by the City Council, the Committee met to discuss the Fiscal Year 2023 proposed Stormwater Management Fund budget on Thursday, April 7, 2023. Prior to the meeting, Public Works staff provided informational materials about the approved 2017 ballot measure and the proposed budget for the Committee's review. During the meeting, staff presented information and answered questions from the Committee members.

We have reviewed the proposed budget for Fiscal Year 2023 and compared it with the provisions of the Storm Water Management Fee approved by Palo Alto property owners in 2017. We find that the attached spreadsheet describing the proposed budget for Fiscal Year 2023 fairly describes the relationship between the budget and the ballot measure. Staff and the Committee concur that funding generated by the Storm Water Management Fee will be applied solely to fund the capital improvement projects, green stormwater infrastructure projects, innovative stormwater projects, enhanced maintenance of storm drain system, and storm water quality protection programs specified for implementation in the ballot measure in Fiscal Year 2023. Because funds available for green stormwater infrastructure and innovative projects are not being utilized fully, the Committee supports efforts by staff to continue to identify and promote new projects that meet the goals associated with the ballot measure, such as the proposed Green Stormwater Infrastructure capital improvement project.

Attachment: Fiscal Year 2023 Proposed Budget

STORMWATER MANAGEMENT PROGRAM
Fiscal Year 2023 Proposed Budget

(Amounts in 1000s, as of February 2022)

	Adopted Budget Year 1 2018	Adopted Budget Year 2 2019	Adopted Budget Year 3 2020	Adopted Budget Year 4 2021	Adopted Budget Year 5 2022	Projection* Year 5 2022	Proposed Budget* Year 6 2023
Revenue Collected							
Fee Revenue	6,927	7,128	7,449	7,635	7,838	7,942	8,168
Interest Earnings	130	130	226	153	153	145	153
Development Fees, Violation Fines, Other (Includes Grant Funding)**	121	120	121	121	697	6	697
Total Revenue	7,178	7,378	7,796	7,909	8,688	8,094	9,018
Base Components	4,262	4,244	4,292	4,532	4,680	3,630	5,020
Base Program (Incl. Flood Control, Engineering and Administrative Support, Water Quality, Emergency Response)	2,776	2,645	2,785	2,909	3,136	2,459	3,209
Storm Drainage Maintenance	1,486	1,599	1,507	1,623	1,544	1,171	1,811
Project & Infrastructure	2,010	4,066	2,290	5,147	6,840	4,100	7,900
Capital Improvements Program**	-	2,200	412	1,871	4,433	1,517	4,986
Recurring System Repair (SD-06101)**	400	412	424	1,822	953	1,453	1,305
Debt Service for Past Capital Projects	947	949	949	949	949	949	949
Capital Program Engineering Support	158	182	165	179	155	155	155
Green Stormwater Infrastructure (GSI)	380	380	380	380	380	143	380
GSI - CIP Design/Construction	330	330	340	250	150	-	102
GSI - Consulting Services	50	50	40	130	85	143	278
GSI - Other unassigned tasks	-	-	-	-	145	-	-
Innovative Project	125	125	125	125	125	38	125
Innovative Project - GSI Consulting Services & Outreach	-	100	100	100	100	31	100
Innovative Project - Rebates	125	25	25	25	25	7	25
Total Expenses	6,272	8,310	6,582	9,679	11,520	7,730	12,920
Net Impact	906	(932)	1,214	(1,770)	(2,832)	363	(3,902)

*FY 2022 Projections and FY 2023 Proposed are subject to change as the current fiscal year and budget development process is still in progress.

**FY 2023 Proposed includes estimated remaining funding and grant revenue anticipated to be reappropriated from FY 2022.



PLANNING & DEVELOPMENT SERVICES

CITY OF
**PALO
ALTO** 250 Hamilton Avenue, 5th Floor
Palo Alto, CA 94301
(650) 329-2441

May 12, 2022

Honorable City Council
C/O City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301

RE: Review of 2023-2027 Proposed Capital Improvement Plan (CIP)

The Planning and Transportation Commission (PTC) reviewed the 2023-2027 proposed Capital Improvement Plan on Wednesday, May 11, 2022. The PTC determined that the 12 new Capital Improvement Projects included in the 2023-2027 Capital Budget are consistent with the adopted Comprehensive Plan and recommended forwarding this finding to the City Council and Finance Committee. Commissioner Bart Hechtman made the motion and it was seconded by Chair Ed Lauing. The motion was approved by a vote of 7-0.

In addition, due to the deterioration of the current training facility, the PTC recommends two modifications to the Fire Training Facility Replacement (FD-24000) Capital Improvement Program:

1. Consider adjusting the infrastructure priorities to include in FY 2023 the \$70,000 allotted for the feasibility study for this CIP; and
2. Consider expanding the budget for this CIP to include funding for adequate temporary training facilities for fire personnel until the new training facility is completed.

Respectfully submitted

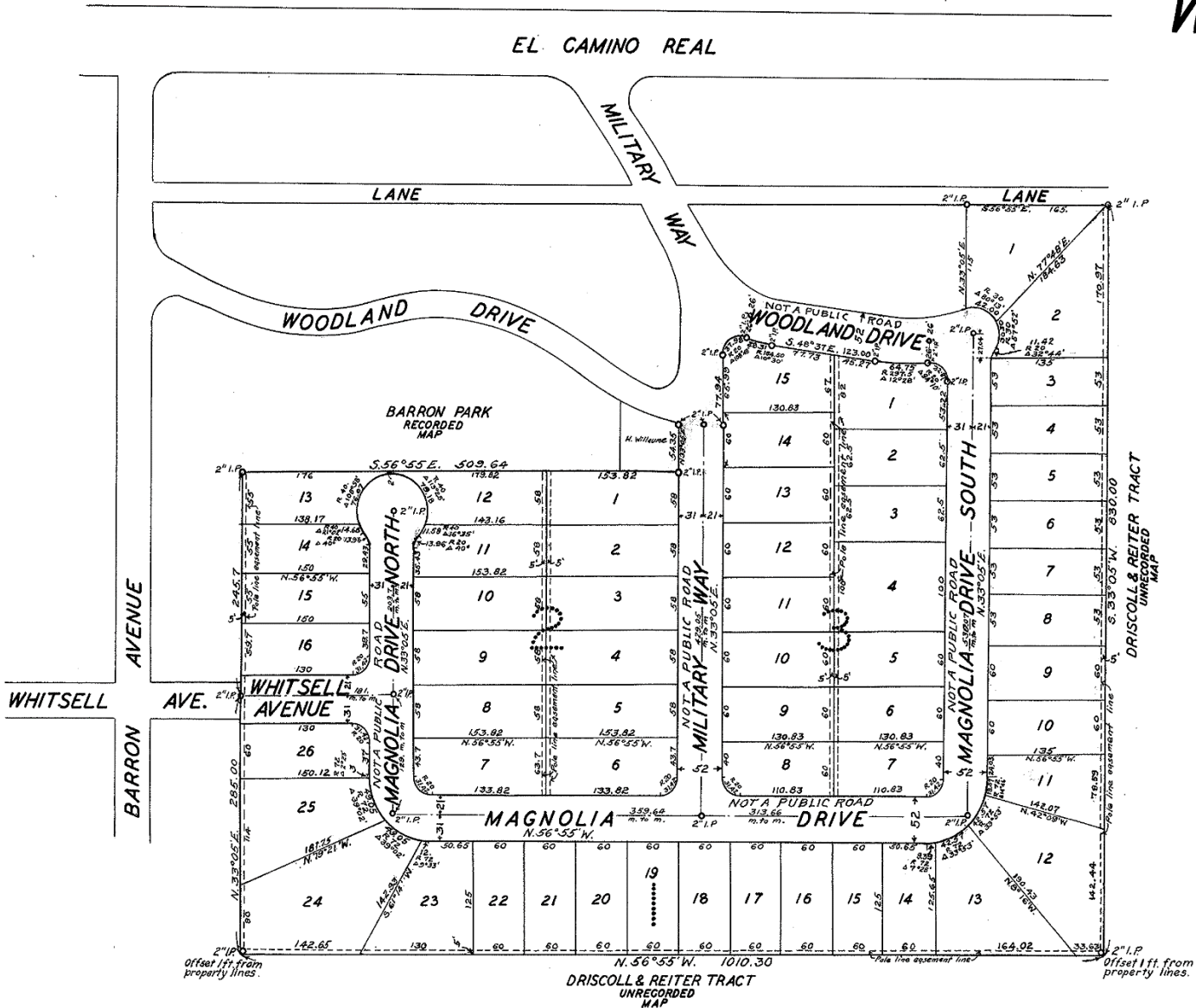
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Ed Lauing
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Ed Lauing, Chair
Planning and Transportation Commission

TRACT NO. 52

WOODLAND PARK

SANTA CLARA COUNTY CALIFORNIA



NOTE: THE BEARING OF THE NORTHWESTERLY BOUNDARY OF THE DRISCOLL & REITER TRACT WAS TAKEN AS THE BASIS OF BEARINGS ON THIS MAP.

SCALE: 1"=100'
APRIL 1937

LEGEND:

- I.P. 2 IN. IRON PIPE MONUMENT.
- 12 LOT NUMBER,
- 2 BLOCK NUMBER.

Largest Vendor Payments by Fiscal Year (Technology Fund)

* Data as of May 11, 2022

Information Technology: Significant Contract/Consultant Expenses FY 2020 - FY 2022 by Vendor				
VENDOR NAME	FY 2020	FY 2021	FY 2022	Total
LSI Consulting - Labyrinth	\$1,000,170	\$1,196,340	\$294,770	\$2,491,280
Insight Public Sector (Microsoft licensing)	\$497,486	\$508,701	\$509,335	\$1,515,522
SAP (ERP maintenance)	\$575,198	\$297,635	\$297,635	\$1,170,468
GIS Professional On-call Vendors (10 contracts in total)	\$0	\$429,015	\$404,192	\$833,207
SAP Professional On-Call Vendors (6 contracts in total)	\$0	\$239,930	\$420,049	\$659,979
IT Professional On-Call Vendors (7 contracts in total)	\$0	\$346,250	\$201,239	\$547,489
Accela (Development Center Permitting application)	\$153,525	\$158,131	\$162,875	\$474,531
Innovative Interfaces (Integrated Library System)	\$135,419	\$179,993	\$0	\$315,412
Oracle (Support of licenses)	\$131,493	\$131,493	\$34,650	\$297,636
GRAND TOTAL	\$2,493,291	\$3,487,488	\$2,324,745	\$8,305,524