

# Fiscal Year 2017 Proposed Budget

Finance Committee  
May 3, 2016



## Overview

- Citywide Funds
- Internal Services Funds
- General Fund
- Enterprise Funds
- Capital Improvement Program
- Summary

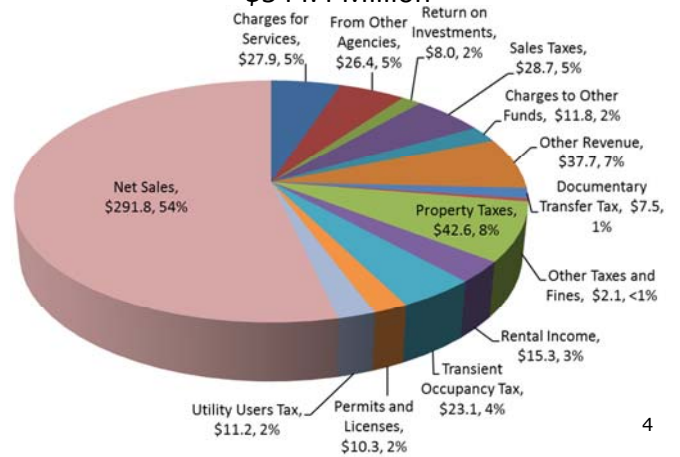


## Citywide Funds



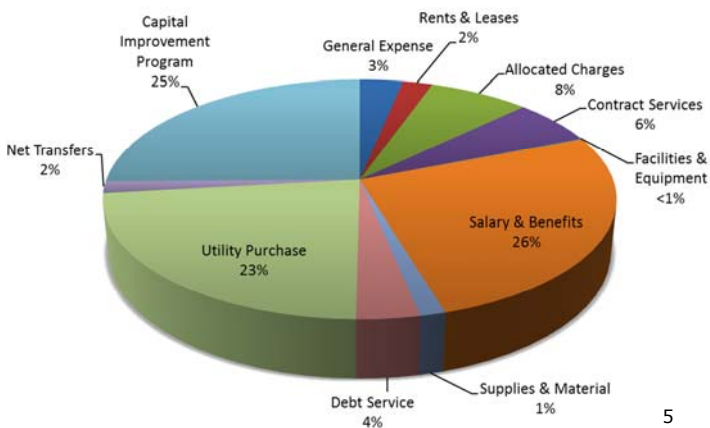
## FY 2017 Citywide Revenues

\$544.4 Million



## FY 2017 Citywide Expenditures

\$626.1 Million



## Citywide Position Changes

	GF	ENT	Other*	Total
FY 2016 Adopted Budget	599.31	351.09	89.70	1,040.10
FY 2016 Approved Adjustments	1.40	-	0.60	2.00
FY 2016 Modified Budget	600.71	351.09	90.30	1,042.10
FY 2017 Reallocations	0.38	(1.48)	1.10	-
FY 2017 Net Additions	2.85	4.00	3.15	10.00
<b>Subtotal of 2017 Changes</b>	<b>3.23</b>	<b>2.52</b>	<b>4.25</b>	<b>10.00</b>
<b>FY 2017 Proposed Budget</b>	<b>603.94</b>	<b>353.61</b>	<b>94.55</b>	<b>1,052.10</b>

\*Other Funds are Internal Service Funds, Special Revenue Funds, and the Capital Fund



## Average Salary & Benefit Changes (Compared to FY 2016 Adopted Budget)

Expenses Category	GENERAL FUND			ALL FUNDS		
	FY 2017 Proposed	\$ Change	% Change	FY 2017 Proposed	\$ Change	% Change
Salary	70,972	3,704	5.5%	101,410	5,289	5.5%
Pension	21,164	1,920	10.0%	28,835	2,553	9.7%
Healthcare	13,336	844	6.8%	19,163	1,009	5.6%
Retiree Health	9,323	(342)	-3.5%	13,129	268	2.1%
Other Benefits	2,053	(1,927)	-48.4%	2,717	(2,256)	-45.4%
<b>Total</b>	<b>\$ 116,848</b>	<b>\$ 4,199</b>	<b>3.7%</b>	<b>\$ 165,255</b>	<b>\$ 6,863</b>	<b>4.3%</b>

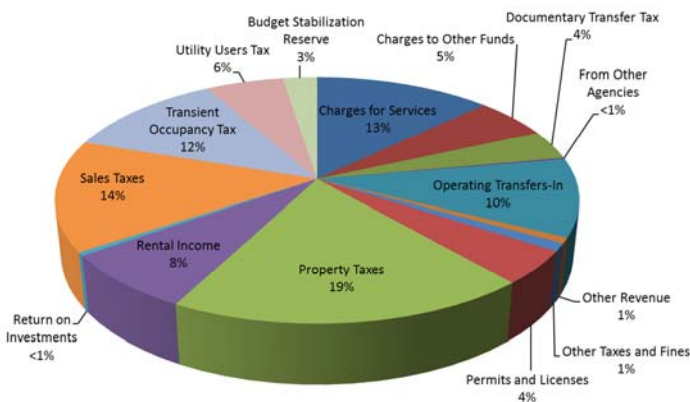
## Internal Service Funds

## Internal Service Fund Changes (Compared to FY 2016 Adopted Budget)

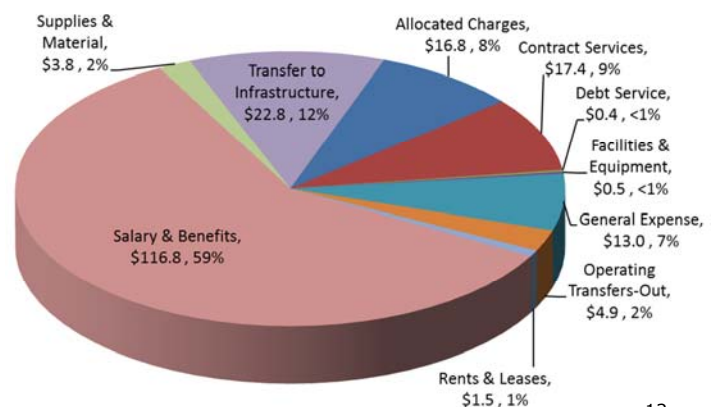
Fund	GENERAL FUND			ALL FUNDS		
	FY 2016 Adopted	FY 2017 Proposed	% Change	FY 2016 Adopted	FY 2017 Proposed	% Change
General Benefits Fund	454	-	-100.0%	768	-	-100.0%
General Liability Fund	1,299	-	-100.0%	2,369	-	-100.0%
Print & Mail Fund	939	842	-10.4%	1,553	1,297	-16.4%
Retiree Healthcare Fund	9,665	9,323	-3.5%	14,445	13,808	-4.4%
Technology Fund	6,065	6,320	4.2%	13,253	13,788	4.0%
Vehicle Fund	3,696	5,021	35.9%	6,637	8,885	33.9%
Workers' Compensation Fund	2,780	1,250	-55.0%	3,569	1,871	-47.6%
<b>Total</b>	<b>\$ 24,897</b>	<b>\$ 22,755</b>	<b>-8.6%</b>	<b>\$ 42,593</b>	<b>\$ 39,650</b>	<b>-6.9%</b>

## General Fund

## FY 2017 General Fund Revenues \$193.1 Million (+\$4.9 million BSR)



## FY 2017 General Fund Expenditures \$198.1 Million



## Major Expense Changes From Long Range Forecast

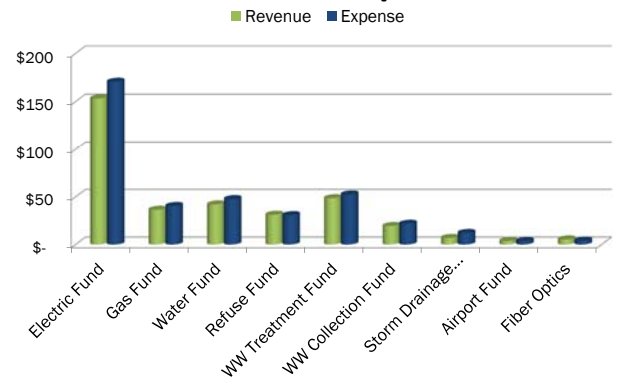
Expense Category	FY 2017 LRF	FY 2017 Proposed	\$ Change	% Change
Allocated Charges	18,028	16,752	(1,276)	-7.1%
Contract Services	14,475	17,444	2,970	20.5%
General Expenses	10,469	13,002	2,533	24.2%
Operating Transfers-Out	1,834	4,906	3,071	167.4%
Salary & Benefits	119,521	116,848	(2,673)	-2.2%
Transfer to Infrastructure	24,213	22,813	(1,400)	-5.8%

## One-Time Budget Balancing

- Use of Budget Stabilization Reserve: funding at 18% or \$35.6 million (\$4.9 million General Fund)
  - Goal will be to reset the BSR back to the 18.5% target level
- Reduce Charges for Internal Service Funds (\$5.0 million all funds; \$3.1 million General Fund)
- Budget "Uncertainty Reserve" (\$2.0 million General Fund)

## Enterprise Funds

## Enterprise Funds Revenues & Expenses



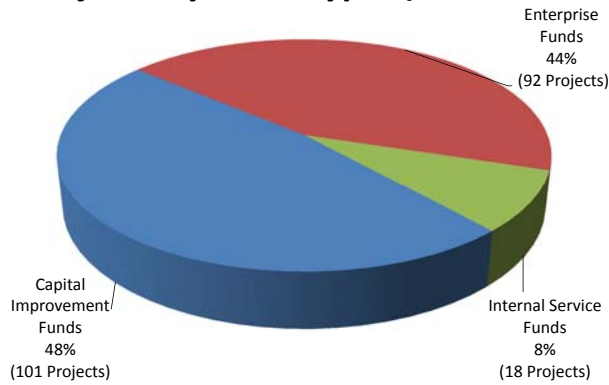
## FY 2017 Utility Rate Changes

Utility Service	Proposed Rate Change
Electric	11%
Gas	8%
Wastewater	9%
Water Utility	6%
Refuse	9%
Storm Drain	3.2%

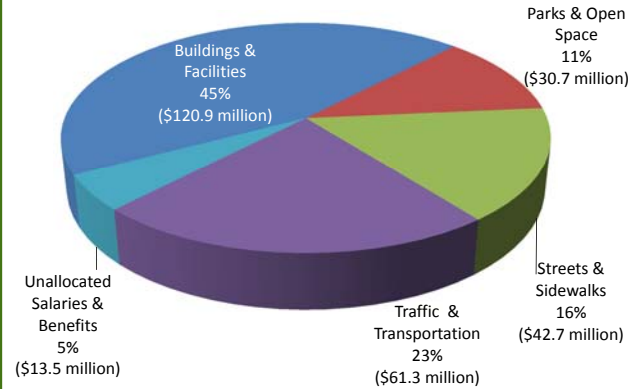
Increase the average residential bill by about 8%, for a total increase of about \$22.42 per month.

## Capital Budget Overview

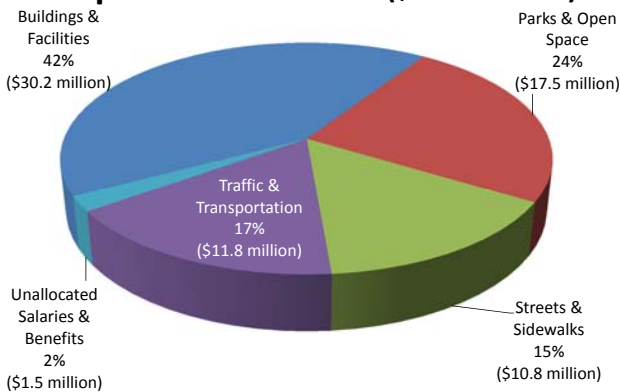
## Fiscal Year 2017-2021 Proposed Projects by Fund Type (211 Projects)



## Fiscal Year 2017-2021 Capital Improvement Fund (\$269.2 million)



## Fiscal Year 2017 Proposed Capital Improvement Fund (\$71.9 million)



## Infrastructure Management Plan (\$128.8 million, +\$30 million reserve)

- Public Safety Building (\$57.0 million)
- Bicycle/Pedestrian Transportation Plan (\$20.0 million)
- Replacement of Fire Stations 3 and 4 (\$14.2 million)
- Downtown Parking Garage (\$13.0 million)
- California Avenue Parking Garage (\$9.6 million)
- Charleston/Arastradero Corridor (\$7.5 million)
- Highway 101 Bicycle/Pedestrian Bridge (\$4.7 million)
- Byxbee Park Completion (\$2.8 million)
- Infrastructure Contingency Reserve (\$30.0 million)

## Summary

## FY 17 Citywide Budget Proposals

- Project Safety Net: Track Watch & Collaborative (\$1.0 million General Fund)
- City Streetlights and Traffic Signals Electricity Costs (\$2.3 million General Fund)
- Citywide FY17 Capital Improvement Budget (\$170.5 million, \$639.5 million 5-year plan)
- Capital Infrastructure Management Plan (\$128.8 million)
  - (\$158.8 million with a plan to establish a \$30 million reserve for anticipated cost increases)
- Salary & Benefit Increased costs (\$6.9 million all funds)
- Budget Uncertainty Reserve (\$2.0 million General Fund)

## Costs/Revenues - Not Included

Year 1

- Transportation costs to mitigate traffic issues
- Fire Services Contract with Stanford University
- Animal Shelter Service Delivery
- Transient Occupancy Tax increases related to two new, potential hotels
- Potential acquisition of the downtown Palo Alto Post Office Junior Museum and Zoo
- Cubberley Community Center Master Plan
- Unfunded Actuarial Liability of \$447.5 million for Pension and Retiree Healthcare Trusts (*\$298.6 million General Fund*)
- Parks Master Plan
- City owned assets operated by non-profit organizations
- Cadillac Healthcare Federal Excise Tax

Year 10

- Potential recession



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## Looking Forward

- Manage expectations of the City Council, the community, and the staff
- Ensure we are a competitive employer of choice
- Address FY 2018 structural imbalance between General Fund revenues and expenses
- Rising Pension and healthcare costs
- Unfunded liability



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## Fiscal Year 2017 Finance Committee Review

- Department Presentations (with significant budget proposals only)
  - Department overview
  - Accomplishments
  - Initiatives
  - Significant budget proposals
  - Major capital projects, if applicable
- Finance Committee Questions



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## FY 2017 Proposed Operating Budget City Attorney

Operating Budget pp. 141-148

Finance Committee

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## FY 2017 Proposed Operating Budget City Auditor

Operating Budget pp. 149-157

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## FY 2017 Proposed Operating Budget City Clerk

Operating Budget pp. 159-167

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## FY 2017 Proposed Operating Budget City Council

Operating Budget pp. 169-172

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## FY 2017 Proposed Operating Budget City Manager

Operating Budget pp. 173-182

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## Department Overview

The City Manager's Office provides leadership and professional management to the City government in service to City Council policies, priorities and community civic values.



The office is guided by the values of place, community, stewardship, civics and public service.



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## Accomplishments

- Advanced City Council Priorities through department programs and initiatives
- Implemented City's Ethics Training
- Increased focus on organizational planning and performance management
- Executed First Phases of Business Registry
- Delivered communication strategy on key initiatives



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## Fiscal Year 2017 Initiatives

- Implement City Council Priorities
- Support City Council
- Community Responsiveness: Troubleshooting and Problem Solving
- Leadership and Performance Management
- Strategic Communication Support
- Economic Vitality Program
- Federal and State Legislative Programs



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## FY 2017 Proposed Operating Budget Office of Sustainability

Operating Budget pp. 307-313, 468-469

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## Department Overview

**Mission:** Lead the organization and community in promoting a culture of environmental sustainability by developing, coordinating, and leading initiatives citywide and regionally.

**Purpose:** Promote and facilitate an environmentally sustainable future in ways that improve quality of life, grow prosperity and build resilience, and provide leadership in the region and to other communities.



## Accomplishments

- Developed Sustainability and Climate Action Plan (S/CAP)
- Procured Sustainability Dashboard system
- Held multiple Study Sessions with City Council and UAC
- Raised \$350k external funding for sustainability initiatives
- Established 'Electric Vehicle First' policy for City fleet.



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## Fiscal Year 2017 Initiatives

- Complete development and adoption of the Sustainability and Climate Action Plan (S/CAP)
- Pilot local and regional "mobility as a service" initiatives
- Implement Sustainability Dashboard performance tracking system
- Further integrate sustainability policies, programs and practices into City operations



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## Significant Budget Proposals

- Sustainability Initiatives Contract Funding, \$110,000
- Sustainability Contingency Account, \$250,000



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## FY 2017 Proposed Operating Budget

### Human Resources Department

Operating Budget pp. 253-273, 475-478

Finance Committee

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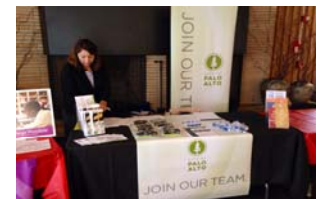
## Department Overview

Mission

Purpose

Divisions

- Compensation
- Employee and Labor Relations
- Organization and Employee Development
- Recruitment
- Risk Management, Safety & Workers' Compensation



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## Accomplishments

- Four Union Agreements Completed:
  - ✓ IAFF, PAPOA, SEIU and PAPMA
- Filled approximately 270 vacancies
- In-depth Ethics Training for 960 employees
- Complied with new IRS Affordable Care Act (ACA) reporting requirements
- Updated minimum wage ordinance and implemented for City hourly staff



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## Fiscal Year 2017 Initiatives

- Address recruiting challenges
- Support the Healthy City/Healthy Community priorities
- Enhance City-wide training including e-learning options
- Continue improvements in personnel actions and electronic record-keeping
- Address ergonomic and safety programs



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## Significant Budget Proposals

- General Fund
  - Hourly Staff Alignment, 0.74 FTE, \$36,000
- General Liability Fund
  - Reduced citywide allocation
- Workers' Compensation Fund
  - Workers' Compensation Manager, 1.00 FTE, \$171,000
  - Reduced citywide allocation
- General Benefits Fund
  - Employee Wellness Program, 0.48 FTE, \$23,000
  - Reduced citywide allocation



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## FY 2017 Proposed Operating Budget Information Technology Department

Operating Budget pp. 275-288  
Capital Budget pp. 629-656

Finance Committee

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## Department Overview

Mission

Purpose

Divisions

- Office of the CIO
- IT Project Services
- IT Operations
- IT Enterprise Services
- Information Security Services



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## Accomplishments

- Awarded Leading Digital City – Named 4<sup>th</sup> Top City
- Outstanding Achievement in Local Government Innovation Award from the Alliance for Innovation
- Traffic Signal System Upgrade
- Fire Vehicle Technology Upgrades
- E911 Implementation
- Deployment of Sharepoint Online
- PC and Data Center Cloud Backup Systems



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## Top Fiscal Year 2017 Initiatives

- Council Chambers Equipment Replacement
- Office 365
- Smart City Strategy
- ERP Planning and System Selection
- Fiber/Wireless Efforts
- Geographic Information System Assessment

## Significant Budget Proposals

- Data Center Failover (\$120,000)
- Security Penetration Testing (\$35,000)
- Implementation of a Project Management Tool (\$50,000)
- Staffing Adjustments:
  - IT Operations, Hourly to FTE Desktop Technician, \$59,024
  - IT Operations, FTE Technologist to Sr. Technologist, \$20,331

## FY 2017 Proposed Operating Budget Administrative Services Department and Printing & Mailing Fund

Operating Budget pp. 183-199

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## Department Overview

Mission

Purpose

Divisions

- Administration
- Accounting
- Purchasing and Contracts
- Office of Management & Budget
- Property Management and Acquisition
- Treasury (including Printing and Mailing Fund)



## Accomplishments

- Implemented eProcurement system, PlanetBids
- Began collection of Transient Occupancy Tax for AirBNB rentals
- Implemented GASB 68 standards for financial reporting of pension liability
- Maintained City's AAA credit rating



## Fiscal Year 2017 Initiatives

- Implement integrated online parking permit program
- Identify funding sources and investment options to address City's unfunded pension and healthcare liabilities
- Implement a technologically focused training program to facilitate staff use of financial, human resources and payroll systems
- Develop an online dashboard (presentation) of City financial and budget data for the public to access and assess City fiscal performance

## Significant Budget Proposals

- Temporary Staffing Adjustments
  - Purchasing, \$53,974
    - 0.48 FTE Contract Administration Specialist to maintain service level and reduce backlog
  - Administration, \$74,880
    - 0.48 FTE Management Specialist to implement systems training

## FY 2017 Proposed Operating Budget Non-Departmental

Operating Budget pp. 467-470

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## Description

The General Fund Non-Departmental budget includes revenue and expenditure appropriations not related to a specific department or function. These costs typically benefit the City as a whole and include such items as Cubberley lease payments to Palo Alto Unified School District. The Non-Departmental budget may also include estimated provisions or placeholders for certain revenues and expenditures that have not yet materialized or distributed at the time the budget is developed or adopted. These items can be one-time or ongoing depending on its nature and frequency

## Non-Departmental Significant Budget Adjustments & Proposals

- General Fund Transfer to Electric Fund: Traffic Signal and Streetlight Costs, \$2,266,122
- Establish Budget Uncertainty Reserve, \$2,000,000
- Capital Transfer Adjustment, (\$1,400,000)
- Sustainability Contingency Account, \$250,000
- 2016 Elections Funding, \$150,000