

City of Palo Alto

**MEMORANDUM**

**TO:** Finance Committee

**DATE:** May 17, 2016

**SUBJECT:** Recommended Changes and Additional Information Pertaining to the Fiscal Year 2017 Proposed Budget

This memorandum transmits additional information requested by the Finance Committee and/or provided at staff's behest in regards to the Fiscal Year 2017 Proposed Budget.

**Recommended Changes to the FY 2017 Proposed Budget and/or Finance Committee Motions**

**Street Trees Contract Increase vs. Cycle Time**

*(Finance Committee Budget Hearing May 12<sup>th</sup>; Agenda Item #3b)*

At the May 12<sup>th</sup> Finance Committee meeting, additional details about the tree trimming contract and potential cycle times was requested. Below is a chart detailing the number of trees that would be pruned annually based on a 7 year, 10 year, and 15 year cycle time and the annual and total cost for a three year contract with each of these cycle times. In FY 2017 the unit cost for a tree is \$128 and this would increase to \$140 and \$150 in FY 2018 and FY 2019 respectively based on a population of approximately 43,100 public trees (35,400 street trees and 7,700 park, golf, and open space trees). The current FY 2017 Proposed Operating Budget recommends movement from current service delivery levels of a 7 year cycle to a 15 year cycle. The Finance Committee tentatively approved a motion on May 12<sup>th</sup> to place a reduction in the cycle time down to 10 years in the "parking lot" for further discussion at the Budget Wrap-up on May 23<sup>rd</sup> in the amount of \$135,000. *Staff recommends amending the "parking lot" adjustment to \$170,000 to align with the proposals outlined below.*

**3 Year Tree Trimming Service Contract**

	<b># of Trees Pruned Annually</b>	<b>FY 2017 Contract Cost</b>	<b>FY 2018 Contract Cost</b>	<b>FY 2019 Contract Cost</b>	<b>Total 3 Year Contract Cost</b>
<b>7 Year Cycle</b>	5,380	\$1,465,785	\$1,567,150	\$1,669,515	\$4,702,450
<b>10 Year Cycle</b>	3,415	\$1,148,885	\$1,228,930	\$1,303,145	\$3,680,960
<b>15 Year Cycle</b>	1,978	\$978,930	\$1,027,750	\$1,087,795	\$3,094,475

**Electric Fund Capital Improvement Project: Facility Relocation for Caltrain Modernization Project**

*(Finance Committee Budget Hearing May 17<sup>th</sup>, Item #2.a.ii.)*

Subsequent to the printing of the FY 2017-2021 Proposed Capital Improvement Plan, a new project was identified by the Utilities Department that is recommended to be added to the five-year plan with \$150,000 recommended to be budgeted in FY 2017. This project is detailed in Attachment – B, and provides funding for the relocation of overhead Utility Electric and Fiber Optic lines to provide adequate clearance from new electric lines being installed by the Peninsula Corridor Joint Powers Board (Caltrain) to convert their diesel powered commuter trains to electric power. *Staff recommends that the Finance Committee make a motion to include this project in the final recommended FY 2017-2021 CIP with corresponding decreases in the Distribution Reserve in the Electric Fund.*

**Art in Public Places** *(Finance Committee Budget Hearing May 17<sup>th</sup>, Item #3)*

Subsequent to the printing of the FY 2017-2021 Proposed Capital Improvement Plan, an error in the calculation of the Art in Public Spaces capital project (AC-86017) was identified. Replacement pages are included as Attachment – C, which contains an updated project page. *Funding levels are recommended to be adjusted as outlined in the table below offset by adjustments to the Infrastructure Reserve Balance.*

**Recommended Changes to Art in Public Places Project**

	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>FY 2017-2021 Proposed CIP</b> (April 25, 2016)	\$579,840	\$613,249	\$227,612	\$199,400	\$0
<b>Recommended</b>	\$423,513	\$212,450	\$880,700	\$240,012	\$125,958
<b>Change</b>	<i>(\$156,327)</i>	<i>(\$400,779)</i>	<i>\$653,088</i>	<i>\$40,612</i>	<i>\$125,958</i>

**Additional Information Pertaining to the FY 2017 Proposed Budget**

**Planning Transportation Commission Findings**

*(Finance Committee Budget Hearing FY 2017 Proposed Capital Improvement Plan)*

On May 17<sup>th</sup>, the Planning Transportation Commission reviewed the FY 2017-2021 Proposed Capital Improvement Plan for compliance with the City’s 1998-2010 Comprehensive Plan. Per Section 19.04.040 of the Palo Alto Municipal Code

*The Planning Commission shall submit an annual report to the council regarding the capital improvement program, which shall review each project for its conformity to the master plan; review the programs as a whole in order to suggest any improvement in economy or efficiency which might be effected through the combining of various projects; and suggest any needed improvements which do not appear in the program.*

Attached is the letter from the Commission (Attachment – D) outlining their findings in association with the compliance with the Comprehensive Plan. Due to the timing of the PTC meeting schedule and the Finance Committee Budget Hearing schedule, full minutes from this meeting are anticipated to be

transmitted to the full City Council as part of the Adopted of the FY 2017 Budget, agendized for June 13, 2016.

**Zero Waste Coordinator to Environmental Specialist Reclassification**

*(Finance Committee Budget Hearing May 12<sup>th</sup>; Agenda Item #3b)*

In accordance with the SEIU MOA that was ratified by the City Council effective April 16, 2016, the salary difference between a Zero Waste Coordinator and an Environmental Specialist is approximately \$11,000 from top-step to top-step. Factored into this difference and included in all the FY 2017 Proposed Budget assumptions include:

	Effective Upon Ratification April 16, 2016		Effective Date: December 1, 2016		Total
	General Wage Increase	Market Adjustment	General Wage Increase	Market Adjustment	
<b>Zero Waste Coordinator</b>	1.5%	0.9%	3.0%	0.9%	6.30%
Base Wage Adopted FY 2016 Budget = \$83,262	\$85,280		\$88,608		\$5,346
<b>Environmental Specialist</b>	1.5%	1.43%	3.0%	1.43%	7.36%
Base Wage Adopted FY 2016 Budget = \$93,454	\$96,200		\$100,485		\$7,031

With regards to the specific reclassification of a Zero Waste Coordinator to an Environmental Specialist as recommended in the Refuse Fund (FY 2017 Proposed Operating Budget Page 366), the total difference of salaries and benefits is approximately \$8,000. (This reflects the costing for a specific position and incumbent all in terms of changing that position from the FY 2017 costing assumptions for a the Zero Waste Coordinator level to the FY 2017 cost assumptions for an Environmental Specialist). This difference includes:

- The marginal salary cost for a specific higher level position with an incumbent employee over the costs of a lower level position
- Increased variable benefit costs (Pension, Medicare, etc.) for the higher level position based on a higher salary level.

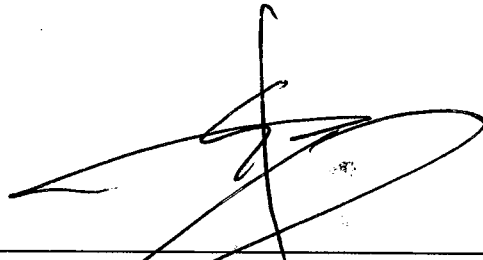
If one were to look at the year-over-year increases from FY 2016 budgeted salaries to FY 2017 budgeted salaries, the difference would be the combination of both the MOA approved increases, and the marginal salary and benefit increases from the lower level job classification to the higher level job classification described above.

In addition, when comparing FY 2016 budgeted salaries to FY 2017 budgeted salaries it should be noted that in FY 2016, funding associated with general wage increases for positions was allocated in a salary reserve, and not budgeted directly in departmental budgets due to ongoing negotiations. In FY 2017, all general salary increases for positions have been budgeted in departmental budgets due to the ratification of the MOAs, which causes the year over year salary and benefits change to be larger than just the approved FY 2017 change.

**Unfunded Liability & Salary Growth Assumptions** *(Finance Committee Budget Hearings May 2016)*

Throughout the Finance Committee hearings and specifically again as part of the discussion surrounding the reclassification requests during the review of the Public Works' Departmental Budget review, the impacts and assumptions used in the unfunded liability calculation for salary growth have been discussed. Bartel and Associates have provided a quick analysis outlining the percentage growth in salaries assumed and every 1% additional growth implications on the unfunded liability level. Slides 31 and 32 in Attachment – A reflect these calculations. CalPERS makes certain assumptions based on age, years of service on individual pay increases (see slide 31) and assumes a 3% aggregate growth of payroll above the individual increases. The impact figures in slide 32 are for the whole group respectively.

DEPARTMENT HEAD:



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CITY MANAGER:



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JAMES KEENE  
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