

**FY 2018 Citywide Positions**

	GF	ENT	Other*	Total
FY 2017 Adopted Budget	603.94	353.61	94.55	1,052.10
FY 2017 Approved Adjustments	1.25	0.75	-	2.00
FY 2017 Modified Budget	605.19	354.36	94.55	1,054.10
FY 2018 Reallocations	(1.12)	-	1.12	-
FY 2018 Net Additions	0.35	3.50	1.00	4.85
<b>Subtotal of 2018 Changes</b>	<b>(0.77)</b>	<b>3.50</b>	<b>2.12</b>	<b>4.85</b>
<b>FY 2018 Budget</b>	<b>604.42</b>	<b>357.86</b>	<b>96.67</b>	<b>1,058.95</b>

\* Other Funds include the Capital Improvement, Internal Service, and Special Revenue Funds.

CITY OF PALO ALTO

**Average Salary & Benefit Changes**  
(compared to FY 2017 Adopted Budget)

Expenses Category	GENERAL FUND			ALL FUNDS		
	FY 2018 Budget	\$ Change	% Change	FY 2018 Budget	\$ Change	% Change
Salary	74,333	3,681	5.2%	127,935	6,109	5.0%
Pension	23,363	2,295	10.9%	37,674	3,608	10.6%
Healthcare	13,654	356	2.7%	24,038	880	3.8%
Retiree Health	9,808	485	5.2%	14,527	719	5.2%
Other Benefits	4,673	2,620	127.6%	6,986	3,924	128.1%
<b>Total</b>	<b>\$125,831</b>	<b>\$ 9,437</b>	<b>8.1%</b>	<b>\$211,160</b>	<b>\$15,239</b>	<b>7.8%</b>

CITY OF PALO ALTO


### Major Changes from FY 2018 Proposed Budget

**Finance Committee Approved:**

- Parking Permit fee increases (\$762,000 additional revenue annually; to invest in parking initiatives)
- Transportation Management Association (TMA; \$480,000 annually)
- Youth Community Services Funding (\$50,000 annually)
- Seven Year Tree Trimming Cycle (additional \$338,000 annually)
- Storm Drain Ballot Measure implementation of Blue Ribbon Commission recommendations


**Additional Recommended Adjustments:**

- Buena Vista Mobile Home Park (\$14.8 million)
- Estimate for Property Tax revenues (increase from 6.5% to 6.8% growth; \$200,000 revenue)

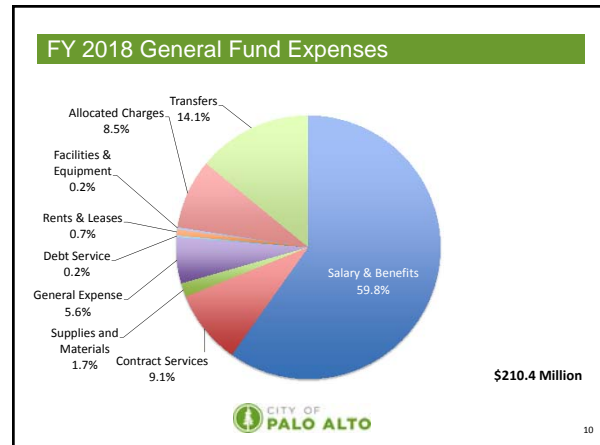
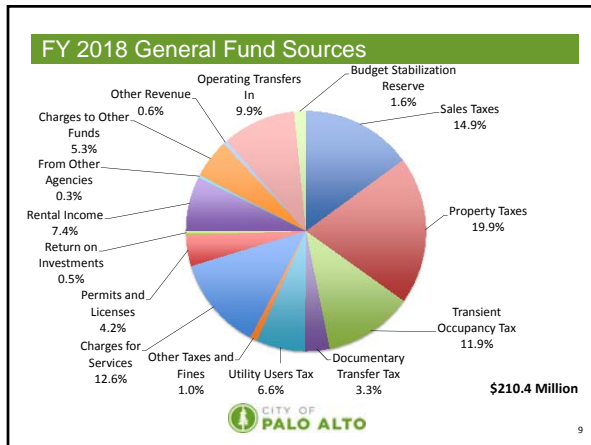


7

### General Fund



8

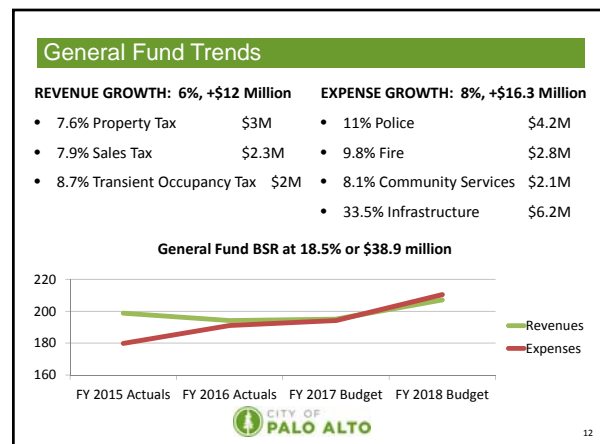


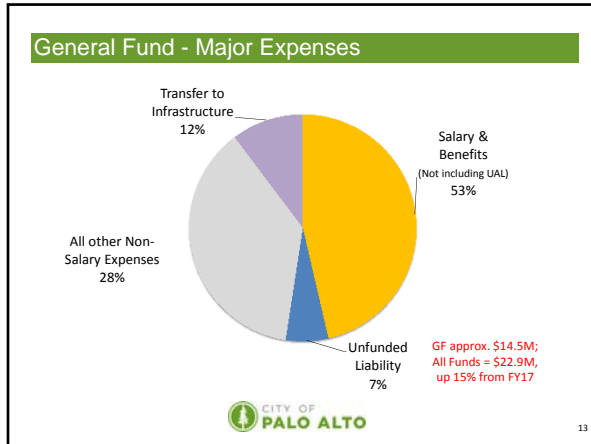
### General Fund Gap Drivers

- Project Safety Net – Track Watch (\$1.7 million)
- City streetlights & traffic signal electricity costs (\$2.3 million)
- Stanford negotiations for fire services (\$2.0 million)




11





### General Fund Financial Outlook

	FY 2018 Budget	FY 2019 Forecast
General Fund Gap (December 2016)	(\$4,537)	N/A
FY 2018 Proposed Budget (as of April 25, 2017)	\$273	N/A
<b>FY 2018 Budget (as of June 27, 2017)</b>	<b>\$0</b>	<b>\$3,385</b>

Note: Staff has provided City Council with an option to reallocate \$348,000 in maintenance costs associated with Cubberley facilities to the Cubberley Property Infrastructure Fund. This additional funding may be used to provide additional financial capacity in the General Fund OR increase the General Fund Budget Stabilization Reserve beyond the \$38.9M level in FY 2018.

CITY OF PALO ALTO

## Special Revenue Funds

CITY OF PALO ALTO

- ### Special Revenue Funds - Major Initiatives
- Federal & State Revenue Funds**
- FY 2018 allocation process for Community Development Block Grant Funding (approx. \$900,000); funding risks at Federal level
- Street Improvement Funds**
- New legislation passed: SB 1; effective July 1, 2017 raising revenues up to \$1.2 million in out years (\$600,000 in FY 2018) □ not included in this proposed budget
- Stanford University Medical Center (Development Agreement)**
- Next phase of funding anticipated in calendar year 2017, estimated at \$11.7 million (all funds are already programmed)
- CITY OF PALO ALTO

### Special Revenue Funds - Parking

Permit	FY 2017	FY 2018
Downtown Parking (Lots, Garages, and RPP Reg. Employee)	\$466/yr (\$1.79/day)	\$730/yr (\$2.81/day)
California Avenue Parking (Lots, garages, and Evergreen Mayfield RPP* Reg. Employee)	\$149/yr (\$0.57/day)	\$365/yr (\$1.40/day)
Daily Permits (Lots, garages)	Various	\$25/day
RPP Resident: Annual**; Daily	Various	\$50/yr; \$5/day
RPP Employee - Reduced Price	\$100/yr	\$100/yr

\* Increased rates will be charges once the pilot program is over Spring 2018  
\*\* Includes the Crescent Park overnight parking restrictions in addition to RPP districts

- Investment in the Transportation Management Association to reduce SOV commute trips to downtown (\$480,000/yr)
- Fund needed CIPs including: resurfacing, consolidated permit system, and parking guidance system

CITY OF PALO ALTO

## Enterprise Funds


CITY OF PALO ALTO

### FY 2018 Utility Rate Changes

Total monthly bill is estimated to increase \$6.79 per month, or 2.5% to \$278.39 per month.


Utility Service	Proposed Rate Change
Electric	10.8%
Gas	4.6%
Wastewater	0.0%
Water Utility	-3.4%
Refuse	5.0%
Storm Drain	4.8%
User Tax	2.1%
<b>Total</b>	<b>2.5%</b>

*NOTE: Water Utility, Refuse, and Storm Drain have all been approved by Council. Rates are provided for information purposes only.*

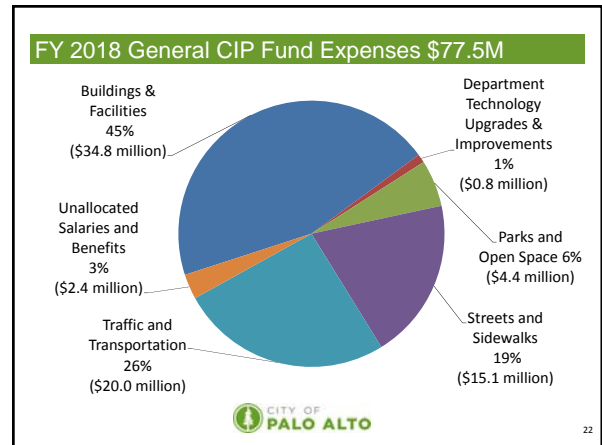
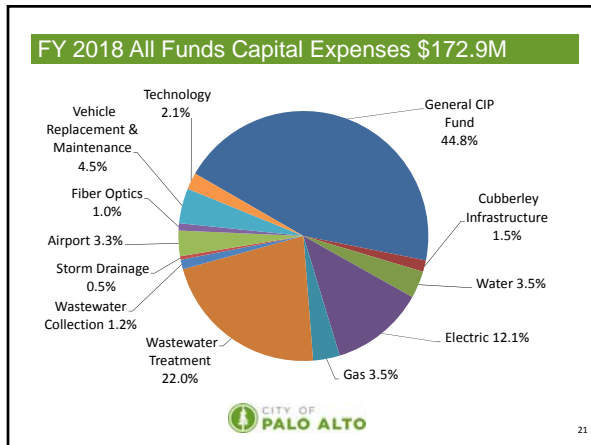


19

### Capital Budget



20



### Infrastructure Plan (multi-year plan)

**\$196 million estimated cost**  
*(excludes full salaries & benefits and public art funding)*


- Public Safety Building (potential \$75.3 million)
- Replacement of Fire Stations 3 and 4 (\$15.6 million)
- California Avenue Area Parking Garage (\$34.8 million, CMR #7738, 4/3/17)\*
- Downtown Area Parking Garage (\$23.5 million, CMR #7942, 4/11/17)\*
- Bicycle/Pedestrian Transportation Plan (\$20.0 million)
- Highway 101 Bicycle/Pedestrian Bridge (\$14.0 million)
- Charleston/Arastradero Corridor Improvements (\$10.0 million)
- Byxbee Park Completion (\$2.8 million)

\* Includes additional costs of \$35.7 million as approved by the City Council in April 2017



23

### Summary





24

### Costs/Revenues - Not Included

**Year 1**

- Parking initiatives
- Animal Shelter Service Delivery
- Future labor agreements
- New Revenues: SB1, Measure B, TOT related to two new, potential hotels
- New CIPs: JMZ Phase II??, Animal Shelter??
- Master Plans (Parks & Cubberley)
- Grade Separation
- Unfunded Actuarial Liability for Pension and Retiree Healthcare Trusts
- City owned assets operated by non-profit organizations
- Potential recession

**Year 5**

### Looking Forward

- Balance expectations of the Council, community, & staff
- Address pension and retiree healthcare unfunded liabilities (continue discussions fall of FY 2018)
- Continue service delivery evaluations to maintain high quality services while mitigating cost escalation
- Upcoming labor negotiations will balance long term financial implications and strive to be a competitive employer
- Significant investments requiring new revenues to fund strategic initiatives such as grade separation and Cubberley master plan and improvements
- Capital Improvements – emerging gap in available funding




### Staff & Finance Committee Recommendation


Staff and the Finance Committee Recommend that the City Council approve and adopt the following:

- Budget Appropriation Ordinance (Attachment A), which includes:
  - City Manager's Fiscal Year 2018 Proposed Operating and Capital budgets, previously distributed at the April 25th City Council meeting (Attachment A, Exhibit 1);
  - Amendments to the City Manager's Fiscal Year 2018 Proposed Operating and Capital Budget (Attachment A, Exhibit 2);
  - Fiscal Year 2018 City Table of Organization (Attachment A, Exhibit 2);
  - Fiscal Year 2018 Proposed Municipal Fee Changes (Attachment A, Exhibit 3).
- A Resolution of the City Council of the City of Palo Alto approving the Fiscal Year 2018 Electric Financial Plan and proposing several transfers for FY 2018 (Attachments B & C);
- A Resolution of the City Council of the City of Palo Alto amending Rate Schedules E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-2-G (Small Non-Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7-G (Large Non-Residential Green Power Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service), and E-14 (Street Lights) (Attachments D & E);
- A Resolution of the City Council of the City of Palo Alto approving the Fiscal Year 2018 Gas Utility Financial Plan (Attachments F & G);



### Staff & Finance Committee Recommendation (Cont'd.)

- A Resolution of the City Council of the City of Palo Alto approving the Fiscal Year 2018 Wastewater Collection Utility Financial Plan (Attachments H & I);
- A Resolution of the City Council of the City of Palo Alto increasing the Dark Fiber Rates by 3.5% effective July 1, 2017 by Amending the EDF-1 and EDF-2 Rate Schedules (Attachments J & K);
- A Resolution of the City Council of the City of Palo Alto approving the Fiscal Year 2018 Water Utility Financial Plan and a transfer of \$1.877 million from the Water Rate Stabilization Reserve to the Water Operations Reserve (Attachments L & M); and
- A Resolution Amending Resolution 9671 to Modify Permit Fees for the Downtown Residential Preferential Parking (RPP) Program and finding the Action Exempt from the California Environmental Quality Act (Attachment N).
- Approve Amending Salary Schedules for:
  - Management and Professional Group (MGMT) (Attachment O, Exhibit 1) as amended by CMR #7840 to add one new classification and change titles of three classifications.
  - Service Employees International Union (SEIU) 2015-2018 MOA (Attachment O, Exhibit 2) as amended by CMR #7656 to reclassify four classifications and change the salary rates of two classifications.
  - Limited Hourly Group (Attachment O, Exhibit 3) as amended by CMR #7656 to update the salary rates of one classification.




### Finance Committee Referral

Return to the Finance Committee beginning August to review the citywide implications of:

- Structural revenue and expense growth ensuring expense growth remains at or below that of revenues; and
- Unfunded pension liability.

Some specific areas to address include:

- Look first at current public safety growth rate of 10 to 12 percent in relation to citywide growth rate of 6 percent. Include a review of staffing levels and alternative models.
- Review of the financial reporting of the unfunded pension liability



### FINANCE COMMITTEE CHAIR COMMENTS

