

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET

Department		FTE	Revenues Adjustment	Expenses Adjustment
GENERAL FUND (102)				
<i>City Attorney</i>	Legal Support This action adds ongoing funding of \$250,000 for employee-specific personnel investigations and one-time funding for outside counsel agreements in the amounts of \$125,000 for the Roth Building Rehabilitation, \$120,000 for Green case litigation, and \$25,000 for a wireless ordinance update. (Ongoing Cost: \$250,000)	-	\$ -	\$ 520,000
<i>City Clerk</i>	City Clerk Staff Training This action provides one-time funding of \$6,000 to the staff training budget for technical and leadership and succession planning skills development. Funding is being shifted from Management Development Training Funds in Non-Departmental to cover the training needs. (Ongoing costs: \$0)	-	\$ -	\$ 6,000
<i>Community Services</i>	Art & Sciences Division: Public Art Studio Staffing Reorganization This action increases Art Center capacity to meet community demand for adult ceramic classes that are held at the Art Center. This proposal adds one Junior Museum & Zoo Educator position (0.75 FTE) and eliminates two hourly Instructor positions (0.40 FTE), for a net decrease of 0.05 FTE. Additionally, this action increases revenues by \$8,000 for fees generated by new Ceramics classes, which will become available if this action is approved. This proposal creates greater staffing sustainability for this revenue-generating program, helping to meet the increased community demand (Ongoing net costs: \$0)	(0.05)	\$ 8,000	\$ (7,200)
<i>Community Services</i>	Transfer from the Child Care Fund/Human Services Division: Early Education Professional Development This action would transfer funds from the Child Care Trust Fund to the General Fund and appropriate funding for professional development for early education providers via a mini-grant program. This aligns with the previous Council Action (CMR 13553) on October 4, 2021 for the same purpose (Ongoing net costs: \$0)	-	\$ 5,000	\$ 5,000
<i>Community Services</i>	Human Services Division : Overnight Warming Location (OWL) Funding This action increases funding to provide shelter beds for Palo Alto unhoused at an Overnight Warming Location (OWL) operated by a community partner. Costs will include shelter space (bed and food costs), outreach and referral services to unhoused individuals, and transportation. (Ongoing costs: \$15,000)	-	\$ -	\$ 15,000
<i>Community Services</i>	Art & Sciences Division: Junior Museum & Zoo (JMZ) Business and Operating Plan This action will provide funding for a consultant to 1) perform an operational analysis of the JMZ and to 2) prepare a business plan to inform ongoing operational and budgetary decisions. This will include an analysis of the JMZ's financial, operational, organizational, and programmatic performance for the first year of operations, and recommendations for ongoing/future operations based on attendance and revenue projections. (Ongoing costs: \$0)	-	\$ -	\$ 50,000
<i>Community Services</i>	Open Space, Parks, & Golf Division: Management Staffing This action adds 1.00 FTE Division Manager of Parks, Open Space, and Golf Position to manage large projects such as the family wellness center, skatepark, 10.5 acres at the Baylands, and urgent and unplanned projects like the Mayfield soccer complex infill replacement and Lytton Plaza fountain repair. This would allow the Assistant Director to focus on complex policy issues, division leadership, and environmental regulatory obligations. (Ongoing costs: \$220,000)	1.00	\$ -	\$ 71,000
<i>Community Services</i>	Recreation Division: Team Sheep Operations Assistance – Rinconada Lap Pool This action will provide funding for Team Sheep (Palo Alto Swim & Sport) to continue to pay employees for 45 days while the City re-plasters the Rinconada Lap Pool and Kiddie Pool, which is anticipated to begin in early March 2023. During this Capital Improvement Project, Team Sheep will be unable to offer programming. (Ongoing costs: \$0).	-	\$ -	\$ 85,000
<i>Community Services</i>	Open Space, Parks, & Golf Division: Weekend Trash Pickup This action increases the park maintenance contract service levels by adding weekend trash removal service at ten of the most impacted parks. The amount requested for approval is prorated for the current Fiscal Year. Current services under this contract include landscape maintenance of parks, athletic fields, courts, roadsides, medians, City buildings, community centers, and other facilities throughout Palo Alto. (Ongoing costs: \$125,000)	-	\$ -	\$ 125,000
<i>Community Services</i>	Open Space, Parks, & Golf Division: Golf Course Green Fee Contract Services Alignment This action increases expenditures related to City Golf Course operations. Contract expenditures are increased by \$255,000 to reflect amounts owed to OB Sports per the terms of the agreement with the City for the calculated FY 2022 revenue share, or 20% of the difference between Gross Revenue and Target Revenue for that fiscal year. (Ongoing costs: \$0)	-	\$ -	\$ 255,000
<i>Fire</i>	First Responder Fee and FireMed Program Revenue This action discontinues the First Responder Fee Program, eliminating \$1.0 million in projected revenue, following an external consultant's review and also reduces FireMed Program revenue by \$375,000 due to delayed advertising and reduced public interest. (Ongoing costs: \$1,075,000).	-	\$ (1,380,000)	\$ -

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Department		FTE	Revenues Adjustment	Expenses Adjustment
GENERAL FUND (102)				
Fire	Overtime: Fire Station 8 Reimbursement This net-neutral action recognizes reimbursement revenue from the County for staffing Fire Station 8 on alternate months during high fire season months on behalf of the City of Los Altos Hills. This revenue is used to offset incurred Fire Department overtime costs. (Ongoing net costs: \$0)	-	\$ 177,000	\$ 177,000
Fire	Fire Fighter New Hire Costs This action adds one-time funding of \$330,000 for new hire uniforms, personal protective equipment (PPE), academy fees, and background checks as the Department has hired 16 entry-level fire fighters in FY 2023. These costs are not budgeted as part of the adopted budget and typically funded as part of Mid-Year, because the number of new hires can vary from year to year. Additionally, this action shifts \$1.5 million from salaries to overtime to realign budget estimates for vacant positions that are backfilled on overtime. (Ongoing costs: \$0)	-	\$ -	\$ 330,000
Fire	Stanford Fire Service Agreement: Revenue True-Up This action recognizes \$1,033,000 in revenue from the Stanford University for the fire and communication services agreement. At the second quarter of each year actual expenditures are calculated and are reconciled against budgeted levels for the prior year, resulting in either an additional payment or a reimbursement. For FY 2022 actuals, an additional payment of \$495,000 has been made by Stanford. An adjustment of \$539,000 for FY 2023 Stanford revenue is also included to align the forecasted budget for fire prevention services with the actual amounts being invoiced. (Ongoing savings: \$0)	-	\$ 1,033,000	\$ -
Fire	State Paramedic Reimbursement Program This action is a net neutral adjustment of revenue and matching expenses to recognize reimbursement from the State for medical transportation costs through the Ground Emergency Medical Transportation (GEMT) program. After contributing matching funds, this program reimburses the City for costs associated with transporting patients in an ambulance. (Ongoing savings: \$0).	-	\$ 310,000	\$ 284,000
Library	Pacific Library Partnership Innovation and Technology Grant This action recognizes \$4,300 in revenue and expenditures related to the receipt of the Pacific Library Partnership Innovation and Technology Opportunity Grant to support the purchase of ten drones for the Mitchell Park Library program, Light Up the Library with Drones. (Ongoing costs: \$0)	-	\$ 4,300	\$ 4,300
Library	Library Staffing Reorganization This action reorganizes the Library Department organizational structure to reflect recommendations in the completed staffing analysis and organizational assessment. This involves the reclassification of several full-time and part-time positions, including a net addition of 2.73 FTE positions, to allow for a new service model that meets community needs by providing additional programming and services while maintaining current operating hours. (Ongoing costs: \$165,000)	2.73	\$ -	\$ 4,600
Library	Library Collections This action adds \$30,000 in ongoing funding for Library collections development. The Library strives to continue to maintain a viable, well-rounded library collection to meet customers' perennial needs, as identified in the Library's Collection Development Plan. (Ongoing costs: \$75,000)	-	\$ -	\$ 30,000
Office of Transportation	Management Staffing Adjustment This action reclassifies 1.00 FTE Management Analyst to a Senior Management Analyst (0.50 FTE in the General Fund, 0.30 FTE in Parking Funds, and 0.20 FTE in the Capital Fund). This action is the result of a classification analysis which found that the duties of the position are better aligned with a Senior Management Analyst. The work performed is critical to the department and cannot be distributed to another position. The cost of the reclassification will be absorbed by vacancy savings from the current budget and will therefore have no budgetary impact in FY 2023. (Ongoing costs: \$13,000)	-	\$ -	\$ -
Planning and Development	Building Inspection and Plan Review Staffing Support This action increases salary and benefits expenses and offsetting revenue to the Planning and Development Services Department to recognize proposed reclassification of 3.00 FTE Building Inspector Specialist positions and 1.00 FTE Plans Check Engineer position to new classifications of Senior Building Inspector and Senior Plans Check Engineer, respectively. These Senior level classifications are being discussed with labor and if approved, will be legitimized in the FY 2024 budget process. The Senior Building Inspector classification is recommended to attract more qualified and experienced candidates in an effort to meet high levels of inspection service demand. Palo Alto's code is complex and often inspections require a higher level of inspection services that is better reflected by a Senior level classification. The Senior Plans Check Engineer classification is recommended to allow capacity for quality control of plan reviews and will be assigned the most complex permitting projects. Establishing these new Senior level classifications is anticipated to increase the level of support in Building Inspection and Plan Review services and improve recruitment and retention efforts by establishing a path for advancement. This action is anticipated to be fully offset by revenue. (Ongoing net costs: \$0)	-	\$ 21,000	\$ 21,000
Planning and Development	Administrative Staffing Adjustment This action reclassifies 1.00 FTE Administrative Associate II to an Administrative Associate III. This action is the result of a classification study which found that the duties of the position are better aligned with an Administrative Associate III. The work accomplished by this position is critical to customer service functions in the Development Center and cannot be reallocated to other staff. (Ongoing net costs: \$0)	-	\$ 13,000	\$ 13,000

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GENERAL FUND (102)				
<i>Planning and Development</i>	Planning Long Range Staffing This action adds 2.00 FTE Senior Planner positions to the Long Range Planning Team to support a variety of Council-directed policies and projects. Long Range Planning is currently working on a wide breadth of initiatives that require additional support and resources and over the past few years, the work plan for this team has grown significantly with major projects. Some of these initiatives include: Rental Protection, Coordinated Area Plans, Housing Element Implementation, State Law Updates and Implementation, and other Council-directed policy. These positions will lead and manage progress on these complex and significant initiatives. (Ongoing costs: \$342,000)	2.00	\$ -	\$ 139,000
<i>Police</i>	Public Safety Information Management Staffing Augmentation This action adds 1.00 FTE Court Liason Officer position. The position will supplement the City's current court liaison officer and provides the following essential services: 1) Being the primary coordinator of court cases for criminal, traffic, and administrative matters. This includes pre-trial and mid-trial coordinating with city attorney, defense attorney, District Attorney's Office (DAO), and police officers. 2) Quality control for police reports issued by this department in adherence to standards. 3) Informing staff of policy and protocol changes from the State or County including DAO, Department of Motor Vehicles, Courts, Probation, and jails or detention facilities. In addition, the position can assist the Police Record's Division which has seen significant turnover (Ongoing costs: 134,000)	1.00	\$ -	\$ 44,000
<i>Non-Departmental</i>	General Fund Reserves This action consolidates various reserves in the General Fund, including the FY 2023 Service Reinvestment Reserve - Year 2 (\$3.8 million), FY 2023 Utility Transfer Litigation or Equity Transfer Reserve (\$3.5 million), Transition Costs Reserve (\$0.2 million), Administrative Support Reserve (\$0.2 million), and COVID-19 Reserve (\$0.1 million). (Ongoing costs: \$0)	-	\$ -	\$ (7,785,000)
<i>Non-Departmental</i>	Major Tax Revenue Alignment This action recognizes adjustments to estimates for Property Tax (\$0.5 million), Sales Tax (\$1.5 million), and Transient Occupancy Tax (TOT) (\$4.0 million), based on trends experienced through the first half of FY 2023. This would bring the total estimate for Property Tax revenue to \$61.3 million, Sales Tax revenue to \$34.1 million, and TOT revenue to \$23.2 million. (Ongoing savings: \$0)	-	\$ 6,000,000	\$ -
<i>Non-Departmental</i>	Rent Forgiveness and Race & Equity Program Funding This action reduces funding for programs that have already spent funding or have been completed and the funding is no longer needed. As part of the FY 2022 Reappropriations to FY 2023 (CMR 14728), unspent funding was moved from FY 2022 to FY 2023 for the Advancing Racial Equity program (\$0.5 million) and the Rent Forgiveness program (\$0.7 million). After further analysis, it was determined that \$0.1 million had been spent on contracts related to Advancing Racial Equity work, and the Rent Forgiveness program had been completed in FY 2022. As a result, technical corrections are needed in this report to reduce the funding for Advancing Racial Equity work to \$0.4 million and eliminating the \$0.7 million funding for Rent Forgiveness. (Ongoing savings: \$0)			\$ (841,000)
<i>Non-Departmental</i>	Management Development Funds This action uses Management Development Training Funds to offset recommendations to increase the City Clerk staff training budget for technical and leadership and succession planning skills development. With this adjustment, a total of \$281,000 remains unspent in Management Development Funds (Ongoing savings: \$0)	-	\$ -	\$ (6,000)
<i>Non-Departmental</i>	Storm and Flood Response This action allocates funding for community assistance during the significant storm systems beginning December 31, 2022, including materials an equipment rentals, lodging for displaced residents, and additional staffing to provide consistent coverage. (Ongoing costs: \$0)			\$ 100,000
<i>Non-Departmental</i>	Utilities Equity Transfer to the General Fund This action reduces the equity transfer to the General Fund from the Electric (\$101,000) and Gas (\$482,000) Funds in FY 2023 as a result of lower than anticipated fixed assets (depreciation) in FY 2022, and increased commodity and operation and maintenance costs, as well as the passage of Measure L in November 2022. (Ongoing costs: \$0)	-	\$ (583,000)	\$ -
<i>Non-Departmental</i>	Transfer to the Capital Improvement Fund This action transfers \$4.0 million to the Infrastructure Reserve in the Capital Improvement Fund, as approved by the City Council in the FY 2022 Annual Comprehensive Financial Report (ACFR) for BSR exceeding target levels of 18.5%. (Ongoing costs: \$0)			\$ 4,000,000
<i>Non-Departmental</i>	Transfer to the General Benefits Fund for Supplemental Pension Contributions This action transfers \$5.0 million to the General Benefits Fund to increase the contribution to the City's Section 115 Pension Trust Fund, as approved by the City Council in the FY 2022 Annual Comprehensive Financial Report (ACFR) for BSR exceeding target levels of 18.5%. (Ongoing costs: \$0)	-	\$ -	\$ 5,000,000
<i>Non-Departmental</i>	Budget Uncertainty Reserve This action allocates \$14.0 million for a Budget Uncertainty Reserve to proactively set aside funding to address estimated deficits over the next several years, including the Uncertainty Reserve approved in the FY 2022 Annual Comprehensive Financial Report (ACFR) (\$5.0 million), liquidation of the FY 2023 Service Reinvestments Reserve (\$3.8 million), and appropriation of a portion of the excess FY 2023 major tax revenue adjustment (\$5.2 million). (Ongoing costs: \$0)			\$ 14,000,000

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GENERAL FUND (102)				
<i>Various</i>	Labor Negotiation Adjustments This net-neutral action recognizes increased expenses in departmental salary and benefits (\$2.6 million), which are offset by the use of the Labor and Inflation Reserve (\$900,000) and projected year-end vacancy savings (\$1.7 million). This year the City is engaging in labor negotiations with various groups. This report recognizes \$2.6 million in estimated expense increases commensurate with the status of economic proposals for all groups, including compensation adjustments and other terms of employment. This expense increase is fully offset by the elimination of the Inflation and Salary Reserve (\$900,000) and projected departmental vacancy savings (\$1.7 million). (Ongoing costs: \$12.5 million)	-	\$ -	\$ -
<i>Various</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing costs: \$0)	-	\$ -	\$ 228,000
<i>Various</i>	Gas Commodity Purchase Utilities Allocated Charges Expenses for gas commodity purchases increased by \$19.8 million in the Gas Fund. This adjustment is consistent with the preliminary gas supply forecast, which reflects fluctuating market prices and anticipated demand. The City's cost of gas is budgeted as allocated charges in citywide departments and funds; therefore, corresponding increases in various departments' allocated charges are recommended. The impact to the General Fund in FY 2023 is approximately \$427,000; other funds \$186,000. (Ongoing costs: \$0)	-	\$ -	\$ 427,000
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (11,686,400)
GENERAL FUND (102) SUBTOTAL		6.68	\$ 5,608,300	\$ 5,608,300
<u>CHILD CARE FUND (193)</u>				
<i>Community Services</i>	Transfer to the General Fund for Human Services Division: Early Education Professional Development This action would transfer funds from the Child Care Trust Fund to the General Fund and appropriate funding for professional development for early education providers via a mini-grant program. This aligns with the previous Council Action (CMR 13553) on October 4, 2021 for the same purpose (Ongoing costs: \$5,000)	-	\$ -	\$ 5,000
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (5,000)
CHILD CARE FUND (193) SUBTOTAL		-	\$ -	\$ -

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Department		FTE	Revenues Adjustment	Expenses Adjustment
CAPITAL IMPROVEMENT FUNDS				
<u>GENERAL FUND CAPITAL IMPROVEMENT FUND (471)</u>				
<i>Capital</i>	Capital Improvement Project Adjustments			
	This action reflects the combined impact from adjustments to projects as outlined in Attachment A, Exhibit 2.		\$ 2,617,425	\$ 989,225
<i>Office of Transportation</i>	Management Staffing Adjustment	-	\$ -	\$ -
	This action reclassifies 1.00 FTE Management Analyst to a Senior Management Analyst (0.50 FTE in the General Fund, 0.30 FTE in Parking Funds, and 0.20 FTE in the Capital Fund). This action is the result of a classification analysis which found that the duties of the position are better aligned with a Senior Management Analyst. The work performed is critical to the department and cannot be distributed to another position. The cost of the reclassification will be absorbed by vacancy savings from the current budget and will therefore have no budgetary impact. (Ongoing costs: \$4,000)			
	Transfer to the Capital Improvement Fund	-	\$ 4,000,000	\$ -
	This action recognizes a transfer of \$4.0 million from the General Fund to increase the contribution to the Capital Improvement Fund, as approved by the City Council in the FY 2022 Annual Comprehensive Financial Report (ACFR). This brings the total base General Fund transfer to \$12.8 million in FY 2023. This funding will be used to fund projects that are anticipated to exceed their current budget such as the Downtown Automated Parking Guidance Systems project (PL-15002) as well as increasing the fund balance in the Capital Improvement Fund for use in the development of the upcoming 2024-2028 five-year Capital Improvement Plan. (Ongoing costs: \$0)			
<i>Fund Balance</i>	Adjustment to Fund Balance	-	\$ -	\$ 5,628,200
	This action adjusts the fund balance to offset adjustments recommended in this report.			
GENERAL FUND CAPITAL IMPROVEMENT FUND (471) SUBTOTAL		-	\$ 6,617,425	\$ 6,617,425

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Department		FTE	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS				
<u>AIRPORT ENTERPRISE FUND (530)</u>				
<i>Public Works</i>	Gas Commodity Purchase Utilities Allocated Charges Expenses for gas commodity purchases increased by \$19.8 million in the Gas Fund. This adjustment is consistent with the preliminary gas supply forecast, which reflects fluctuating market prices and anticipated demand. The City's cost of gas is budgeted as allocated charges in citywide departments and funds; therefore, corresponding increases in various departments' allocated charges are recommended. The impact to the General Fund in FY 2023 is approximately \$427,000; other funds \$186,000. (Ongoing costs: \$0)	-	\$ -	\$ 7,000
<i>Public Works</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing costs: \$0).	-	\$ -	\$ 14,000
<i>Public Works</i>	Information Technology Contract Services Allocated Charges This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$2,000)	-	\$ -	\$ 1,523
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (22,523)
AIRPORT ENTERPRISE FUND (530) SUBTOTAL		-	\$ -	\$ -
<u>ELECTRIC FUND (513 & 523)</u>				
<i>Utilities</i>	Electric Line Clearing Services This one-time action increases Contract Services from \$2.9 million to \$4.5 million to align the FY 2023 Electric Line Clearing budget with anticipated overhead line tree clearing work from the City's contractor, Davey Tree. This increase meets the cumulative authorized spending approved by Council for the overhead line tree clearing contract and allows an increase from four 2-person crews to six 2-person crews. The City has experienced an increased number of outages in the past year caused by tree limbs falling on overhead power lines, and this will address a backlog of routine work and respond to urgent issues in a timely manner (Ongoing costs: \$0)	-	\$ -	\$ 1,566,000
<i>Utilities</i>	Electric Hydro Rate Revenue/Electric Commodity Adjustments This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0)	-	\$ 20,564,000	\$ 10,359,000
<i>Utilities</i>	Transfer to the Electric Fund for Foothills Work This one-time action will transfer funds from the Fiber Fund to the Electric Fund, to purchase 25% or 12 strands of fiber installed by the Electric Utility at the Foothills, for the Adobe Creek connection to enable SCADA services to monitor the Foothills reservoirs. The Fiber Utility plans to offer its Commercial Dark Fiber service to Fiber service provider(s) in the Foothills area and use service providers to add internet services to "light" the fiber for the residents. The Electric Utility does not foresee a use for the 12 fibers and this is a much more cost effective solution to installing additional fiber in the area. (Ongoing costs: \$0)	-	\$ 163,000	\$ -
<i>Utilities</i>	Utilities Equity Transfer to the General Fund This action reduces the equity transfer to the General Fund from the Electric Fund as a result of lower than anticipated fixed assets (depreciation) in FY 2022, and increased commodity and operation and maintenance costs. (Ongoing savings: \$0)	-	\$ -	\$ (101,000)

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Department		FTE	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS				
Utilities	Personnel Investigations Utilities Allocated Charges The number of personnel investigations has increased over the last several years, and this action increases the amount allocated for this work from \$100,000 to \$170,000. This will allow the Department and the Attorney's Office to conduct these investigations without impacting funds allocated for other services. These costs are allocated in the Utilities Administration Fund and allocated proportionately based on the adopted budget across the various Utilities Funds. (Ongoing costs: \$32,000)	-	\$ -	\$ 32,000
Utilities	Gas Commodity Purchase Utilities Allocated Charges Expenses for gas commodity purchases increased by \$19.8 million in the Gas Fund. This adjustment is consistent with the preliminary gas supply forecast, which reflects fluctuating market prices and anticipated demand. The City's cost of gas is budgeted as allocated charges in citywide departments and funds; therefore, corresponding increases in various departments' allocated charges are recommended. The impact to the General Fund in FY 2023 is approximately \$427,000; other funds \$186,000. (Ongoing costs: \$0)	-	\$ -	\$ 18,000
Fund Balance	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ 8,853,000
ELECTRIC FUND (513 & 523) SUBTOTAL		-	\$ 20,727,000	\$ 20,727,000
<u>FIBER OPTICS FUND (533)</u>				
Utilities	Transfer to the Electric Fund for Foothills Work This one-time action will transfer funds from the Fiber Fund to the Electric Fund, to purchase 25% or 12 strands of fiber installed by the Electric Utility at the Foothills, for the Adobe Creek connection to enable SCADA services to monitor the Foothills reservoirs. The Fiber Utility plans to offer its Commercial Dark Fiber service to Fiber service provider(s) in the Foothills area and use service providers to add internet services to "light" the fiber for the residents. The Electric Utility does not foresee a use for the 12 fibers and this is a much more cost effective solution to installing additional fiber in the area. (Ongoing costs: \$0)	-	\$ -	\$ 163,000
Utilities	Personnel Investigations Utilities Allocated Charges The number of personnel investigations has increased over the last several years, and this action increases the amount allocated for this work from \$100,000 to \$170,000. This will allow the Department and the Attorney's Office to conduct these investigations without impacting funds allocated for other services. These costs are allocated in the Utilities Administration Fund and allocated proportionately based on the adopted budget across the various Utilities Funds. (Ongoing costs: \$2,000)	-	\$ -	\$ 2,000
Fund Balance	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (165,000)
FIBER OPTICS FUND (533) SUBTOTAL		-	\$ -	\$ -
<u>GAS FUND (514 & 524)</u>				
Utilities	Net Sales Revenue/Gas Commodity Purchase Expenses for gas commodity purchases increased by \$19.8 million in the Gas Fund. This adjustment is consistent with the preliminary gas supply forecast, which reflects fluctuating market prices and anticipated demand. The City's cost of gas is budgeted as allocated charges in citywide departments and funds; therefore, corresponding increases in various departments' allocated charges are recommended. The impact to the General Fund in FY 2023 is approximately \$427,000; other funds \$186,000. (Ongoing costs: \$0)	-	\$ 25,400,000	\$ 19,822,000
Utilities	Utilities Equity Transfer to the General Fund This action reduces the equity transfer to the General Fund from the Gas Fund as a result of lower than anticipated fixed assets (depreciation) in FY 2022, and increased commodity and operation and maintenance costs, as well as the passage of Measure L in November 2022. (Ongoing costs: \$0)	-	\$ -	\$ (482,000)
Utilities	Transfer to the Water Fund for Water, Gas, Wastewater Utility GIS Data Capital Project (WS-02014) The Gas and Wastewater Collection Funds pay a portion of the WS-01014 capital project costs through transfers to the Water Fund. This funding cover ongoing conversion activity to bring maps into the new GIS platform. Transfers were completed in prior years; however, GIS conversion work was not completed in the prior years. Since this is an ongoing project, the FY23 transfers are being reduced to align total cumulative transfers more closely based on work performed to date. (Ongoing savings: \$0)	-	\$ -	\$ (166,000)

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ENTERPRISE FUNDS				
<i>Utilities</i>	Personnel Investigations Utilities Allocated Charges The number of personnel investigations has increased over the last several years, and this action increases the amount allocated for this work from \$100,000 to \$170,000. This will allow the Department and the Attorney's Office to conduct these investigations without impacting funds allocated for other services. These costs are allocated in the Utilities Administration Fund and allocated proportionately based on the adopted budget across the various Utilities Funds. (Ongoing costs: \$15,000)	-	\$ -	\$ 15,000
<i>Utilities</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0).	-	\$ -	\$ 50
<i>Fund Balance</i>	Adjustment to Fund Balance	-	\$ -	\$ 6,210,950
GAS FUND (514 & 524) SUBTOTAL		-	\$ 25,400,000	\$ 25,400,000
<u>REFUSE FUND (525)</u>				
<i>Utilities</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0)	-	\$ -	\$ 3,300
<i>Public Works</i>	Information Technology Contract Services Allocated Charges This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$8,000)	-	\$ -	\$ 8,036
<i>Fund Balance</i>	Adjustment to Fund Balance	-	\$ -	\$ (11,336)
REFUSE FUND (525) SUBTOTAL		-	\$ -	\$ -
<u>STORMWATER MANGEMENT FUND (528)</u>				
<i>Public Works</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0)	-	\$ -	\$ 9,000
<i>Public Works</i>	Information Technology Contract Services Allocated Charges This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$8,000)	-	\$ -	\$ 7,598
<i>Fund Balance</i>	Adjustment to Fund Balance	-	\$ -	\$ (16,598)
STORMWATER MANGEMENT FUND (528) SUBTOTAL		-	\$ -	\$ -

ATTACHMENT A, EXHIBIT 1

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Department		FTE	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS				
<u>UTILITIES ADMINISTRATION FUND (521)</u>				
<i>Utilities</i>	Information Technology Contract Services Allocated Charges This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$98,000)	- \$	- \$	98,180
<i>Utilities</i>	Personnel Investigations Utilities Allocated Charges The number of personnel investigations has increased over the last several years, and this action increases the amount allocated for this work from \$100,000 to \$170,000. This will allow the Department and the Attorney's Office to conduct these investigations without impacting funds allocated for other services. These costs are allocated in the Utilities Administration Fund and allocated proportionately based on the adopted budget across the various Utilities Funds. (Ongoing net costs: \$0)	- \$	70,000 \$	70,000
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	- \$	- \$	(98,180)
UTILITIES ADMINISTRATION FUND (521) SUBTOTAL		- \$	70,000 \$	70,000
<u>WASTEWATER COLLECTION FUND (527)</u>				
<i>Capital</i>	Capital Improvement Project Adjustments This action reflects the combined impact from adjustments to projects as outlined in Attachment A, Exhibit 2.	- \$	- \$	4,825,000
<i>Utilities</i>	Transfer to the Water Fund for Water, Gas, Wastewater Utility GIS Data Capital Project (WS-02014) The Gas and Wastewater Collection Funds pay a portion of the WS-01014 capital project costs through transfers to the Water Fund. This funding cover ongoing conversion activity to bring maps into the new GIS platform. Transfers were completed in prior years; however, GIS conversion work was not completed in the prior years. Since this is an ongoing project, the FY23 transfers are being reduced to align total cumulative transfers more closely based on work performed to date. (Ongoing savings: \$0)	- \$	- \$	(166,000)
<i>Utilities</i>	Personnel Investigations Utilities Allocated Charges The number of personnel investigations has increased over the last several years, and this action increases the amount allocated for this work from \$100,000 to \$170,000. This will allow the Department and the Attorney's Office to conduct these investigations without impacting funds allocated for other services. These costs are allocated in the Utilities Administration Fund and allocated proportionately based on the adopted budget across the various Utilities Funds. (Ongoing costs: \$8,000)	- \$	- \$	8,000
<i>Public Works</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0)	- \$	- \$	140
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	- \$	- \$	(4,667,140)
WASTEWATER COLLECTION FUND (527) SUBTOTAL		- \$	- \$	-

ATTACHMENT A, EXHIBIT 1

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Department		FTE	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS				
<u>WASTEWATER TREATMENT FUND (526)</u>				
<i>Capital</i>	Capital Improvement Project Adjustments	-	\$	- \$ 100,000
	This action reflects the combined impact from adjustments to projects as outlined in Attachment A, Exhibit 2.			
<i>Public Works</i>	Gas Commodity Purchase Utilities Allocated Charges	-	\$	- \$ 25,000
	Expenses for gas commodity purchases increased by \$19.8 million in the Gas Fund. This adjustment is consistent with the preliminary gas supply forecast, which reflects fluctuating market prices and anticipated demand. The City's cost of gas is budgeted as allocated charges in citywide departments and funds; therefore, corresponding increases in various departments' allocated charges are recommended. The impact to the General Fund in FY 2023 is approximately \$427,000; other funds \$186,000. (Ongoing costs: \$0)			
<i>Public Works</i>	Electric Hydro Rate Utilities Allocated Charges	-	\$	- \$ 282,000
	This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0)			
<i>Public Works</i>	Information Technology Contract Services Allocated Charges	-	\$	- \$ 38,332
	This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$38,000)			
<i>Fund Balance</i>	Adjustment to Fund Balance	-	\$	- \$ (445,332)
	This action adjusts the fund balance to offset adjustments recommended in this report.			
WASTEWATER TREATMENT FUND (526) SUBTOTAL		-	\$	- \$ -

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET

Department	FTE	Revenues Adjustment	Expenses Adjustment
ENTERPRISE FUNDS			
<u>WATER FUND (522)</u>			
<i>Capital</i>			
Capital Improvement Project Adjustments	-	\$ (332,400)	\$ -
This action reflects the combined impact from adjustments to projects as outlined in Attachment A, Exhibit 2.			
<i>Utilities</i>			
Bay Area Water Supply and Conservation Agency (BAWSCA) Membership	-	\$ -	\$ 95,000
This action increases membership fees for BAWSCA from \$321,000 to \$416,000. BAWSCA is a government agency that was created by special legislative action to represent the water supply and conservation interests of Palo Alto and other Wholesale Customers of the San Francisco Public Utilities Commission (SFPUC). An assessment increase of 25% for membership fees is needed for a catch up because BAWSCA relied on the use of the General Reserve and Balancing Account to fund its operating budget. (Ongoing costs: \$95,000)			
<i>Utilities</i>			
Electric Hydro Rate Utilities Allocated Charges	-	\$ -	\$ 85,000
This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing costs: \$0)			
<i>Utilities</i>			
Personnel Investigations Utilities Allocated Charges	-	\$ -	\$ 13,000
The number of personnel investigations has increased over the last several years, and this action increases the amount allocated for this work from \$100,000 to \$170,000. This will allow the Department and the Attorney's Office to conduct these investigations without impacting funds allocated for other services. These costs are allocated in the Utilities Administration Fund and allocated proportionately based on the adopted budget across the various Utilities Funds. (Ongoing costs: \$13,000)			
<i>Fund Balance</i>			
Adjustment to Fund Balance		\$ -	\$ (525,400)
This action increases/decreases the fund balance to offset adjustments recommended in this report.			
WATER FUND (522) SUBTOTAL		\$ (332,400)	\$ (332,400)

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET

Department		FTE	Adjustment	Adjustment
INTERNAL SERVICE FUNDS				
<u>GENERAL BENEFITS FUND (687)</u>				
<i>Non-Departmental</i>	Transfer from the General Fund for Supplemental Pension Contributions	-	\$ 5,000,000	\$ 5,000,000
	This net-neutral action recognizes a transfer of \$5.0 million from the General Fund to increase the contribution to the City's Section 115 Pension Trust Fund, as approved by the City Council in the FY 2022 Annual Comprehensive Financial Report (ACFR). A corresponding adjustment is made to recognize pension expense. This brings total contributions to \$55.0 million through FY 2023 (\$36.8 million from the General Fund). Staff will include proportional contributions from other funds as part of the FY 2023 year-end or FY 2024 Proposed Budget process. (Ongoing costs: \$0)			
GENERAL BENEFITS FUND (687) SUBTOTAL		-	\$ 5,000,000	\$ 5,000,000
<u>INFORMATION TECHNOLOGY FUND (682)</u>				
<i>Information Technology</i>	IT Project Services Administration Staffing	1.00	\$ -	\$ 67,838
	This action adds 1.00 FTE Senior Technologist to serve as a project manager and appropriates an additional \$67,838 in funding. Currently, the ITD has 34 projects with 23 additional projects in the pipeline. The additional staffing will allow the City to keep up with the increasingly complex technology demands of the City. (Ongoing costs: \$209,000)			
<i>Information Technology</i>	Cybersecurity Initiatives	-	\$ -	\$ 250,000
	This action adds \$250,000 towards Citywide cybersecurity initiatives which include but are not limited to disaster recovery, management framework, and endpoint controls. This funding will allow for investments in solutions to protect the City against cyber threats and to address recommendations from the Baker Tilly audit assessments. (Ongoing costs: \$500,000)			
<i>Information Technology</i>	Charges to Other Departments/Information Technology Contract Services	-	\$ 162,013	\$ 279,285
	This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$279,000)			
<i>Information Technology</i>	Electric Hydro Rate Utilities Allocated Charges	-	\$ -	\$ 1,000
	This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing costs: \$0)			
<i>Fund Balance</i>	Adjustment to Fund Balance	-	\$ -	\$ (436,110)
	This action adjusts the fund balance to offset adjustments recommended in this report.			
INFORMATION TECHNOLOGY FUND (682) SUBTOTAL		1.00	\$ 162,013	\$ 162,013

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET

Department		FTE	Adjustment	Adjustment
INTERNAL SERVICE FUNDS				
<u>PRINT AND MAIL SERVICES FUND (683)</u>				
<i>Administrative Services</i>	Information Technology Contract Services Allocated Charges This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$1,000)	-	\$	956
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$	(956)
PRINT AND MAIL SERVICES FUND (683) SUBTOTAL		-	\$	-
<u>VEHICLE REPLACEMENT & MAINTENANCE FUND (681)</u>				
<i>Public Works</i>	Gas Commodity Purchase Utilities Allocated Charges Expenses for gas commodity purchases increased by \$19.8 million in the Gas Fund. This adjustment is consistent with the preliminary gas supply forecast, which reflects fluctuating market prices and anticipated demand. The City's cost of gas is budgeted as allocated charges in citywide departments and funds; therefore, corresponding increases in various departments' allocated charges are recommended. The impact to the General Fund in FY 2023 is approximately \$427,000; other funds \$186,000. (Ongoing costs: \$0)	-	\$	136,000
<i>Public Works</i>	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$228,000; other funds \$437,000. (Ongoing Cost: \$0)	-	\$	30
<i>Public Works</i>	Information Technology Contract Services Allocated Charges This action increases expenses in the Information Technology Fund by \$279,000 for software, subscriptions, and technology licensing costs contracts that were implemented, renegotiated, omitted or amended during the current fiscal year. Services include Neogov (\$9,000), Sherpa (\$20,000), Monday.com (\$9,250), Microsoft 365 (\$116,000), Team Dynamix (\$17,500), and Code42 (\$64,600). The costs of these services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department are also recommended to offset this expense. The impact on the General Fund in FY 2023 is \$117,000 and will be funded by the annual Technology Surcharge transfer to the Technology Fund. The impact to other funds is \$162,000. (Ongoing costs: \$7,000)	-	\$	7,388
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$	(143,418)
VEHICLE REPLACEMENT & MAINTENANCE FUND (681) SUBTOTAL		-	\$	-

ATTACHMENT A, EXHIBIT 1

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Department		FTE	Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS				
<u>BELOW MARKET RATE FUND (230)</u>				
Non- Departmental	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$223,000; other funds \$437,000. (Ongoing Cost: \$0)	-	\$ -	\$ 60
Fund Balance	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (60)
BELOW MARKET RATE FUND (230) SUBTOTAL		-	\$ -	\$ -
<u>CALIFORNIA AVENUE FUND (237)</u>				
Non- Departmental	Electric Hydro Rate Utilities Allocated Charges This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$223,000; other funds \$437,000. (Ongoing Cost: \$0)	-	\$ -	\$ 3,800
Office of Transportation	Management Staffing Adjustment This action reclassifies 1.00 FTE Management Analyst to a Senior Management Analyst (0.50 FTE in the General Fund, 0.30 FTE in Parking Funds, and 0.20 FTE in the Capital Fund). This action is the result of a classification analysis which found that the duties of the position are better aligned with a Senior Management Analyst. The work performed is critical to the department and cannot be distributed to another position. The cost of the reclassification will be absorbed by vacancy savings from the current budget and will therefore have no budgetary impact in FY 2023. (Ongoing Costs: \$1,000)	-	\$ -	\$ -
Fund Balance	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (3,800)
CALIFORNIA AVENUE FUND (237) SUBTOTAL		-	\$ -	\$ -
<u>CHARLESTON/ARASTRADERO DEVELOPMENT IMPACT FEE FUND (213)</u>				
Public Works	Transfer to the Capital Improvement Fund for the Charleston/Arastradero Corridor Project (PE-13011) This action transfers Charleston/Arastradero Impact Fee funds to the Capital Improvement Fund for use by the Charleston/Arastradero Corridor Project (PE-13011). This action should transfer the remaining fee funds in order to close out this Fund. (Ongoing costs: \$0)	-	\$ -	\$ 35,000
Fund Balance	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (35,000)
CHARLESTON/ARASTRADERO DEVELOPMENT IMPACT FEE FUND (213) SUBTOTAL		-	\$ -	\$ -
<u>GAS TAX FUND (231)</u>				
Public Works	Gas Tax Revenues/Transfers to the Capital Improvement Fund for Streets Improvement Project (PE-86070) This action reduces Fund 231 Gas Tax revenue by \$270,900, and reduces the transfer to the Capital Improvement Fund by \$136,600 for the Streets Improvement project (PE-86070). This is based on the State's updated January HUTA and SB1 gas tax revenue estimates. (Ongoing costs: \$0)	-	\$ (271,000)	\$ (136,600)
Fund Balance	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (134,400)
GAS TAX FUND (231) SUBTOTAL		-	\$ (271,000)	\$ (271,000)

ATTACHMENT A, EXHIBIT 1

**CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET**

Department		FTE	Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS				
<u>PARKLAND DEDICATION FUND (209)</u>				
<i>Public Works</i>	Transfer to the Capital Improvement Fund for the Boulware Park Project (PE-17005) This technical correction aligns the transfer for a reappropriation of funds from FY 2022 to FY 2023 involving a transfer from the Parkland Dedication Fund to the Capital Improvement Fund for the Boulware Park Project (PE-17005). The transfer into the Capital Improvement Fund was recorded, but the transfer from the Parkland Dedication Fund was not, so this adds the missing portion of the transfer to align both sides. (Ongoing costs: \$0)	-	\$ -	\$ (1,100,000)
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ 1,100,000
PARKLAND DEDICATION FUND (209) SUBTOTAL		-	\$ -	\$ -
<u>PUBLIC ART FUND (207)</u>				
<i>Community Services</i>	Art & Sciences Division: Annual Funding for Code Art This action adds funding to continue support for Code:ART, a three-evening interactive media art festival produced by the City of Palo Alto Public Art Program, which re-imagines Palo Alto's underutilized plazas, alleys, and public spaces through interactive light, sound, and motion. The festival features a major interactive media artwork anchoring the festival and six Urban Interventions activating downtown storefronts, alleys, parking lots or blank walls in new and inventive ways. The artworks will invite play and participation, engaging area locals in an event that outwardly reflects the creative community and culture that thrives here. The Public Art Commission approved the use of \$60,000 from the Public Art Fund to support Code:ART at the September 15, 2022 meeting (Ongoing costs: \$60,000)	-	\$ -	\$ 60,000
<i>Fund Balance</i>	Adjustment to Fund Balance This action adjusts the fund balance to offset adjustments recommended in this report.	-	\$ -	\$ (60,000)
PUBLIC ART FUND (207) SUBTOTAL		-	\$ -	\$ -
<u>RESIDENTIAL PARKING PERMIT FUND (239)</u>				
<i>Office of Transportation</i>	Management Staffing Adjustment This action reclassifies 1.00 FTE Management Analyst to a Senior Management Analyst (0.50 FTE in the General Fund, 0.30 FTE in Parking Funds, and 0.20 FTE in the Capital Fund). This action is the result of a classification analysis which found that the duties of the position are better aligned with a Senior Management Analyst. The work performed is critical to the department and cannot be distributed to another position. The cost of the reclassification will be absorbed by vacancy savings from the current budget and will therefore have no budgetary impact. (Ongoing Costs: \$6,500)	-	\$ -	\$ -
RESIDENTIAL PARKING PERMIT FUND (239) SUBTOTAL		-	\$ -	\$ -
<u>SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND (248)</u>				
<i>Police</i>	Annual Opioid Settlement Funding This net-neutral action appropriates \$44,291 in revenues and expenditures in the Supplemental Law Services Fund. The City has applied for and received grant funding from National Opioid Settlement which will be administered by the Police Department. Many program terms and conditions are in discovery as this is the first year offered, but outreach and intervention are expected uses of the funding. Funding of the program is expected to last for the next 18 years and will be cost neutral (Ongoing net costs: \$0)	-	\$ 44,291	\$ 44,291
SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND (248) SUBTOTAL		-	\$ 44,291	\$ 44,291

ATTACHMENT A, EXHIBIT 1

CITY OF PALO ALTO
RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 BUDGET

Department		FTE	Revenues Adjustment	Expenses Adjustment
SPECIAL REVENUE FUNDS				
<u>UNIVERSITY AVENUE FUND (236)</u>				
<i>Non-Departmental</i>	Electric Hydro Rate Utilities Allocated Charges		- \$	- \$ 25,000
	This action aligns the budget for potential revenue impacts from changes in the electric hydro rate adjuster (E-HRA). Per CMR 14874, the allowable rate increased from \$0.013/kWh to \$0.048/kWh and results in revenue impacts are anticipated to increase from \$4,050,000 to \$23,980,000. The impact to the General Fund in FY 2023 is approximately \$223,000; other funds \$437,000. (Ongoing costs: \$0)			
<i>Office of Transportation</i>	Management Staffing Adjustment	This	- \$	- \$ -
	action reclassifies 1.00 FTE Management Analyst to a Senior Management Analyst (0.50 FTE in the General Fund, 0.30 FTE in Parking Funds, and 0.20 FTE in the Capital Fund). This action is the result of a classification analysis which found that the duties of the position are better aligned with a Senior Management Analyst. The work performed is critical to the department and cannot be distributed to another position. The cost of the reclassification will be absorbed by vacancy savings from the current budget and will therefore have no budgetary impact in FY 2023. (Ongoing costs: \$1,300)			
<i>Fund Balance</i>	Adjustment to Fund Balance		- \$	- \$ (25,000)
	This action adjusts the fund balance to offset adjustments recommended in this report.			
UNIVERSITY AVENUE FUND (236) SUBTOTAL			- \$	- \$ -

ATTACHMENT A, EXHIBIT 2

CITY OF PALO ALTO

RECOMMENDED AMENDMENTS TO THE CITY MANAGER'S FY 2023 CAPITAL IMPROVEMENT PROGRAM

Project Number	Title	Revenue	Expense	Comments
CAPITAL IMPROVEMENT FUND				
AS-10000	Capital Improvement Fund Administration	\$ -	\$ 100,000	This action will fund legal costs associated with capital projects in the Capital Improvement Fund instead of the City Attorney's Office General Fund budget.
PG-06003	Benches, Signage, Walkways, Perimeter Landscaping, and Site Amenities	\$ -	\$ 35,000	This action adds funding to replace the aging slide and pool covers at the Rinconada Kids Pool. Approving this action at midyear allows for the slide to be replaced before summer.
PE-18006	Byxbee Park Completion	\$ 1,300,000	\$ -	This action corrects a reappropriation from FY 2022 to FY 2023 in this capital project. The operating budget was not impacted so no correction is needed.
PE-13011	Charleston/Arastradero Corridor Project	\$ 37,200	\$ -	This action appropriates rubberized asphalt grant revenue from the State to offset costs for this project.
PE-13011	Charleston/Arastradero Corridor Project	\$ 35,000	\$ -	This action appropriates funding from the Charleston/Arastradero Development Impact Fee Fund to offset costs in this project.
PE-18016	Civic Center Fire Life Safety Project	\$ -	\$ 142,000	This action is a technical correction to fully fund this project in FY 2023 as there was an issue moving an encumbrance FY 2022 to FY 2023.
PF-23001	Roth Building Rehabilitation	\$ 1,381,825	\$ 848,825	This action aligns the FY 2023 budget with updated cost and revenue amounts in the Roth Building Tenant Work Letter.
PE-86070	Street Maintenance	\$ (136,600)	\$ (136,600)	This action aligns the FY 2023 budget with the State's updated January HUTA & SB1 Gas Tax revenue estimates.
	Total	\$ 2,617,425	\$ 989,225	
WASTEWATER COLLECTION FUND				
WC-19001	Wastewater Collection System Rehabilitation/Augmentation Project 31	\$ -	\$ 5,650,000	This action increases WC-19001 with savings from WC-99013 (\$825k), moves funding in WC-19001 programmed in FY24 to FY23 (\$3.3M), and increases the overall project budget by \$2.1M. The project can be expedited to save costs related to night construction.
WC-99013	Sewer Lateral/Manhole Rehabilitation and Replacement	\$ -	\$ (825,000)	This action shifts savings from this project to WC-19001 in order to complete work in that project in FY 2023.
	Total	\$ -	\$ 4,825,000	
WASTEWATER TREATMENT FUND				
WQ-19002	Plant Repair, Retrofit, and Equipment Replacement	\$ -	\$ 100,000	This action will fund legal costs associated with capital projects at the Regional Water Quality Control Plant instead of the City Attorney's Office General Fund budget.
	Total	\$ -	\$ 100,000	
WATER FUND				
WS-02014	Water, Gas, Wastewater Utility GIS Data	\$ (332,400)	\$ -	This action reduces the transfers from the Gas and Wastewater Collection Fund and allocated funding for this project to align the funding with work completed in previous fiscal years.
	Total	\$ (332,400)	\$ -	
TOTAL CIP ADJUSTMENTS		\$ 2,285,025	\$ 5,914,225	