



05/28/2019

[ ] Placed Before Meeting

[X] Received at Meeting

## Item #2

**TO:** FINANCE COMMITTEE

**FROM:** MICHELLE POCHÉ FLAHERTY, DEPUTY CITY MANAGER

**DATE:** MAY 28, 2019

**SUBJECT:** **AGENDA ITEM 2 – FY 2020 Budget Wrap-up: Funding for Palo Alto Downtown Business and Professional Association**

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To enable the Palo Alto Downtown Business and Professional Association (PADBPA) to commit all revenues generated by the assessment to the goods, services, and programs that serve businesses within the boundaries of the downtown Palo Alto Business Improvement District (BID), the City Council adopted a FY 2018-2019 BID Fund budget that did not charge the BID Fund or PADBPA for the costs of collecting the assessment fee. Instead, the costs of the assessment were anticipated to be supported by the General Fund.

Like the FY 2019 Adopted Budget, the proposed FY 2020 Proposed BID budget does not contain a line item for BID assessment collection. Instead, the estimated cost of up to \$17,000 was anticipated to be covered in the General Fund.

However, after further review, it is recommended that in order to appropriately allocate and display the expected expenses for the BID, that these costs remain in the BID Fund, offset by an operating transfer from the General Fund in both FY 2019 and FY 2020

### **Background**

The Palo Alto City Council established the downtown Palo Alto Business Improvement District (BID) in 2004 pursuant to the California Parking and Business Improvement Area Law to maintain economic vitality and physical maintenance of the Palo Alto Downtown business district. The Council appointed the Palo Alto Downtown Business and Professional Association (PADBPA), a non-profit corporation, as the Advisory Board for the BID. PADBPA, acting through its independent Board of Directors, advises the Council on the method and basis for levy of assessments in the BID and the expenditure of revenues derived from the assessments.

On June 3, 2019 the City Council will consider preliminary approval of the FY 2020 budget contained in PADBPA's Annual Report. On June 24, 2019, the City Council will hold a public

hearing on the BID and, absent sufficient protest, will consider accepting the Annual Report, adopting the budget contained therein, and levying the assessments for FY 2020.

Assessments for BID businesses are based on the size, type, and location of the business. The City collects the assessments, holding them as a special revenue fund (BID Fund), and reimburses PADBPA for expenses incurred against the Council-adopted budget.

PADBPA and the downtown community have experienced tremendous changes since 2004 when the BID began. In 2018, PADBPA's executive director took other employment. Since that time, PADBPA has experienced salary savings. In addition, PADBPA aims to use 2020 to identify and implement a sustainable operating model. In coming years, the cost of the collection is expected to be included in the PADBPA/BID budget as the organization successfully implements a new operating model.



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Michelle Poché Flaherty  
Deputy City Manager



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Ed Shikada  
City Manager