

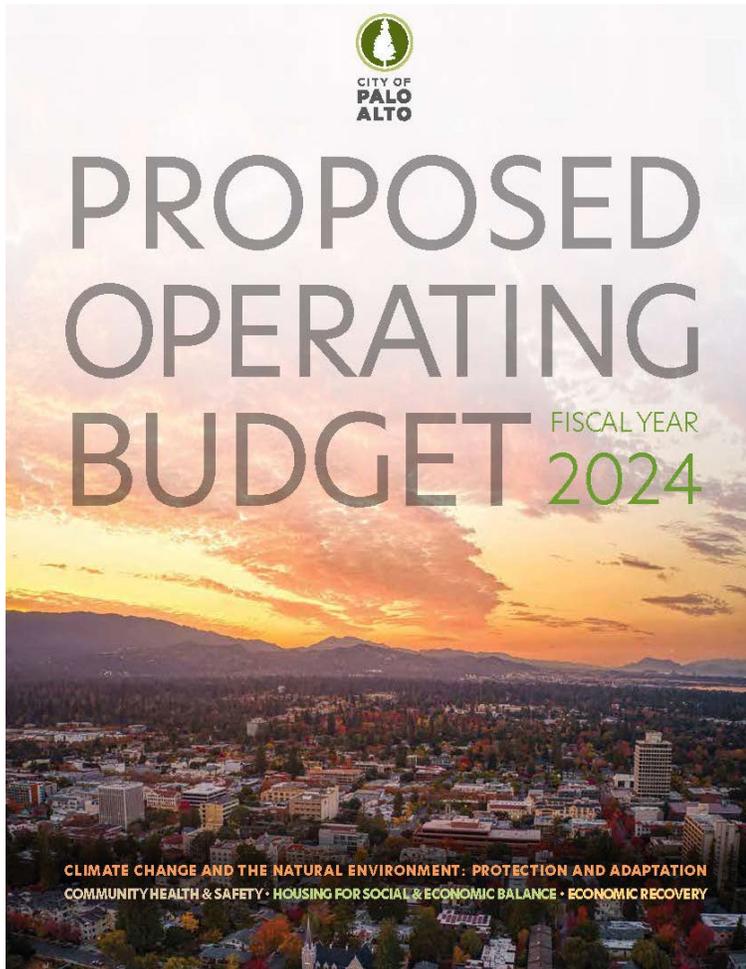


**FY 2024 PROPOSED
OPERATING AND
CAPITAL BUDGETS &
2024-2028 CAPITAL
IMPROVEMENT PLAN**

MAY 1, 2023

www.cityofpaloalto.org/budget

PURPOSE OF TONIGHT'S STUDY SESSION



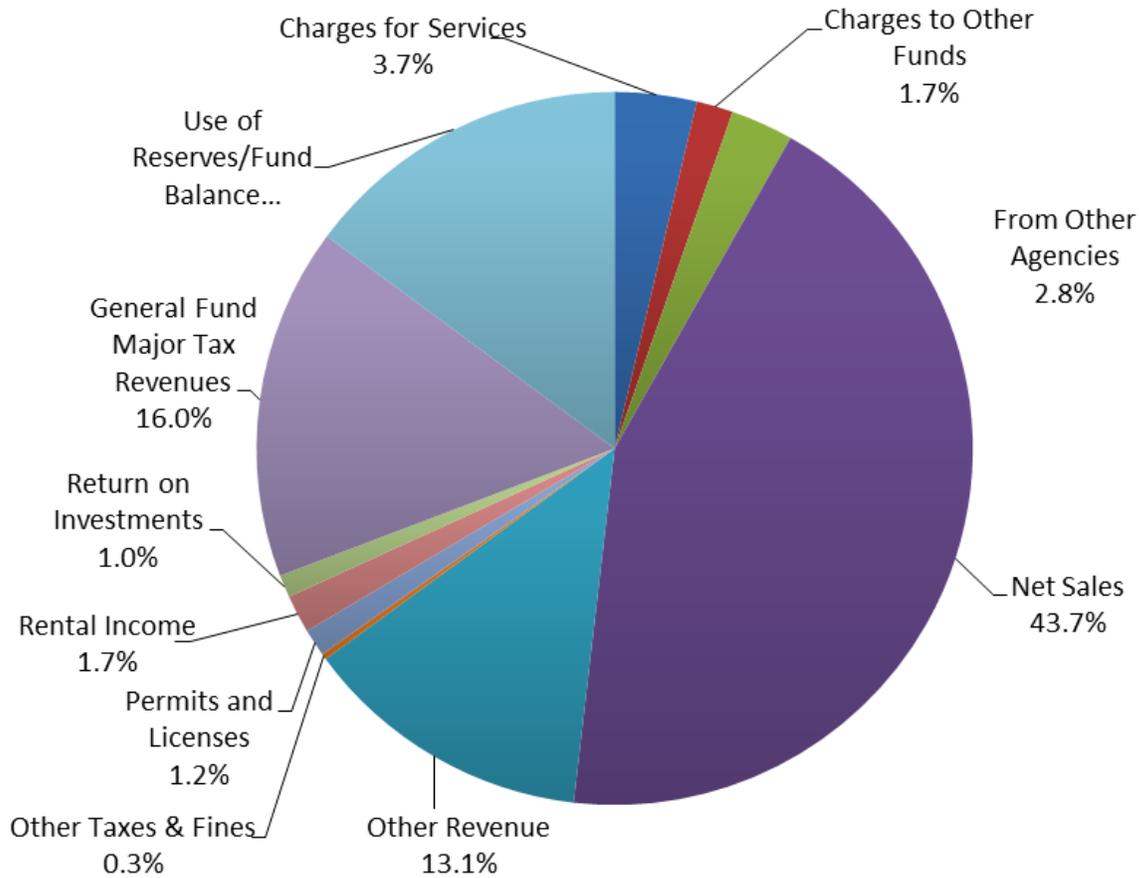
- Tonight's study session is an opportunity to orient City Council to the upcoming budget process:
 - 2-year budget balancing strategy
 - Role of the Finance Committee, City Council input and adoption of the proposed budget
 - Councilmembers share thoughts with Finance Committee colleagues for their upcoming work

PROPOSED BUDGET OVERVIEW

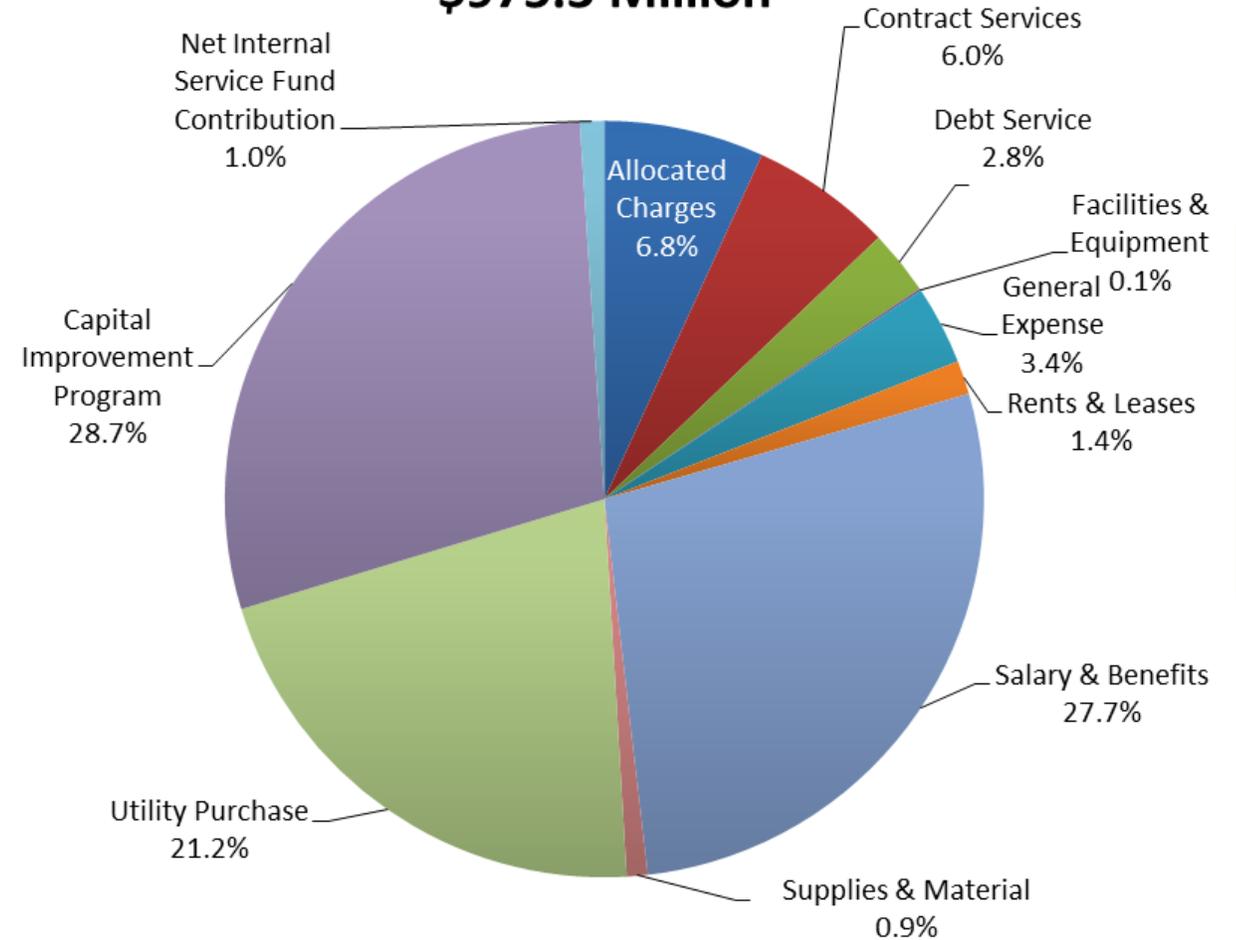
- FY 2024 recognizes a pivot point and cautious optimism by proposing significant reinvestments in services
- Operating budget totals \$975.3 million (\$274.9 million in General Fund) and capital budget totals \$324.0 million in FY 2024 and \$1.2 billion over the five-year Capital Improvement Program (CIP)
- Two-year balancing strategy using one-time funds to resolve shortfalls. Projected deficit of \$6.2 million in FY 2026.
- Measure K and L solidify funding for critical services

ALL FUNDS SOURCES & EXPENSES

FY 2024 Sources
\$975.3 Million



FY 2024 Expenses
\$975.3 Million





Use of one-time funding

- \$14 million Uncertainty Reserve recommended to:
 - Offset shortfalls in FY 2024 and FY 2025 (\$6.6 million)
 - Establish City Council Priorities Reserve (\$4.5 million)
 - Maintain a 20.0% BSR (\$2.8 million)



Labor Agreements: new terms for wages, benefits, and other terms and conditions of employment, through FY 2025 (Jan 2025 for SEIU)



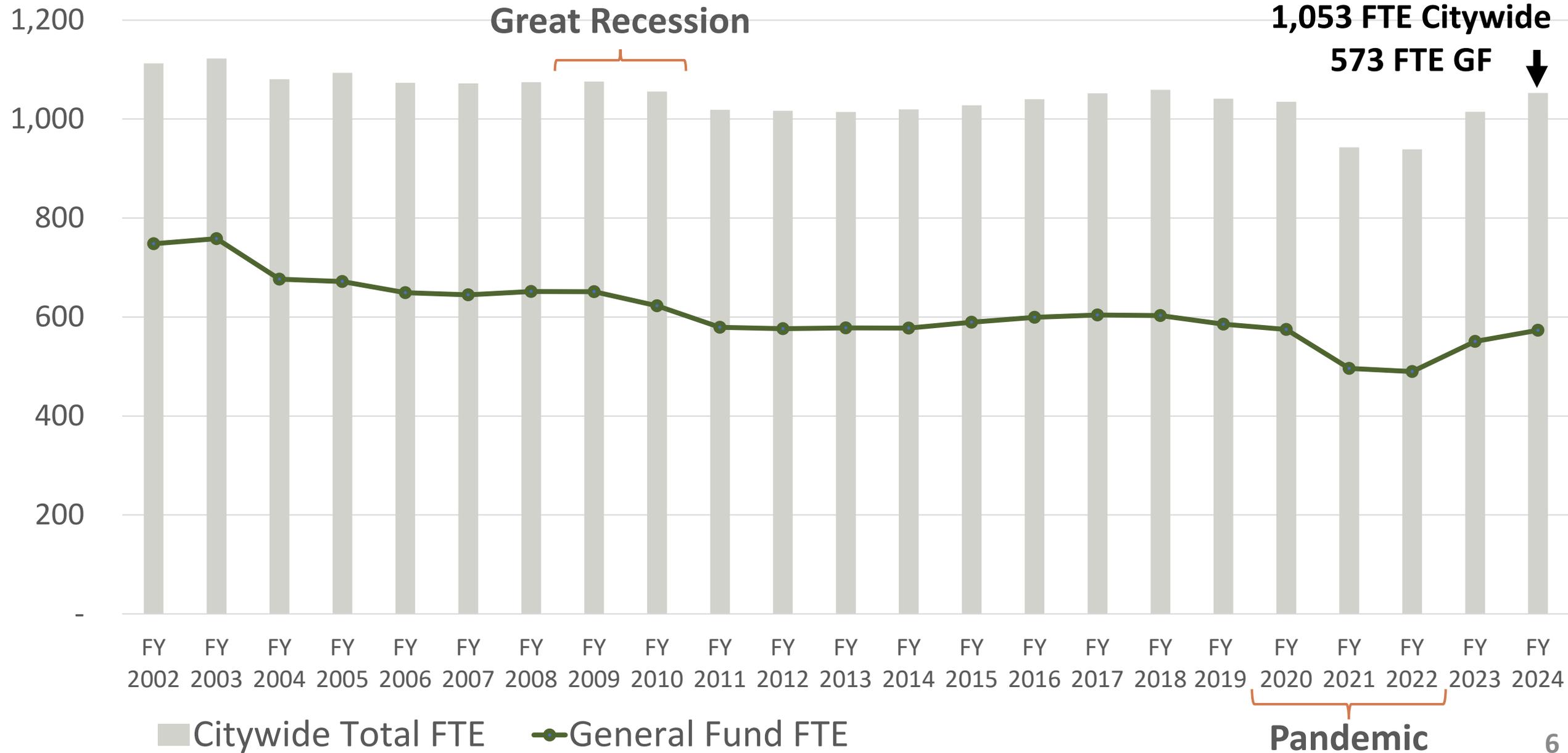
Capital Investments: Base transfer to the Capital Improvement Fund increasing and expected to reach pre-pandemic levels by FY 2026



City's Pension & Other Post-Employment Benefits (OPEB): Proactive contributions to Section 115 Trusts continue at lower discount rate (5.3%); consistent with Retiree Benefit Funding Policy

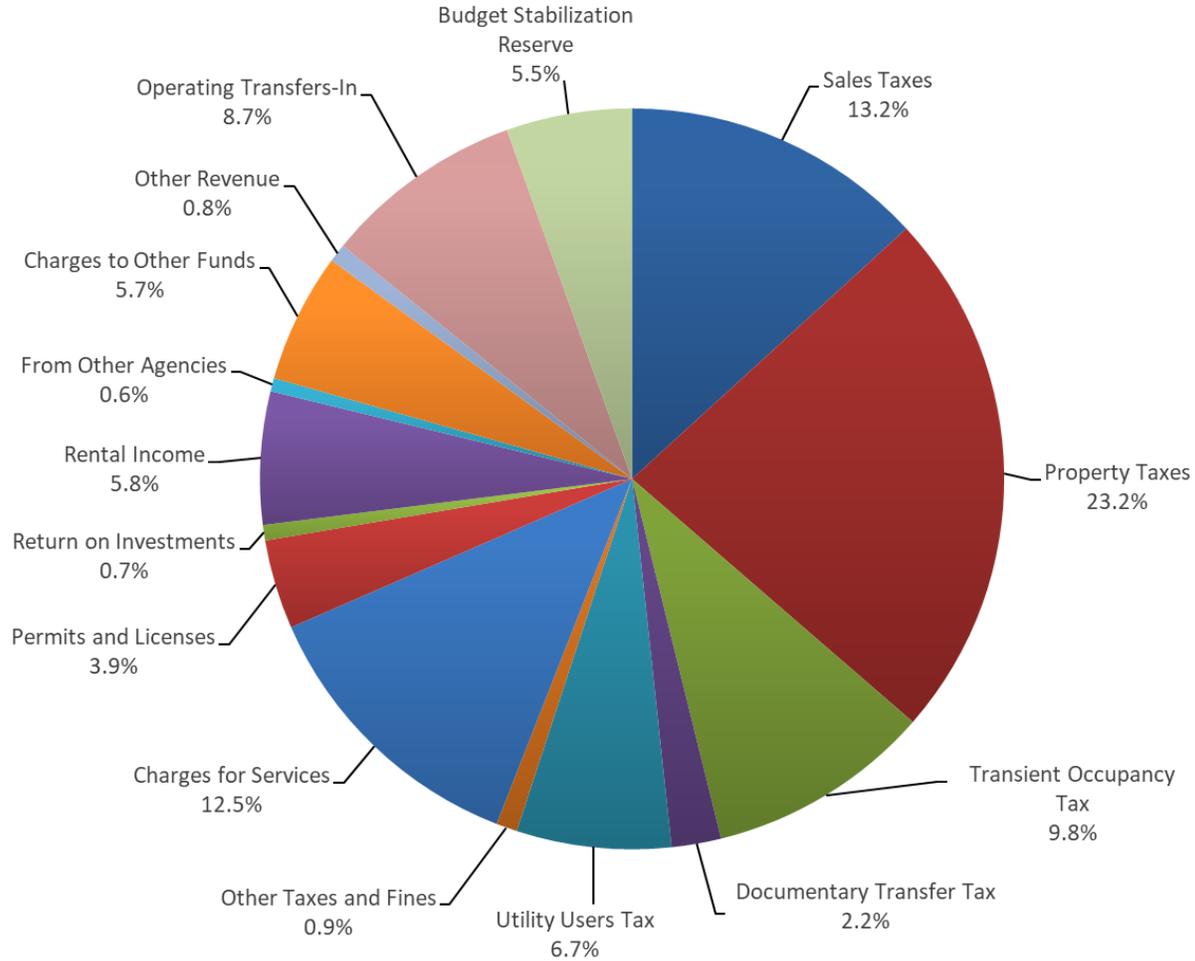


HISTORICAL FULL-TIME STAFFING COMPARISON

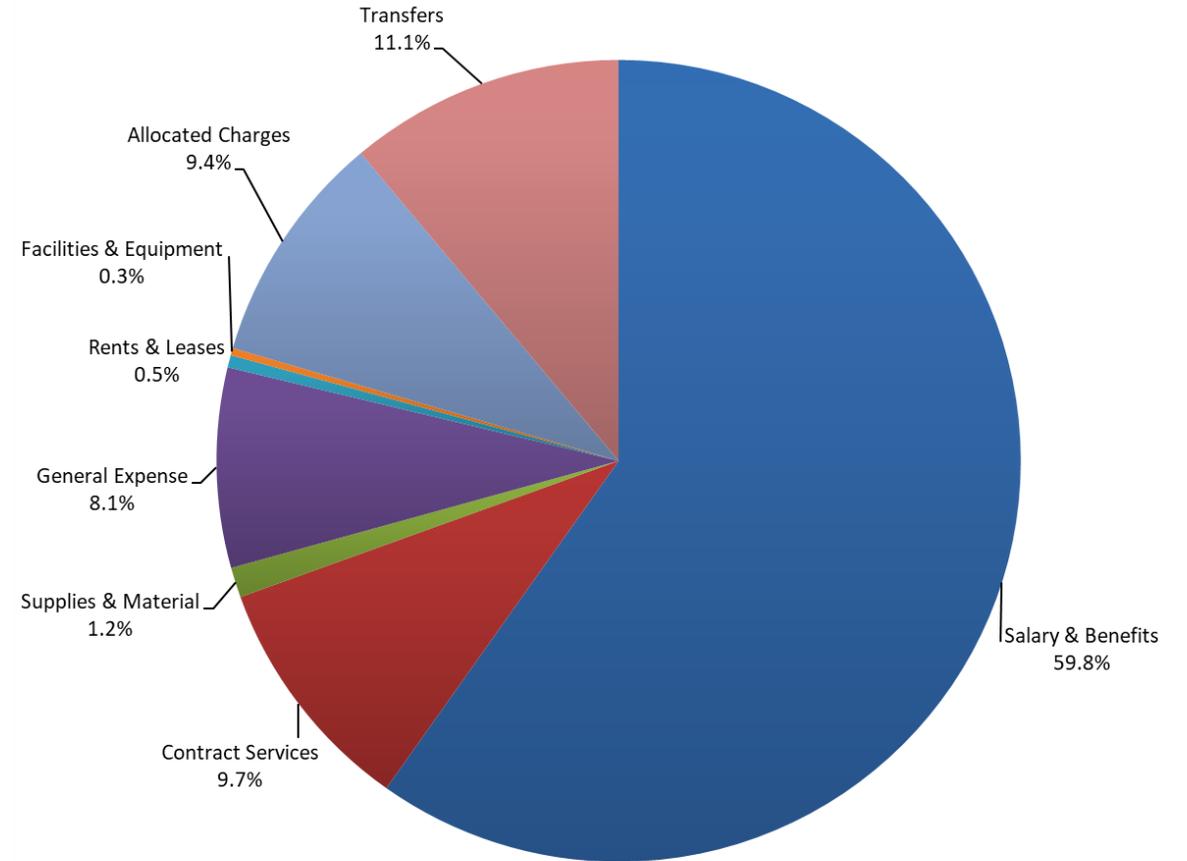


GENERAL FUND SOURCES & EXPENSES

SOURCES / \$274.9 Million



EXPENSES / \$274.9 Million



FY 2024 GENERAL FUND BALANCING



(\$ in millions)	FY 2024	FY 2025	FY 2026
Use of Reserves*	(\$4.9)	(\$7.3)	\$0
Net Operating Margin	\$0	\$0	(\$6.2)

* Total use of \$11.2M of the \$14M Uncertainty Reserve, the remaining funds are needed to maintain BSR within target levels during this time.

- Measured approach to ongoing costs to ensure current one-time surpluses do not exacerbate future deficits
- Mitigating risks with strategies such as a higher budget stabilization reserve (at 20% expenses).
- The importance of stability for the organization and community remains core.
- A recession is not forecasted; reflects slow to no economic growth as outlined in the FY 2024 Long Range Financial Forecast.

FY 2024 Continued Proposed Investments

- Builds on investments from FY 2023 in alignment with Measure K and L

MEASURE K	 <p>New/Enhanced Public Safety Services</p>	 <p>Train Crossing Safety (Transportation, Caltrain railroad grade separation)</p>	 <p>Affordable Housing/ Unhoused Services</p>
MEASURE L	<p>Examples of services funded:</p> <ul style="list-style-type: none">• Police Services: Health & safety to unhoused population; PERT; and investigations• Public safety 9-1-1- dispatch staffing• Fire/emergency medical response & hazmat• Public art, fine arts camps, twilight concert series, JMZ, Children’s Theater productions, open space preserve• Library hours    		

FY 2024 Proposed Investments

- Continued reopening of library branches
- Resources for animal services, theatre, Art Center, special events, and grants
- Fire and life safety inspection
- PERT clinicians and traffic enforcement
- Historic resources, code enforcement, and Building and Fire prevention plan review
- Represented custodial services,
- Urban Forest tree trimming services, parklet program,
- Water quality control plant to support capital investments through engineering staffing.
- Supporting staffing for Dark Fiber expansion and Fiber to the Premises.



CITY COUNCIL PRIORITIES RESERVE (\$2.25M)



Economic Recovery and Transition

- Resources for a comprehensive economic development strategy
- Study for car-free streets ordinance

Climate Change – Protection and Adaption

- S/CAP resources to commission studies and improve road safety
- Sea level rise adaption, natural habitat protection

Housing for Social and Economic Balance

- Downtown housing plan and various coordinated area plan(s)
- Explore opportunities for affordable housing, unhoused srvc, & short term rental; capital funding needs for the Homekey project

Community Health and Safety

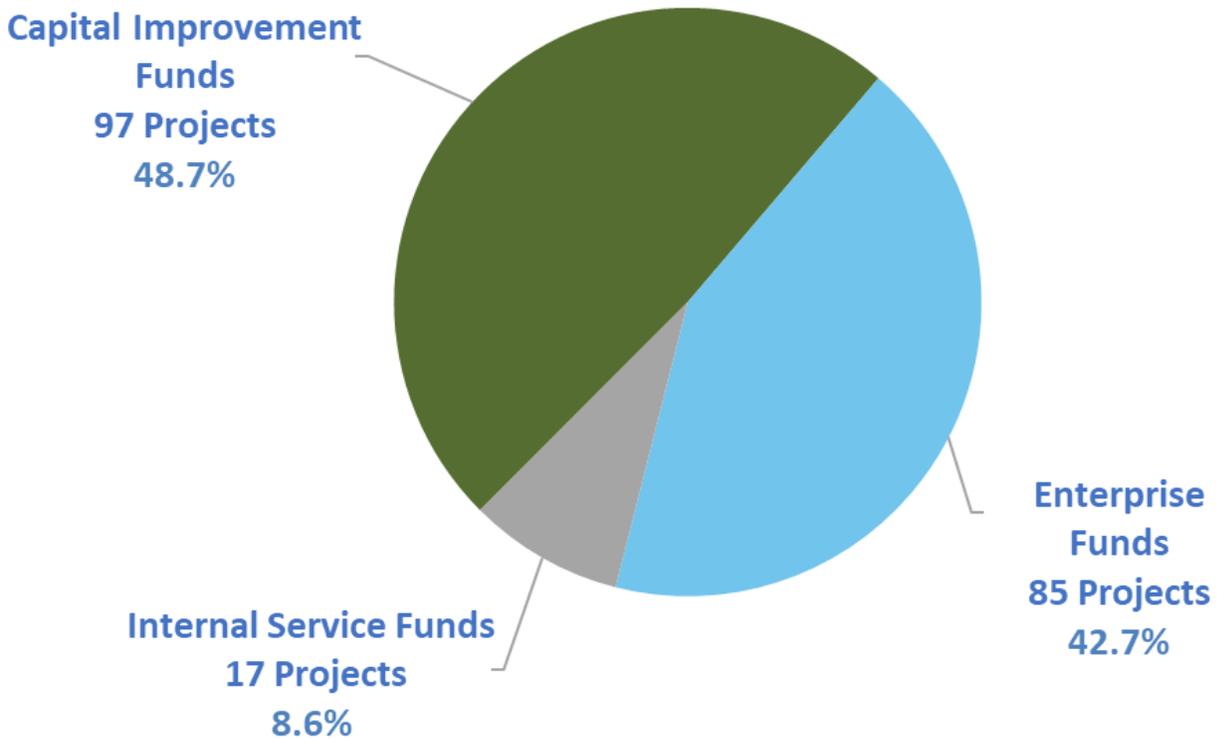
- Dispatch staffing, eucalyptus tree removal, and airplane noise
- Additional funding for HSRAP and youth mental health
- Establish a therapeutics program, fully restore library hours

Other Service Enhancements

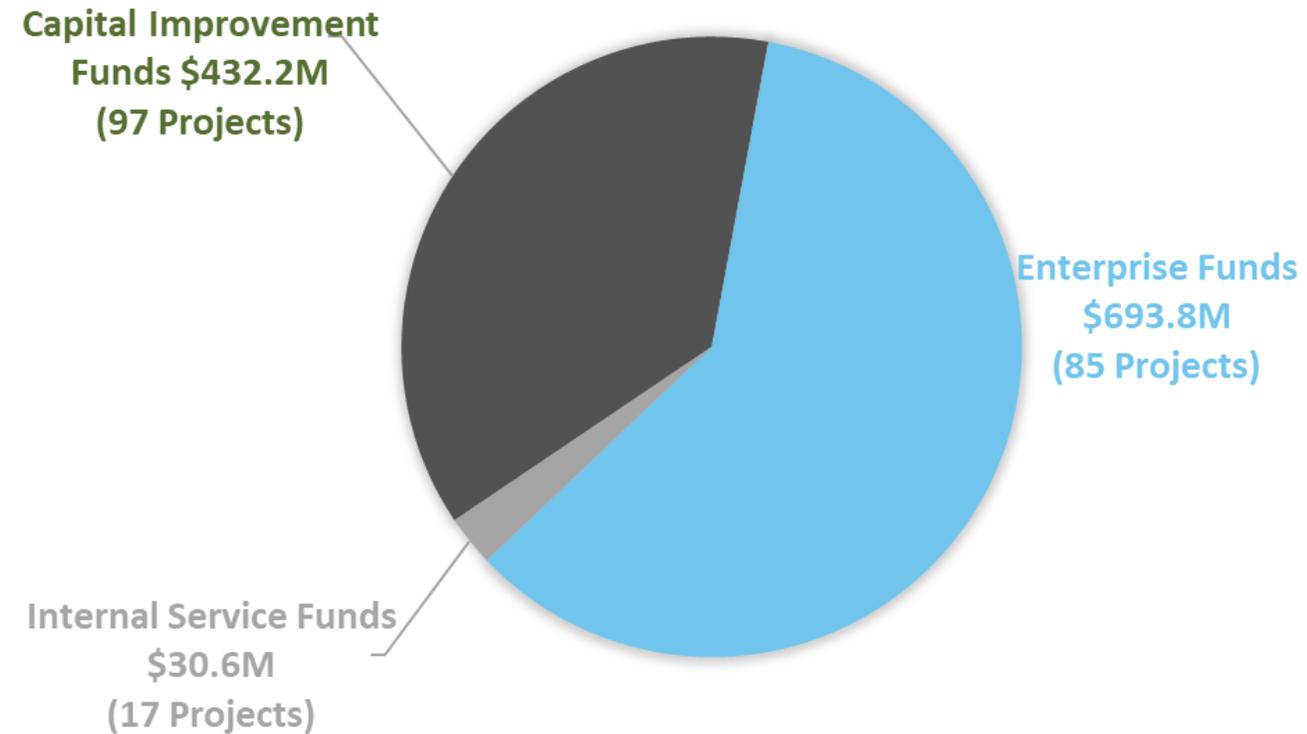
- Various proposals to enhance productivity and efficiency, customer service, and service levels, or advance initiatives not in the City Council workplan

CAPITAL IMPROVEMENT PROGRAM (CIP) – OVERVIEW 5-YR PLAN

2024-2028 CIP PLANNED PROJECTS BY FUND TYPE (199 PROJECTS)



2024-2028 CIP PLANNED FUNDING BY FUND TYPE (\$1,156.6 MILLION)



CAPITAL IMPROVEMENT PROGRAM (CIP) – OVERVIEW 5-YR PLAN



OTHER FUNDS

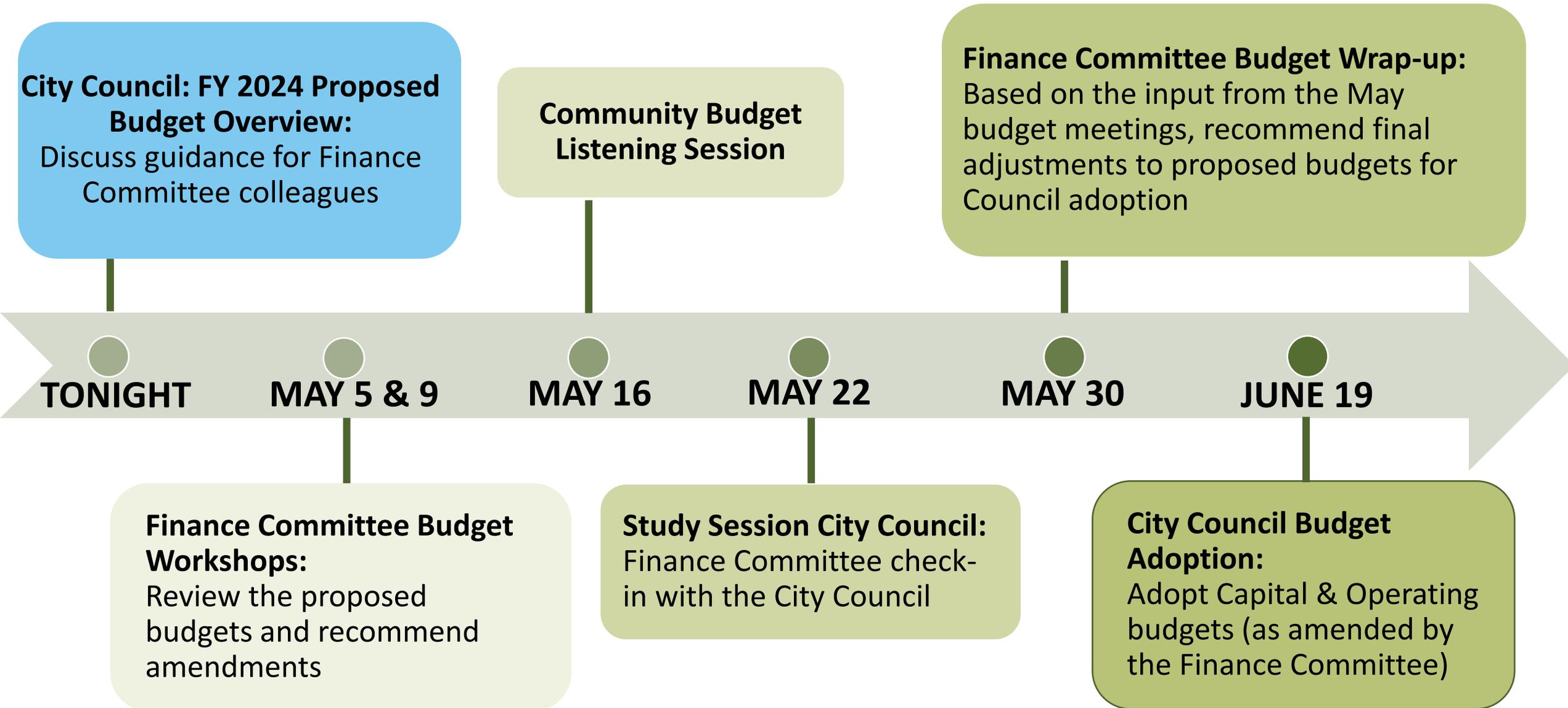
Additional actions included in the Proposed Budget address non-General Fund activities including but not limited to:

- Parking Funds (General Fund Loan)
- Community Development Block Grant Funds
- Enterprise Funds, rate changes to the right

	FY 2023 Adopted	FY 2024 Proposed
Electric	5.0%	-5.0%
Gas	4.0%	8.0%
Water	9.0%	6.0%
Wastewater	3.0%	9.0%
Fiber	4.2%	4.9%
Refuse	0%	0%
Storm Drain	4.2%	4.9%
Total	4.9%	3.3%

Residential monthly bill is estimated to increase \$12.10/month

BUDGET CONVERSATIONS & SCHEDULE



JOIN THE BUDGET CONVERSATION

Save the date on the following ways for the community to join the budget conversations:

- **Finance Committee Budget Hearings:**
 - May 5 at 9:00 A.M.
 - May 9 at 9:00 A.M.
 - May 30 at 5:00 P.M. – Wrap-up
- **Community Informational Session:**
 - Learn about the City’s proposed budget
 - May 16 at 6:00 P.M.
- **City Council Budget Adoption:**
 - June 19 at 5:30 P.M.

FISCAL YEAR 2024



JOIN THE BUDGET CONVERSATION

Climate Change and the Natural Environment: Protection and Adaptation | Community Health & Safety | Housing for Social & Economic Balance | Economic Recovery

Find all meetings planned at www.CityofPaloAlto.org/Budget



PROPOSED OPERATING BUDGET

FISCAL YEAR
2024

CLIMATE CHANGE AND THE NATURAL ENVIRONMENT: PROTECTION AND ADAPTATION
COMMUNITY HEALTH & SAFETY • HOUSING FOR SOCIAL & ECONOMIC BALANCE • ECONOMIC RECOVERY

COUNCIL DISCUSSION

- Provide general guidance to Finance Committee colleagues for their upcoming detailed work reviewing the budget documents
- Clarify understanding of budget process, materials, and the City Council and Finance Committee role