

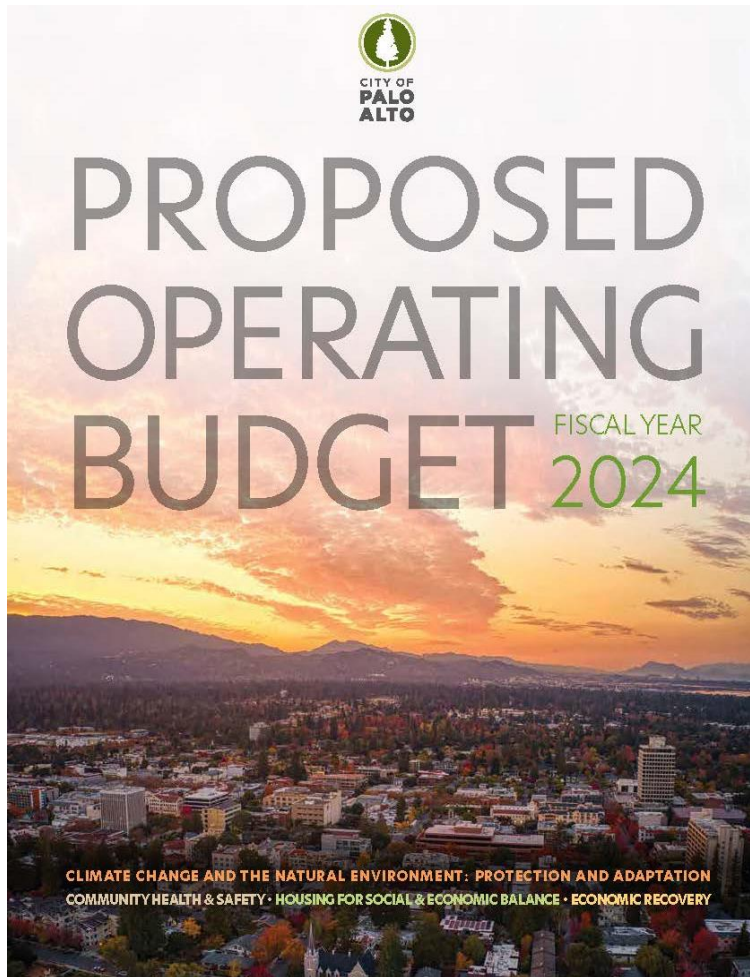
INFORMATIONAL SESSION

FY 2024 Proposed Operating & Capital Budgets & 5-year Capital Improvement Plan

MAY 16, 2023

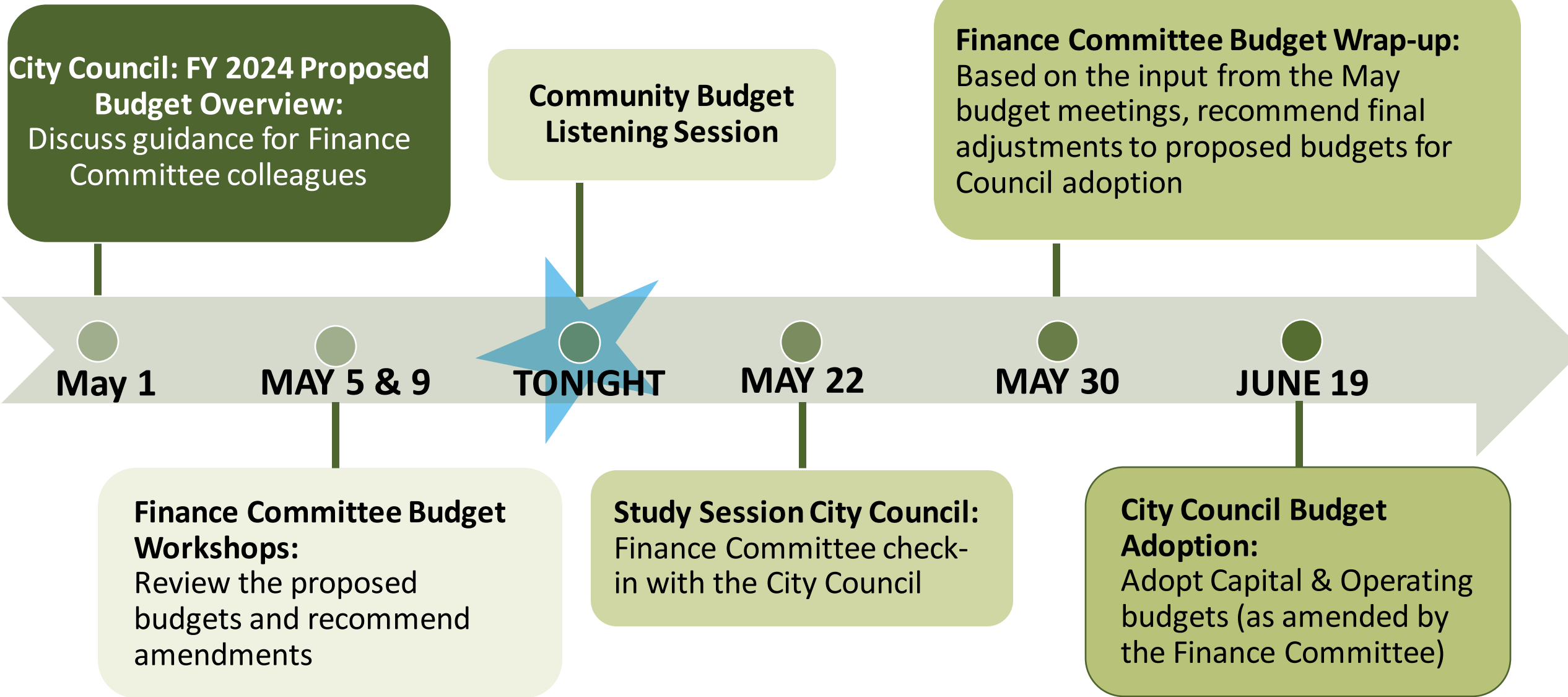
www.cityofpaloalto.org/budget

PURPOSE OF TONIGHT'S INFO SESSION



- Tonight's informational session is an opportunity to orient community members to the annual budget process:
 - Overview of budget process and schedule
 - 2-year budget balancing strategy
 - Roles of the Finance Committee and City Council for adoption of the proposed budget
 - Questions, Feedback, and Recommendations from the Community

BUDGET CONVERSATIONS & SCHEDULE



PROPOSED BUDGET OVERVIEW

- FY 2024 recognizes a pivot point from pandemic recovery to a steadier state or "new normal"
- 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 in FY 2024 and FY 2025. Projected deficit of \$6.2 million in FY 2026.
 - Finance Committee is tentatively recommending changes to this
- Measure K (Business Tax) and L (Gas Equity Transfer) solidify funding for critical services

GENERAL FUND REVENUES & EXPENSES

Annual Revenues and Expenses

Monthly Revenues and Expenses

Filters Views

1. What are the City's General Fund Revenues?

2. What are the City's General Fund Expenditures?

3. What are the Citywide Revenues?

4. What are the City's Enterprise Funds Revenues?

5. What are the City's Internal Service Fund Expenditures?

What are Citywide Expenses(excludes Net Transfers)?

Annual Revenues and Expenses

To view both current and historical budget publications, click here: cityofpaloalto.org/Departments/Administrative-Services/City-Budget

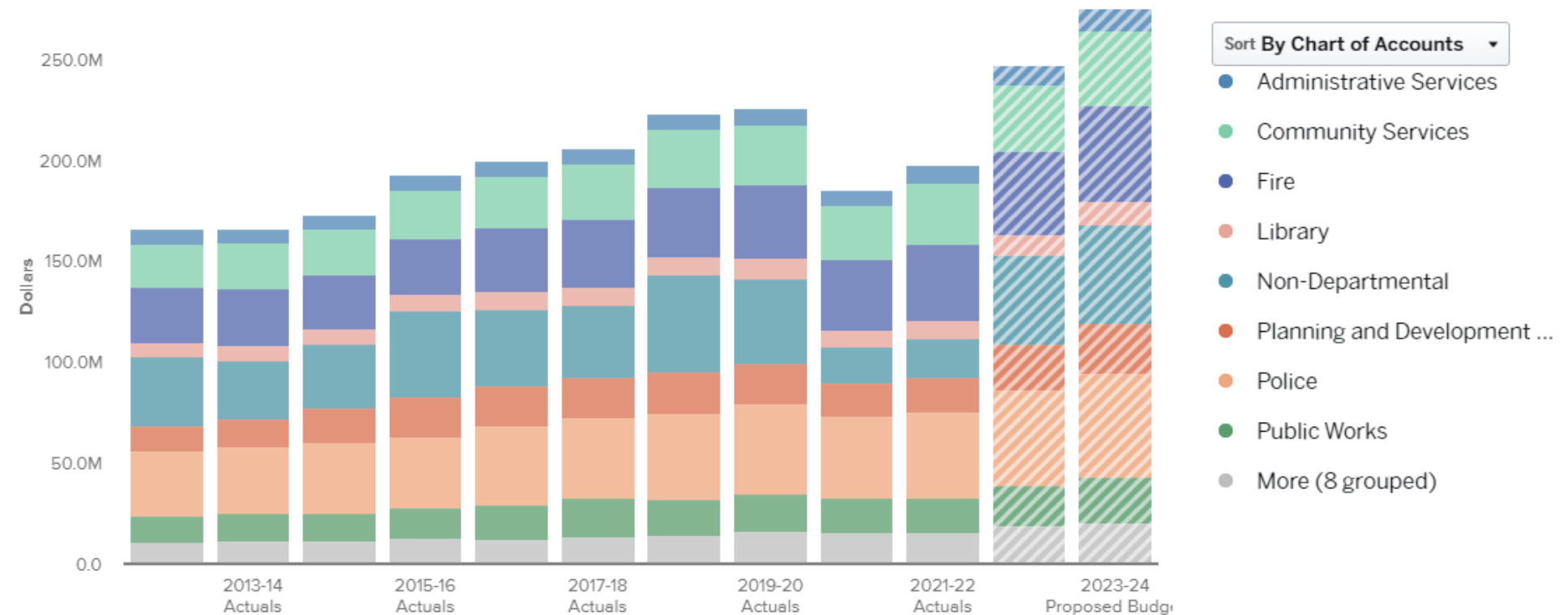
Updated On 11 May, 2023

← Back History ↕ Reset

Broken down by

Departments

Visualization



Open Budget Web App
www.cityofpaloalto.org/budget



2 Notes in this view



Use of one-time funding

- \$14 million Uncertainty Reserve recommended to:
 - Offset shortfalls in FY 2024 and FY 2025
 - Maintain a 20.0% BSR (\$2.8 million)
- Finance Committee recommending use of additional one-time funding



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



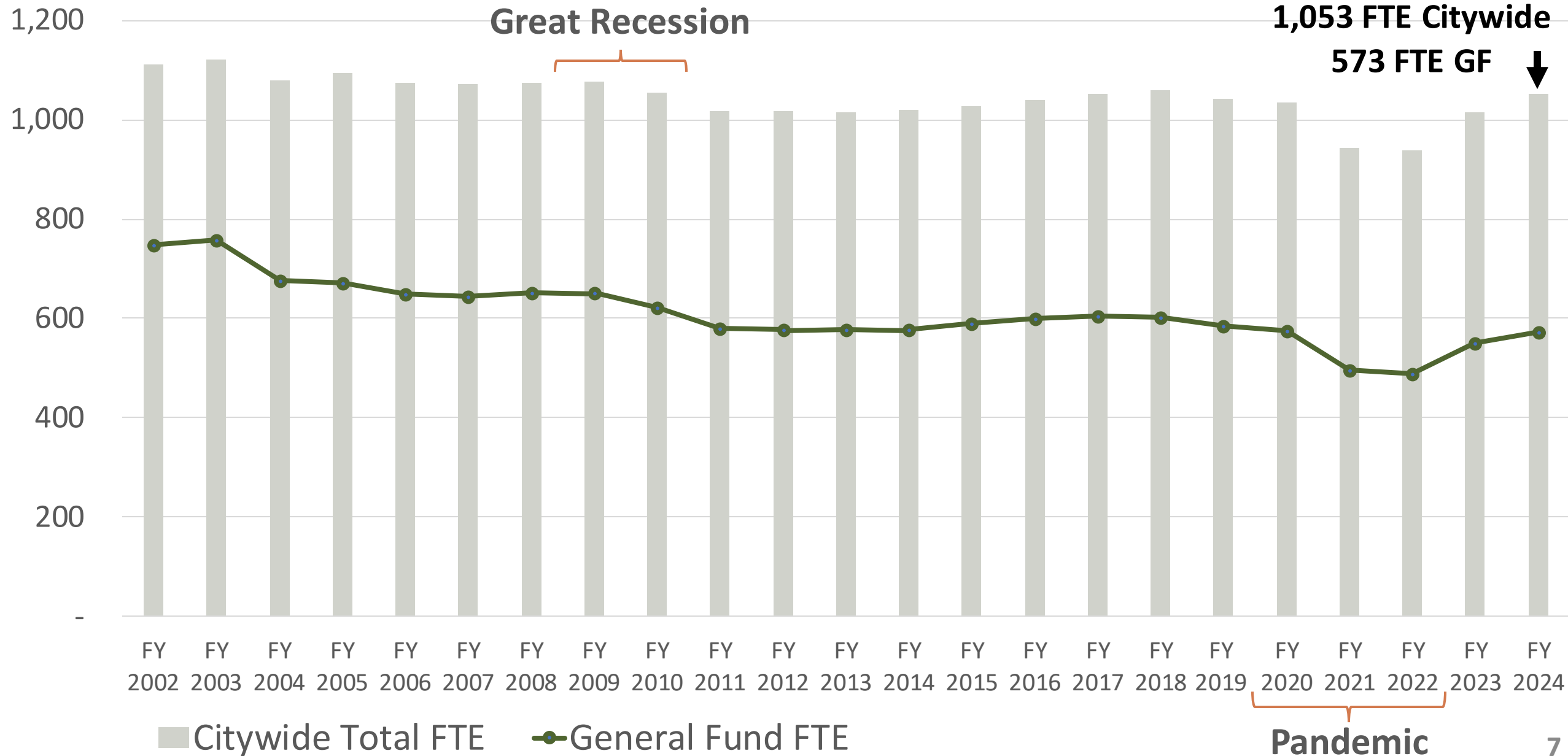
Capital Investments: Base transfer to the Capital Improvement Fund increasing and expected to reach pre-pandemic levels by FY 2026



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



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
- 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.



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



**ALL FUNDS
FY 2024:
\$324 million**

**2024-2028 CIP:
\$1.2 billion**



FY 2024 RECOMMENDED RATES & 5-YEAR OUTLOOK

	FY 2023 ¹	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Electric Utility ²	\$22.70 37%	(\$4.20) -5%	\$3.90 5%	\$4.10 5%	\$4.40 5%	\$4.60 5%
Gas Utility ³	\$2.60 4%	\$5.20 8%	\$4.90 7%	\$3.70 5%	\$3.90 5%	\$4.10 5%
Wastewater	\$1.30 3%	\$4.00 9%	\$4.40 9%	\$4.80 9%	\$4.60 8%	\$3.10 5%
Water Utility	\$8.00 9%	\$5.90 6%	\$4.20 4%	\$3.30 3%	\$3.40 3%	\$5.80 5%
Refuse	\$0.00 0%	\$0.00 0%	\$1.50 3%	\$1.50 3%	\$1.60 3%	\$1.60 3%
Storm Drain ⁴	\$0.60 4%	\$0.80 5%	\$0.70 4%	\$0.70 4%	\$0.70 4%	\$0.80 4%
Monthly Bill Change ⁵	\$35.20 11%	\$11.70 3%	\$19.60 5%	\$18.10 5%	\$18.60 4%	\$20.00 5%

1 FY 2023 reflect rates in effect as of 1/1/23.

2 FY 2023: 37% includes 4/1/22 10% hydro rate adjuster (HRA) activation, 7/1/22 5% rate increase, 1/1/23 19% HRA increase. FY 2024: -5% includes 21% increase & HRA deactivation.

3 FY 2024: 8% excludes gas market price changes & includes 15.5% Equity Transfer to the General Fund per Measure L approval. FY 2024 bill forecast with projected changes is -13%.

4 Storm drain fees increase by CPI index annually per approved 2017 ballot measure.

5 Based on a FY 2023 average monthly bill of \$369.

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

FINANCE COMMITTEE TENTATIVE ADJUSTMENTS



Finance Committee Adjustments to Budget	FY 2024 GF Sources	FY 2025 GF Sources	Ongoing Sources
Beginning Balance - Council Priorities Reserve	\$2.25 M	\$2.25 M	\$-
Measure K Housing and Homeless Services*	750,000	800,000	800,000
FY23 Surplus Major Tax Revenues	2.5 M	-	-
FY23 Vacancy Savings (\$1-2M)	1.5 M	-	-
Gas Equity Transfer at 18% in FY25 (measure L)	-	1.0 M	1.0 M
FY23 & FY24 HomeKey Operations Savings	2.0 M	-	-
Subtotal Sources	\$9.0 M	\$4.0 M	\$1.8 M

* Measure K Total expected receipts of \$1.5M (FY25) and \$3.0M ongoing, allocated to extent eligible expenses are recommended.

Fiscal Year	FY 2024	FY 2025	Ongoing
Remaining Funds (deficit) / surplus	\$1.2 M	\$(0.3 M)	\$(8.8 M)

Finance Committee Adjustments to Budget	FY 2024 GF Expenses	FY 2025 & Ongoing	Dept
HSRAP (reflects HRC requested \$'s +\$200k/yr)	(150,000)	(150,000)	
T2: Art Center Visitor Staffing	(113,000)	(113,000)	
T2: Eucalyptus Tree Removal	(400,000)	-	CSD
T2: Youth Mental Health Programs	(200,000)	-	
T2: Therapeutics Recreation Program	(90,000)	(95,000)	
T2: Library Hours	(145,000)	(145,000)	LIB
Neighbors Abroad	(20,000)	(20,000)	NON
T2: Permitting and Inspections Operations	(115,000)	(115,000)	
T2: Zoning Code Update (3 yrs \$1.5M)	(500,000)	(500,000)	
T2: Bird Safe Glass/Wildlife Protection	(75,000)	-	PDS
T2: San Antonio CAP (each plan \$2M)	(50,000)	(700,000)	
T2: Regulate Short Term Rentals	(100,000)	(100,000)	
T2: Seismic Upgrade (additional funding)	(75,000)	-	
PATMA Citywide Expansion	(25,000)	(25,000)	OOT
T2: Transportation Modes Staffing	(185,000)	(196,000)	OOT
T2: Fire Utility Task Vehicle	(67,000)	(10,000)	FIR
T2: Public Safety Dispatcher Staffing	(267,000)	(285,000)	POL
T2: Airport Noise Reduction	(100,000)	-	PWD
Cubberley Facility Maintenance & Upkeep	(900,000)	(900,000)	PWD/CSD
T2: Sea Level Rise and Adaptation Plan	(200,000)	(200,000)	PWD/UTL
T2: S/CAP Studies	(600,000)	-	PWD/UTL
T2: LifeMoves Construction (PE-24005)	(2,500,000)	-	CIP
T2: Electric Vehicle Fleet Replacement (50%)	(400,000)	(400,000)	CIP
T2: Economic Dev Staffing	(145,000)	(145,000)	CMO
T2: Car Free Streets	(250,000)	(250,000)	CMO
T2: Unhoused Residence Services	(100,000)	-	CMO
Subtotal Use (Expense)	\$(7,772,000)	\$(4,349,000)	

FINANCE COMMITTEE “PARKING LOT”

Parking Lot Items	Amount source/(cost)	Ongoing	Dept
Unspent Council Contingency	125,000	-	NON
<i>Subtotal Sources (Revenue)</i>			
	\$125,000	\$-	
HSRAP (inc. from HRC max based on GF %)	(150,000)	(150,000)	CSD
T2: Volunteer Coordinator for JMZ	(105,000)	(110,000)	CSD
T2: Library Programs	(261,000)	(261,000)	LIB
T2: Cypress Lane Alley Improvement	(400,000)	(20,000)	PWD
T2: Full Electric Vehicle Fleet Replacement (100%)	(400,000)	(400,000)	PWD
T2: Community Engagement Qtrly Newsletter	(100,000)	(100,000)	CMO
<i>Subtotal Uses (Expense)</i>			
	\$(1,416,000)	\$(1,041,000)	

JOIN THE BUDGET CONVERSATION

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

- **Community Informational Session:**
Learn about the City's proposed budget
May 16 at 6:00 P.M.
- **City Council Budget Check-in:**
May 22 at 5:30 P.M.
- **Finance Committee Budget Hearings:**
May 30 at 5:00 P.M. – Wrap-up
- **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

COMMUNITY DISCUSSION

- Staff is here for questions and feedback from the community