



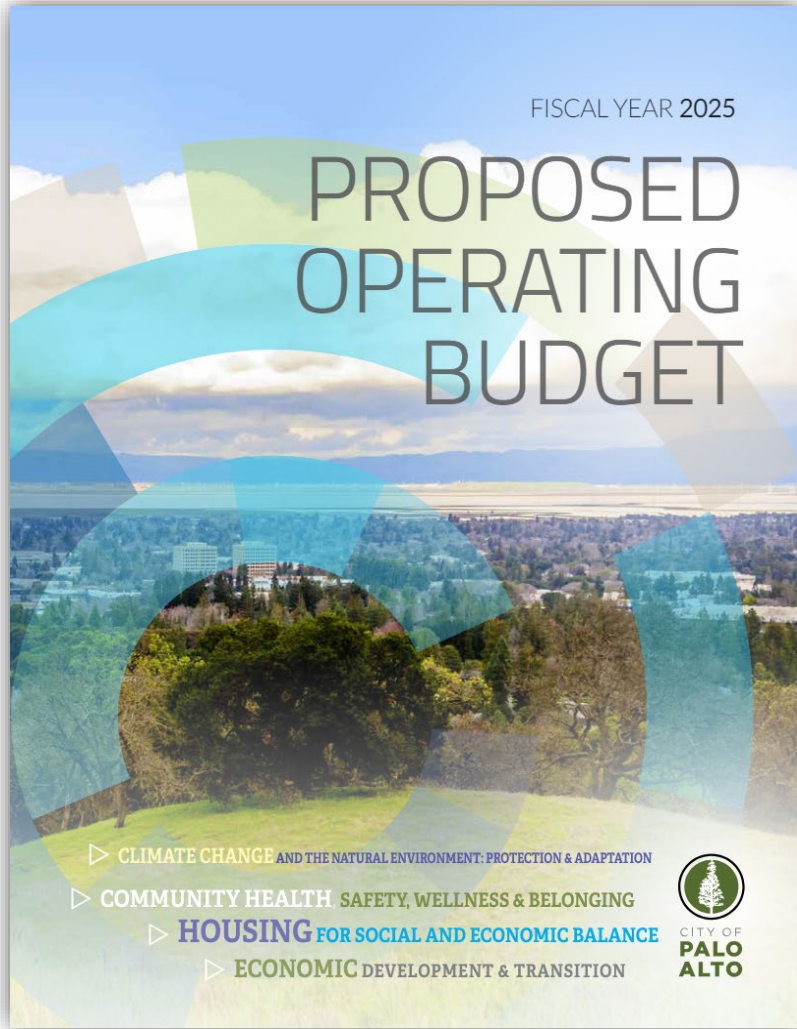
# COMMUNITY INFORMATIONAL SESSION

## FY 2025 PROPOSED OPERATING AND CAPITAL BUDGETS & 2025-2029 CAPITAL IMPROVEMENT PLAN

MAY 15, 2024

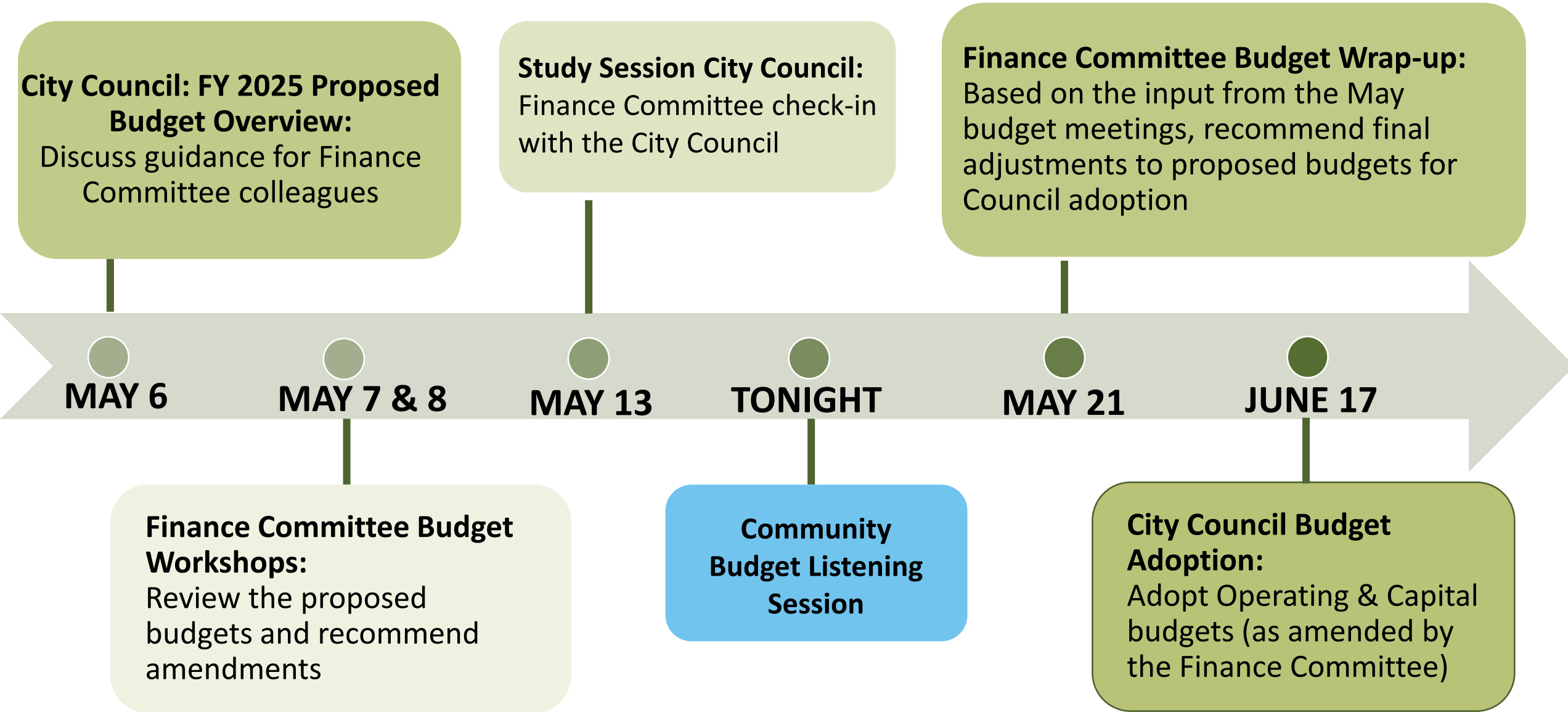
[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)

# INFORMATIONAL SESSION AGENDA



- Orient the community to the annual budget process
  - Budget Conversations & Calendar
  - Proposed Budget Overview
  - Citywide Budget Strategies
  - General Fund Budget Overview
  - 5-Year Capital Improvement Program Overview
  - Utility Rates
  - Finance Committee Review & Parking Lot
- Questions, Feedback & Recommendations

# BUDGET CONVERSATIONS & CALENDAR



# PROPOSED BUDGET OVERVIEW

---

- Operating budget totals \$1.03 billion (\$303.5 million in General Fund)
- Capital budget totals \$359.7 million in FY 2025 and \$1.6 billion over the five-year Capital Improvement Program (CIP)
- Two-year balancing strategy using one-time funds to resolve (\$6.9M) shortfall in FY 2025. Partially solve projected deficit of (\$9.7M) in FY 2026 to bring it to (\$5.0M)
- Service investments and Council Priorities supported by additional 20 FTEs, all funds
- Measure K and L funding continues for critical services



## Use of one-time funding

- \$9.6M Uncertainty Reserve recommended to:
  - Offset shortfall in FY 2025 (\$6.9M) and partially offset FY 2026 (\$4.7M)
  - \$5.0M deficit remains in FY 2026
  - Maintain a 18.8% Budget Stabilization Reserve (BSR) (\$1.0M above 18.5% target), down from 20% in FY 2024



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



**Capital Investments:** Base transfer to Capital Improvement Fund (\$13.7M in FY25) to reach pre-pandemic levels by FY26 (\$16.7M) as planned starting with the 2023-27 CIP



**City's Pension & Other Post-Employment Benefits (OPEB):** Proactive funding of long-term liabilities (pension and retiree medical) to accelerate funding target, reduce cost and liability, and enhance fiscal stability.



# 2024 CITY COUNCIL PRIORITIES



## 2024 COUNCIL PRIORITIES



Housing for Social & Economic Balance



Climate Change & Natural Environment-  
Protection & Adaptation



Economic Development & Transition



Community Health, Safety, Wellness &  
Belonging

The Proposed Budget  
adds \$9.1M services with  
20 full-time staff supporting  
high-quality services &  
Council Priorities.

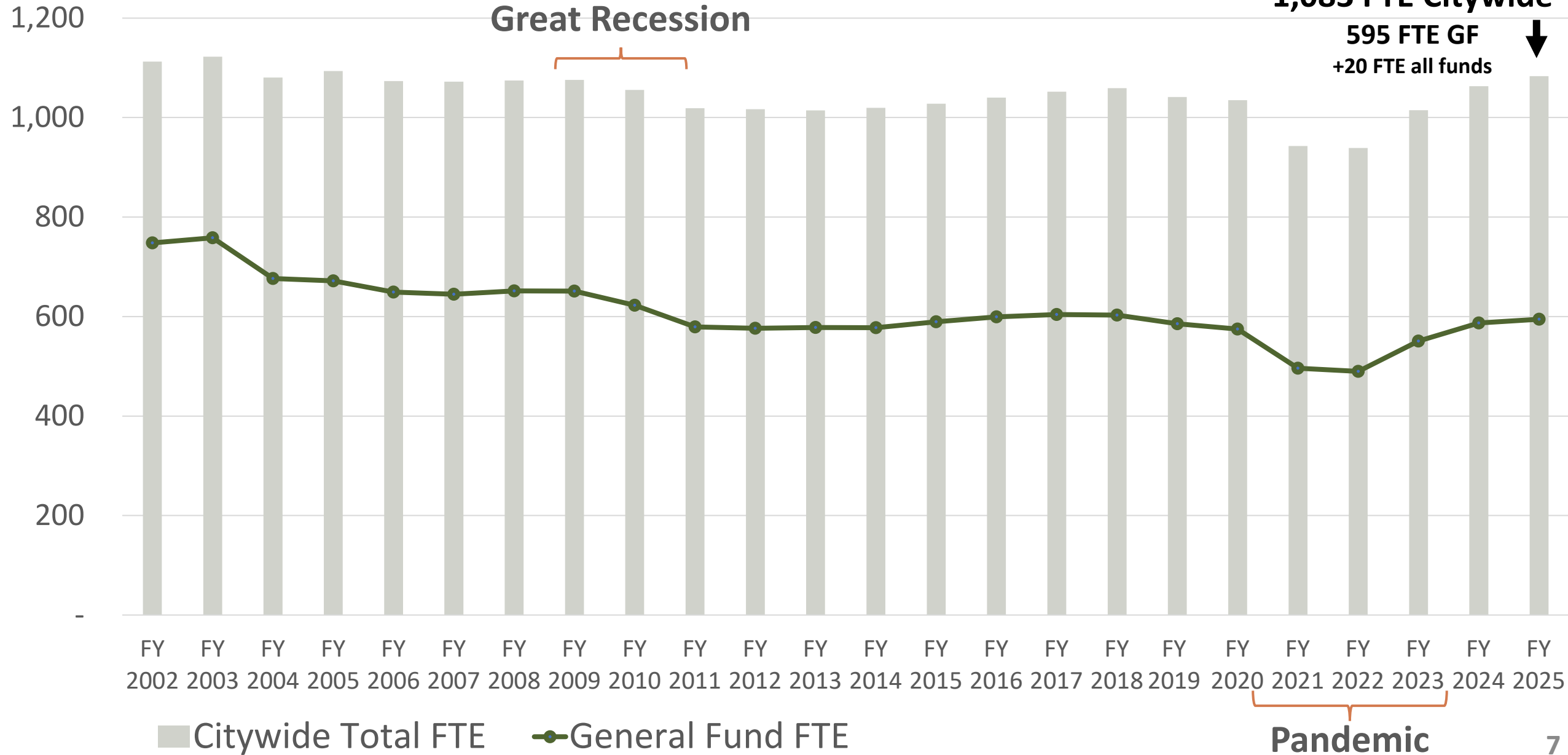


# HISTORICAL FULL-TIME STAFFING COMPARISON



**1,083 FTE Citywide**

**595 FTE GF**  
+20 FTE all funds



# 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](http://cityofpaloalto.org/Departments/Administrative-Services/City-Budget)

Updated On 6 May, 2024

← Back History Reset

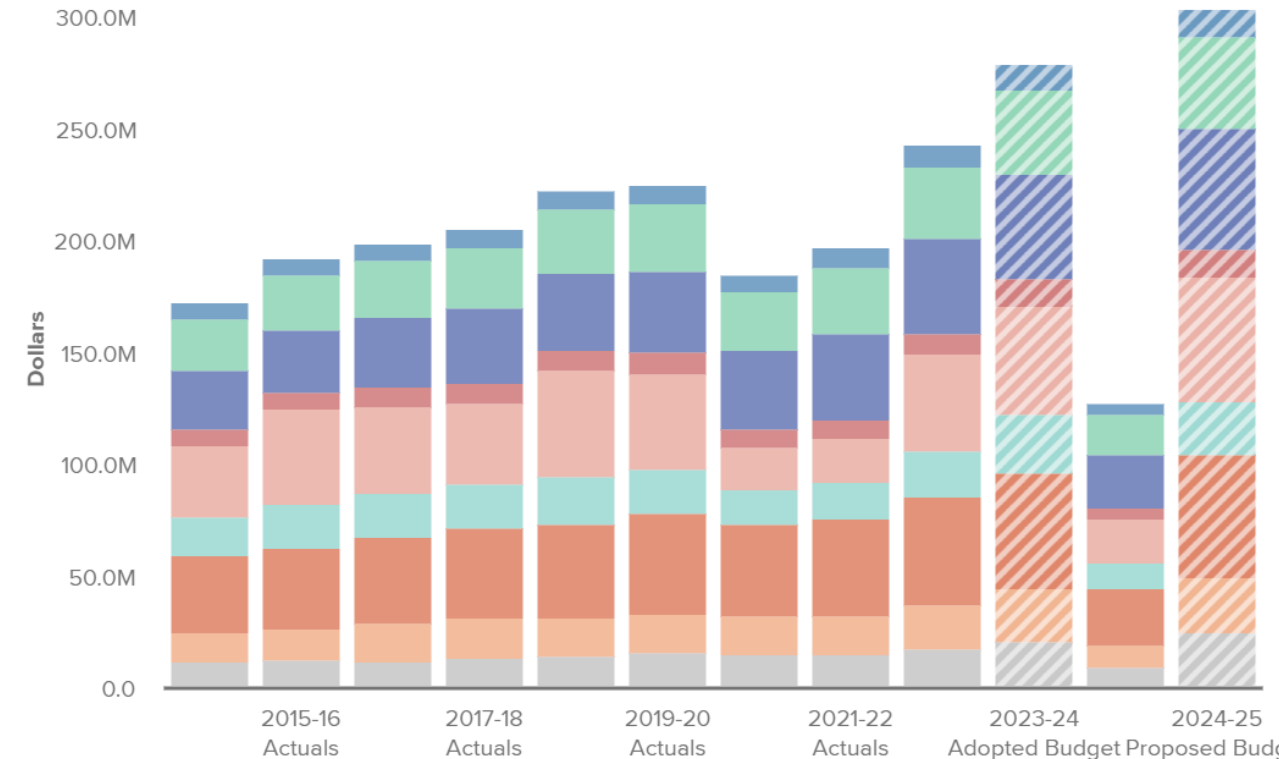
Broken down by

Departments

General Fund

Expenses

### Visualization



**Open Budget Web App**  
[www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)



2 Notes in this view

Sort By Chart of Accounts

- Administrative Services
- Community Services
- Fire
- Library
- Non-Departmental
- Planning and Development ...
- Police
- Public Works
- More (8 grouped)



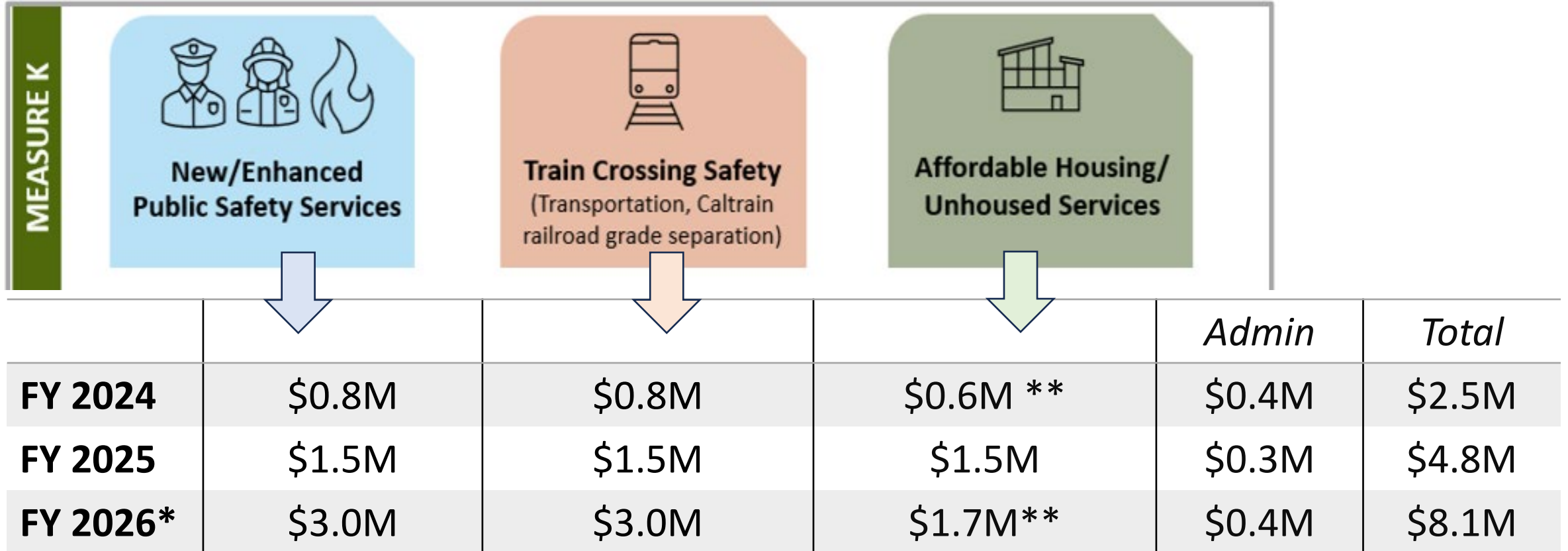
# FY 2025 PROPOSED BUDGET INVESTMENTS

- Upstaff Fire Engine at Fire Station #2 for firefighting capacity at 5 stations.
- Funding police and fire equipment and vehicles
- Continued extended hours & days for library branches and programming
- Resources for overnight warming locations (OWL), summer concert series, adult and special interest classes, and the Arts Center and continued resources for youth programming
- Supplemental funding to continue Palo Alto Link
- Investments in development center staffing to support economic recovery efforts and housing for social and economic balance
- Resources to support capital investments, electric grid modernization, and the advanced metering infrastructure (AMI) project
- Reserving funds for property investments within the City
- Supporting organizational resilience with strategic workforce investments



# Investments Funded by Business Tax Revenue

Builds on investments from FY 2024 in alignment with Measure K Priority Spending



\*Planned based on current revenue estimates

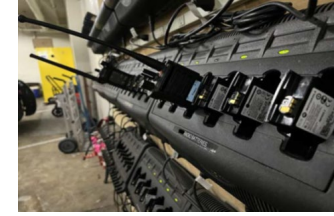
\*\* Remaining funds to be appropriated for eligible expenses



# 5 YEAR CAPITAL IMPROVEMENT PROGRAM (CIP)



To be completed in FY 25: Automated Parking Guidance System, Public Safety Building and Homekey Palo Alto



**ALL FUNDS  
FY 2025:  
\$360 million**

**2025-2029 CIP:  
\$1.6 billion**

5-Year CIP: Charleston/Alma Rail Crossing Safety Imp., Eucalyptus Tree Removal, Childrens Theatre Lighting, Fire Equip., Citywide Radio replacement

# FY 2025 RECOMMENDED RATES & 5-YEAR OUTLOOK

	FY 2024 (effective July 1, 2023)	FY 2025 (Projected)	FY 2026	FY 2027	FY 2028	FY 2029
<b>Electric Utility</b> <sup>(1)</sup>	-\$5.80 -5%	\$7.00 9%	\$4.60 5%	\$4.80 5%	\$5.10 5%	\$5.30 5%
<b>Gas Utility</b> <sup>(2)</sup>	\$5.20 8%	\$6.30 9%	\$5.40 7%	\$5.70 7%	\$5.20 6%	\$5.60 6%
<b>Wastewater</b>	\$4.00 9%	\$7.30 15%	\$5.00 9%	\$5.50 9%	\$5.30 8%	\$5.00 7%
<b>Water Utility</b> <sup>(3)</sup>	\$5.20 5%	\$9.33 to \$9.85 9 to 9.5%	\$9.10 8%	\$13.50 11%	\$15.00 11%	\$7.60 5%
<b>Refuse</b>	\$0.00 0%	\$0.00 0%	\$1.50 3%	\$1.50 3%	\$1.60 3%	\$1.60 3%
<b>Storm Drain</b> <sup>(4)</sup>	\$0.80 5%	\$0.40 3%	\$0.40 3%	\$0.50 3%	\$0.50 3%	\$0.50 3%
<b>Monthly Bill Change</b> <sup>(5)</sup>	\$9.40 3%	\$31.46 to \$31.98 9%	\$27.00 7%	\$32.80 7%	\$34.00 7%	\$26.60 5%

(1) FY 2025 projection incorporates results of cost-of-service analysis

(2) Based on general fund transfer of 11.9% of gross revenue in FY25; gas rate changes shown with commodity rates held constant; actual gas commodity rates vary monthly

(3) On April 24, 2024, the Finance Committee recommended a revision to a lower Water rate, the FY25 Proposed Budget assumed 10%.

(4) Storm Drain fees increase by CPI index annually per approved 2017 ballot measure (2.6% in FY 2025)

(5) Based on an FY 2024 monthly residential bill of \$379

# “PARKING LOT” – REVENUE

*\$000's = placeholder,  
further analysis is needed*

Parking Lot Items	FY25 Amount (cost)/source	Ongoing	Dept
Analyze increasing revenue-generating CSD programming to meet demand (Fee revenues for classes)	0	0	CSD
Explore financial, outreach, and policy processes for adding East Palo Alto to resident rates for golf course (Potential reduction in fee revenues from lower charges)	(30,000)	(30,000)	CSD (muni fee)
JMZ increase ticket prices during peak attendance from \$10 to \$14	300,000	350,000	CSD
Analyze Fire Emergency Medical Response Fee Adjustments (requires study during FY25, changes not expected before FY26)	TBD	TBD	FIR
Analyze a reduction of Capital Funding (between \$500,000 and \$1M)	0	0	NON
Reduce BSR from 18.8% to 18.5% of FY25 Proposed General Fund Expenses	1,000,000	0	NON
Amend Gas Transfer to General Fund in FY25 to 14.5% (from 11.9%) & in FY26 to 18% (previously scheduled in FY27) ~Estimated FY 2025 Gas Utility Rate change from 9% to 12.5%	2,000,000	900,000	NON
<b>Subtotal Revenue (&amp;/or source of funding)</b>	<b>\$3.3 M</b>	<b>\$1.2M</b>	



# “PARKING LOT” – EXPENSES

Parking Lot Items	FY25 Amount (cost)/source	Ongoing	Dept
JMZ new staffing, contracts, and new ticketing system adds	(613,000)	(946,000)	CSD
Environmental Volunteers Foothills Nature Preserve Program *	(11,000)	(11,000)	CSD
Analyze increased flexibility for revenue-generating CSD programming	0	0	CSD
Fire Emergency Medical Response; Supplemental resources via contract for services	(500,000)	(550,000)	FIR
Upstaff Fire Engine 62 with 3 Sworn Staff instead of Overtime	(60,000)	(75,000)	FIR
Establish Organizational Development and Safety Division (1.0 position)	(78,000)	(78,000)	HRD
Active Recruitment Digital Marketing Services (contract services)	(50,000)	(50,000)	HRD
Expansion of Library Teen Services (1.0 position)	(135,000)	(135,000)	LIB
Palo Alto Transportation Mgmt. Assoc. (PATMA) increase to \$400,000	(200,000)	(200,000)	OOT
Review an alternative service approach for PA Link with reduced costs (proposed budget funds \$900,000 in FY25)	450,000	580,000	OOT
Public Services Streets 311 Requests to support catch-up and keep-up	(100,000)	(100,000)	PWD
Sustainability Program Customer Service Support (1.0 position Electric Fund)	0	0	UTL

\* = ask from outside agency, FY25 contribution TBD

\$000's = placeholder, further analysis is needed



# “PARKING LOT” – EXPENSES (CONT’D.)

Parking Lot Items	FY25 Amount (cost)/source	Ongoing	Dept
Ability Path Matching Gift *	(250,000)	0	NON
Establish a Citywide Special Events & Programming (\$230k total program) * [Requested UNAFF \$45k, 3rd Thursdays \$40k, Neighbors Abroad \$30k, Magical Bridge \$150k, cultural events]	(200,000)	(200,000)	NON
Additional funding for Roth Building Rehabilitation (PF-23001) * (revise terms and conditions of the tenant work letter)	(1,000,000)	0	CIP-PWD
California Avenue Interim Improvements	(450,000)	0	CIP-PWD
Car-free Streetscape Design for Ramona Street	(200,000)	0	CIP-PWD
Study of artificial turf replacement with grass at up to 4 fields (recommend use of current CIP to fund a study)	0	0	CIP-CSD
Review parks restroom prioritization (specifically Pardee Park)	0	0	CIP-CSD
<b><i>Subtotal Expense (&amp;/or use of funding)</i></b>	<b><i>(\$3.4 M)</i></b>	<b><i>(\$1.8M)</i></b>	
<b>Potential Funds Remaining surplus / (deficit)</b>	<b>(\$0.1 M)</b>	<b>(\$0.5 M)</b>	

\* = ask from outside agency, FY25 contribution TBD

\$000's = placeholder, further analysis is needed

# JOIN THE BUDGET CONVERSATION

The community is encouraged to join the budget conversations:

- **Finance Committee Budget Hearings:**
  - ✓ May 7 at 9:00 A.M.
  - ✓ May 8 at 9:00 A.M.
  - May 21 at 1:00 P.M. – Wrap-up
- **Community Informational Session:**
  - Learn about the City’s proposed budget
  - ✓ May 15 at 6:00 P.M.
- **City Council Budget Adoption:**
  - June 17 at 5:30 P.M.

All meeting details listed at [www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)

## JOIN THE BUDGET CONVERSATION FISCAL YEAR 2025

Proposed Fiscal Year 2024-2025 **Operating and Capital budgets** were released at the end of **April**. Join the budget conversations this **May and June**. Share your City service priorities and input throughout the budget process.

### COMMUNITY ENGAGEMENT KEY DATES : THE CITY OF PALO ALTO

- April 25 - Budget Publication
- May 6 - City Council – FY 2025 Proposed Budget Study Session
- May 7 - Finance Committee – Budget Hearing #1 - 9:00 a.m.
- May 8 - Finance Committee – Budget Hearing #2 - 9:00 a.m.
- May 13 - City Council – FY 2025 Proposed Budget Study Session
- May 15 - Community – Virtual Community Informational Session - 6 p.m.
- May 21 - Finance Committee – Budget Wrap-up, 1 p.m.
- June 17 - City Council – Budget Adoption



For details go to [www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)



FISCAL YEAR 2025

# PROPOSED OPERATING BUDGET

▷ CLIMATE CHANGE AND THE NATURAL ENVIRONMENT: PROTECTION & ADAPTATION

▷ COMMUNITY HEALTH, SAFETY, WELLNESS & BELONGING

▷ HOUSING FOR SOCIAL AND ECONOMIC BALANCE

▷ ECONOMIC DEVELOPMENT & TRANSITION



## COMMUNITY DISCUSSION

---

- Staff is here for questions and feedback
- Budget and meeting details listed at [www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget)