

COUNCIL MEETING
05/11/2020
 Received Before Meeting **10**

REVISED FY 2020- 2021 PROPOSED OPERATING AND CAPITAL BUDGETS

May 11, 2020


www.cityofpaloalto.org/budget

OVERVIEW



- Unprecedented time in our history
- Appreciate City Council's thoughtful approach to the tough budget discussions ahead
 - On May 4, Council adopted revenue assumptions in response to the current public health emergency, resulting in FY 2020-2021 \$39 million General Fund deficit
 - May 7 Staff report provides a starting point for Council discussion
 - Based on Council feedback and community input, refine budget strategies and return on May 26
- Community budget communications and engagement is underway
- While service levels are anticipated, essential City services will be maintained and continue

OUR CITY AT WORK


Economic
Sustainability,
0.1%


Public Safety
35.2%


Planning and
Transportation
10.2%

**GENERAL
FUND
EXPENSES**


Administration
and Government
12.0%


Infrastructure and
Environment
21.8%


Neighborhood,
Community &
Library Services
20.7%

BUDGET CONVERSATIONS AND NEXT STEPS



May 11-13

- City Council will discuss operating protocols for the budget hearings and how they will conduct their work
- Staff will an overview of the revised balancing strategy
- Council will be presented potential City service area balancing actions and discussion of City services that will be maintained
- Council will have time to review the progress of the hearings at the end of the May 13, and provide guidance for May 26 budget deliberations

May 26

- City Council will be presented a final, revised balancing strategy, based on their input from the May 11-13 budget hearings
- Council approval will provide final direction in preparation for budget adoption on June 22

FY 2020-2021 PROPOSED BASELINE BUDGETS



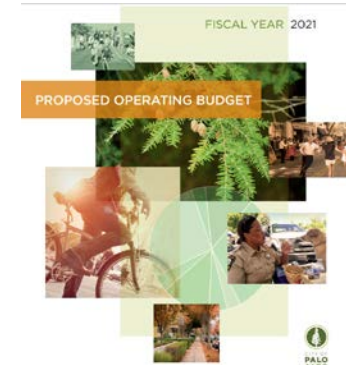
- Council adopted budget principles continue to guide our work.
- Additional Budget and Fiscal Recovery Priorities help guide our work and evolve through these uncertain times:
 1. Support economic recovery through changes to our policies and programs
 2. Focus on resiliency over the long term while making service reductions and changes, ensuring that any services eliminated can be restored in future years
 3. Seek new ways to conduct our work through efficiencies and a learning environment
 4. Apply a broad-based approach to reductions, balancing impacts to the community
 5. Use temporary solutions to bridge revenue losses expected in the short term

CONTINUED UNCERTAINTIES

- Estimating \$20 million impact to current FY 2019-2020 General Fund budget (likely a draw on the Budget Stabilization Reserve)
- Tax revenue receipts remain unknown, two-month lag for Transient Occupancy Tax (hotel tax) and 3-month lag for sales tax by quarter
- Cost of transitioning to implement service level reductions
- Proposals are works in progress and will be refined further
- Shelter in Place orders by Santa Clara County and the State continue to evolve but consumer confidence will continue to be uncertain

HOW TO INTERPRET THE BUDGET DETAILS

- Baseline Operating and Capital Budgets submitted on April 20, provide where the City would have been based on a normal budget year, in comparison to last year
- Staff Report #11322 outlines incremental amendments to these budgets based on the Council direction from 5/4.
- Baseline budgets continue to help guide our work
 - Outlines base line services that will continue
 - Defines changes to programs, staffing and service models
 - Showcases Capital investments



City of Palo Alto
City Council Staff Report

(ID # 11322)

Report Type: Action Items

Meeting Date: 5/11/2020

Council Priority: Fiscal Sustainability

Summary Title: FY 2021 Revised Proposed Operating and Capital Budgets Overview

REVISED FY 2021 BUDGETS – CMR #11322

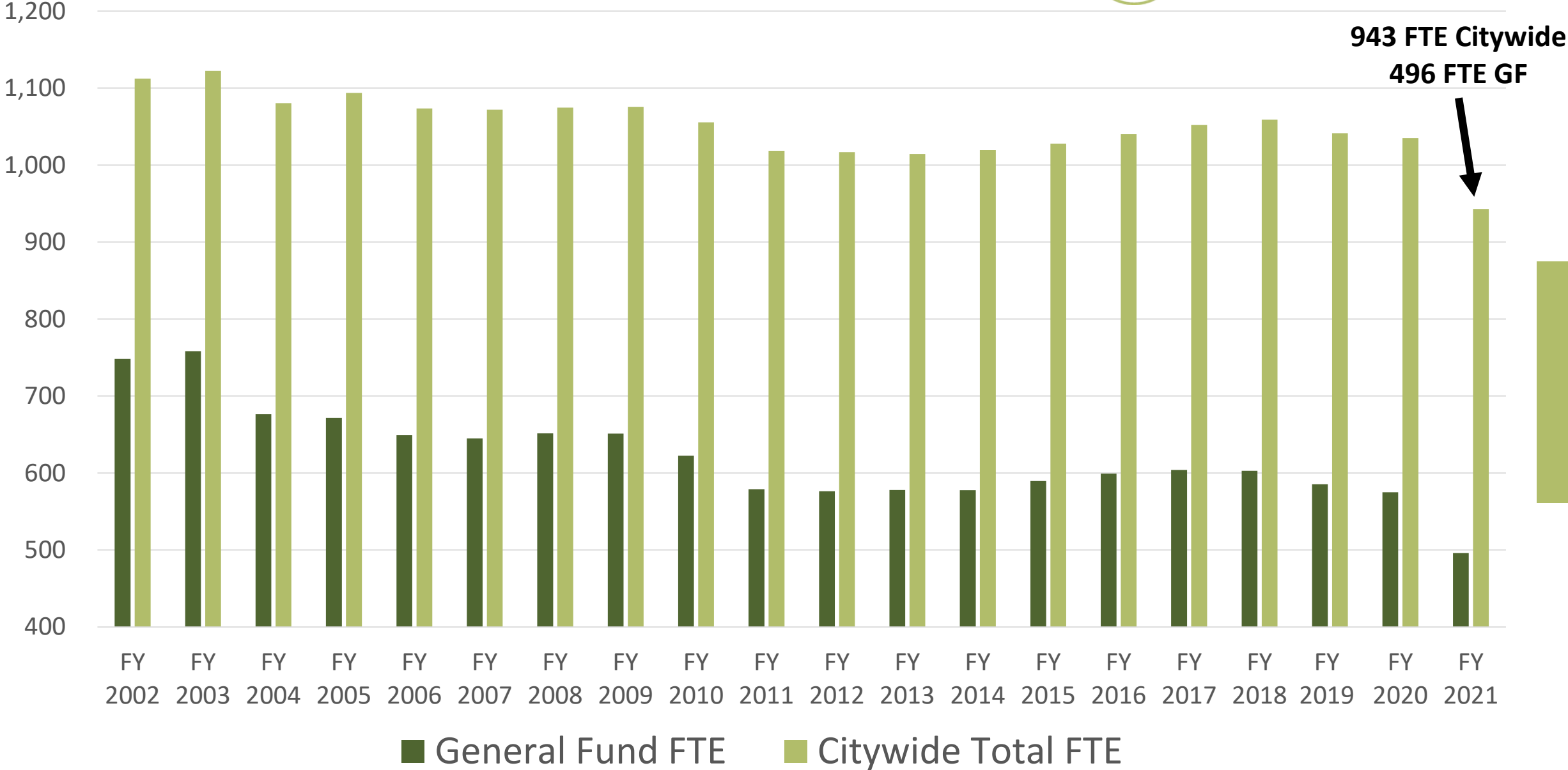


	General Fund				All Funds (inclds ISF)			
	Revenues	Expenses	FT FTEs	PT FTEs	Revenues	Expenses	FT FTEs	PT FTEs
Citywide Proposed FY 2021 Budget, Released April 20, 2020	\$241,509	\$238,801	573.68		\$755,846	\$818,869	1,033.85	
Adjustments to Proposed Budget as released								
<i>Revenue Adjustments</i>								
City Council Requested Major Tax Revenue								
Realignment Scenario C (CC May 4, 2020)	(38,793)				(38,793)	-	-	-
Other Economically Sensitive Departmental Revenue	(5,000)				(5,000)	-	-	-
	\$197,716	\$ 238,801	573.68	-	\$ 712,053	\$ 818,869	1,033.85	-
<i>Adjustments by Service Area</i>								
Neighborhood, Community & Library Services	(506)	(6,470)	(20.25)	(25.19)	(506)	(6,470)	(20.25)	(28.26)
Public Safety	1,488	(7,734)	(38.27)	(2.42)	1,488	(7,747)	(38.40)	(2.42)
Planning & Transportation	(2,394)	(3,725)	(10.90)	(1.44)	(2,394)	(3,787)	(11.30)	(1.44)
Infrastructure & Environment	-	(2,856)	(0.20)	-	(26,871)	(21,406)	(8.30)	(0.48)
Internal Services/Strategic Support	-	(2,652)	(7.83)	(0.98)	(1,902)	(5,521)	(12.90)	(0.98)
Citywide Balancing Solutions	-	(19,990)	-	-	(22,040)	(21,270)	-	-
SUBTOTAL CHANGES FROM FY 2021 PROPOSED	(1,412)	(43,427)	(77.45)	(30.03)	(52,225)	(66,201)	(91.15)	(33.58)
	-0.6%	-18.2%	-13.5%		-6.9%	-8.1%	-8.8%	
Citywide Revenue and Expenses (as of May 11th CC Discussion)	\$ 196,304	\$ 195,374	496.23		\$659,828	\$752,668	942.70	
Net Surplus/(Deficit)		\$930				\$92,840		

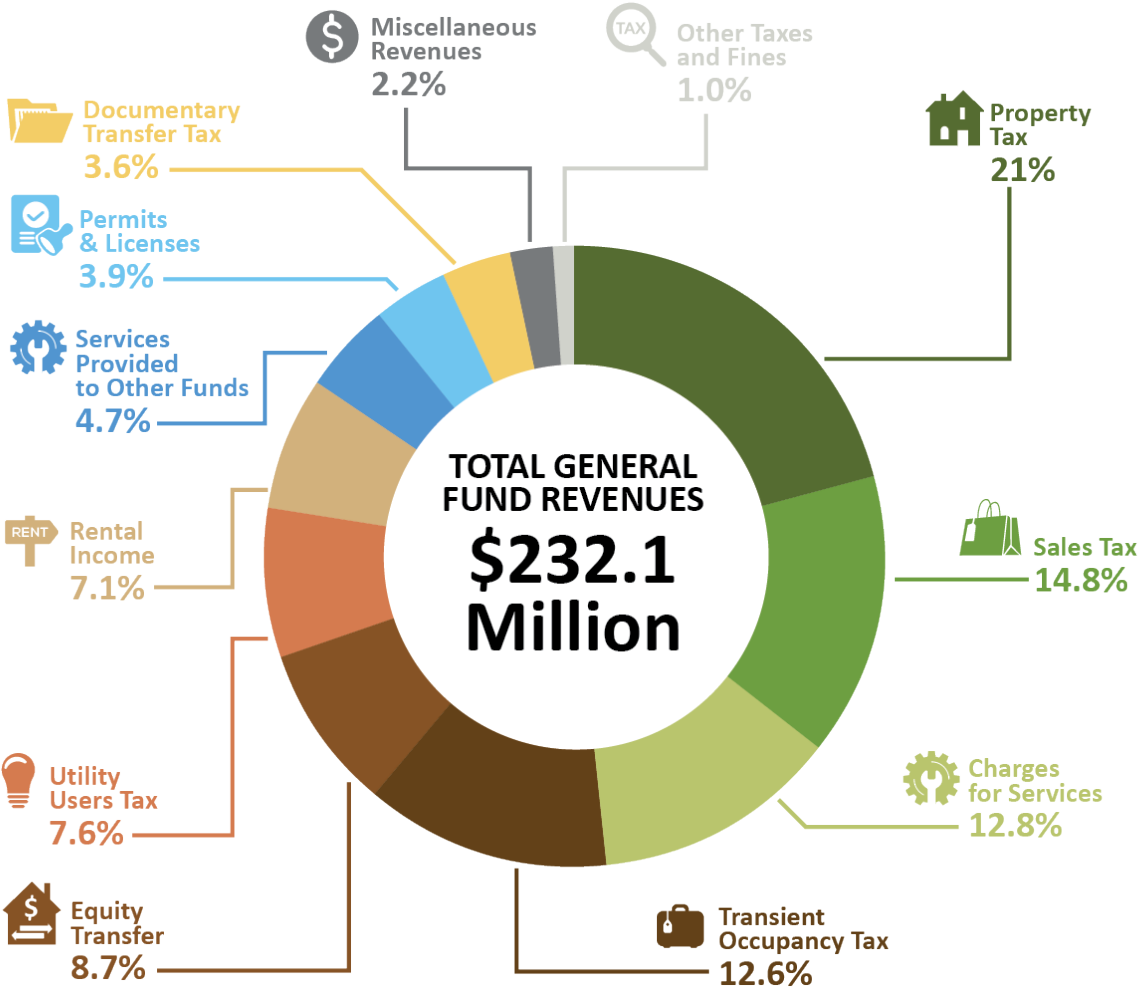
HISTORICAL FULL-TIME STAFFING COMPARISON



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GENERAL FUND SOURCES



	FY 2020 Adopted	FY 2021 Revised
Property Tax	\$ 48.6 M	\$ 52.0 M
Sales Tax	34.4 M	20.5 M
Transient Occupancy Tax	29.3 M	14.9 M
Utility User Tax	17.6 M	15.1 M
Documentary Transfer Tax	8.4 M	4.7 M
Charges for Services & Licenses & Permits	38.8 M	33.6 M
All Other Revenues	55.0 M	55.5 M
Total General Fund Revenue	\$232.1 M	\$196.3 M

REVISED OPERATING BUDGET – CITYWIDE ACTIONS



- Transfer to the Capital Fund (reduction of \$16.5 M to \$16.1 M)
- Cubberley Lease (net reduction of \$2.5 M to \$3.7 M)
- Section 115 Trust & Long-Term Liabilities (reduction of \$2.3 M GF to \$1.7 M 115 contribution and \$8.6 M OPEB)
- Internal Service Fund Reserve Balances (reduction of \$1.0 M GF, TBD all funds)

REVISED OPERATING BUDGET – CITY SERVICE AREAS











Six City Services Areas link to the City’s Services Guide, released in early 2020

- Public Safety
- Infrastructure and Environment
- Planning and Transportation
- Economic Sustainability and Business Support
- Neighborhood, Community and Library Services
- Administration and Government



REVISED OPERATING BUDGET – SERVICES WILL CONTINUE



-  Police & Fire will respond to all priority emergency calls ensuring health and safety
-  Utility services including water, electric, gas, and sewer services will continue including necessary maintenance for safety
-  Parks, open spaces, recreation areas and trails will be available for the community to enjoy
-  Four (4) libraries will remain open welcoming patrons all seven days of the week
-  Ensure health and safety measures are addressed on our neighborhood streets & roads, sidewalk and trees
-  Keep three community centers open with classes and other programming continuing
-  Continue to support the Development Center and requests for planning, building permits
-  Manage traffic signals maintenance and timing and continue youth education through safe routes to school

REVISED OPERATING BUDGET – SERVICE AREA



Neighborhood Community & Library Services (reduction of \$6.5 million to ~\$36 million)

- Reduce operating hours at 3 community centers and the Arts Center
- Reduce Children’s Theatre productions, maintaining classes and camps
- Elimination of program and grant subsidies such as youth Connectedness Initiative (YCS), SCC Unhoused Programs, Know Your Neighbors
- Increase fees to increase cost recovery levels: middle school and adult athletics & Junior Museum and Zoo
- Close College Terrace Library and reduce library hours at Children’s library (open 4 days) and Rinconada (open until 6pm)

REVISED OPERATING BUDGET – SERVICE AREA



Public Safety (reduction of \$7.7 million to ~\$77 million)

- Restructure dispatch staffing
- Reduce patrol staffing and eliminate specialized units such as traffic unit and reduce investigations
- Reduce fire prevention staffing
- Implement new medical emergency response fee and ambulance subscription program
- Reduce incident response resources and move towards a brownout flexible staffing model

REVISED OPERATING BUDGET – SERVICE AREA



Planning & Transportation (reduction of \$3.7 million to ~\$19.5 million)

- Eliminate both the Crosstown and Embarcadero shuttle
- Reduce the administration of the Residential Preferential Parking Program (RPP)
- Substantial reduction in contract and consultant services for planning and building eliminating service such as new day inspections
- Reductions impact long range planning and housing, code enforcement, curtailing work such as the North Ventura Coordinated Area Plan (NVCAP) to focus on state housing laws and preparing the new Housing Element.

REVISED OPERATING BUDGET – SERVICE AREA



Infrastructure & Environment (reduction of \$2.9 million to ~\$17 million)

- Reduce tree trimming and city's sidewalk program (still addressing 7 year cycle and trip/fall areas)
- Defer vehicle replacement and maintenance
- Maintain 0% or close to 0% rate increases for the next year

Internal Services/Appointees (reduction of \$2.7 million to ~\$22 million)

- Reduced staffing in purchasing, accounting and revenue collections & two-year pause on annual performance report

OTHER FUNDS



Federal & State Revenue Funds

- Community Development Block Grant Funding of approx. \$1.1M (\$547,000 for COVID response, including rent relief, food assistance, and testing & equipment)

Parking Funds:

- Residential Preferential Parking (RPP) Permit Program revisions (est. \$200,000 GF savings)
- Continues \$750,000 for the Transportation Management Association (TMA)

Stanford University Medical Center (Development Agreement)

- Significant investments anticipated in FY2021-2025 Capital Improvement Plan
- Potential reallocation of funds between City Council approved 2014 Infrastructure Plan projects
- Remaining unspent balance ~ \$6 M

ENTERPRISE FUNDS – RATE CHANGES



	FY 2021 Baseline Rate Change (As of 4/20/20)	Current Balancing Strategy Rate Change (as of 5/7/20)
Electric	3%	0%
Gas	5%	0%*
Water	0%	0%
Wastewater	6%	0%
Fiber	2.5%	0%
Refuse	0%	0%
Storm Drain	2.5%	2.5%
Total	2.4%	0.1%

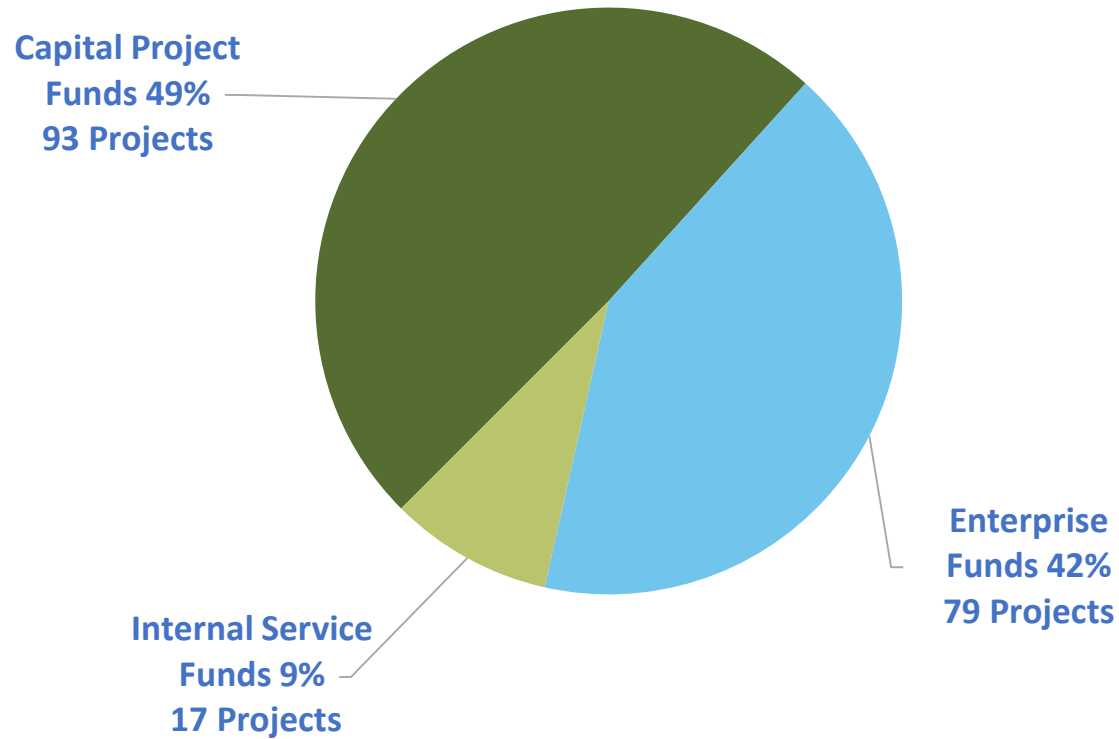
Total monthly bill is estimated to increase \$0.37 per month, or 0.1% to \$319.61 per month.

* The Finance Committee approved a 3% increase in Gas with a 2:1 vote, which is not reflected above.

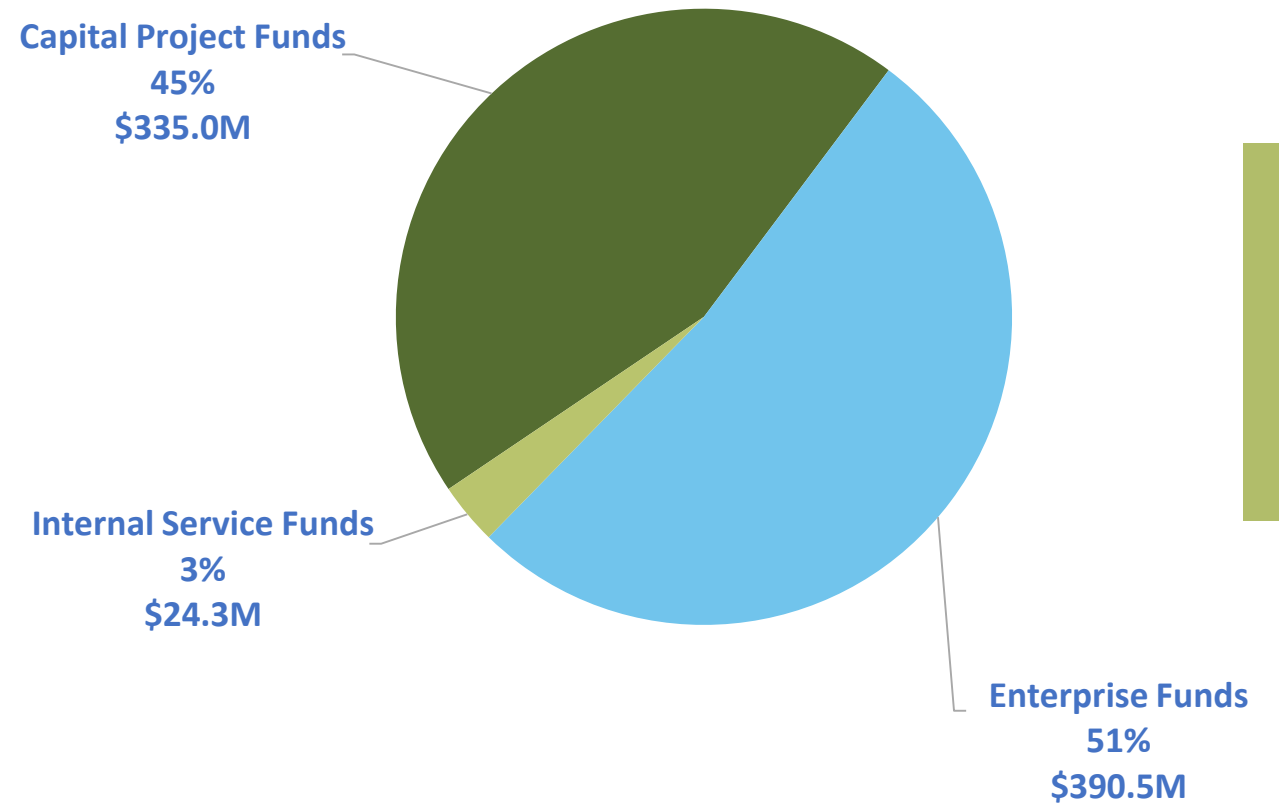
CAPITAL IMPROVEMENT PROGRAM (CIP) - OVERVIEW



2021-2025 CIP PLANNED PROEJCTS BY FUND TYPE (189 PROJECTS)



2021-2025 CIP PLANNED FUNDING BY FUND TYPE (\$749.8 MILLION)



Data as of 4/20/20 Proposed Capital Budget books

REVISED FY 2021 CAPITAL BUDGET – CMR #11322



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	General Fund CIP (Funds 471 & 472)				All Funds CIP			
Baseline FY 2021 Budget and 2021-2025 CIP <small>(released April 20, 2020)</small>	Revenues FY 2021	Expenses FY 2021	Revenues 2021-2025	Expenses 2021-2025	Revenues FY 2021	Expenses FY 2021	Revenues 2021-2025	Expenses 2021-2025
	\$147,524	\$169,153	\$305,481	\$331,987	\$185,108	\$276,888	\$483,063	\$746,743
Revenues								
<i>City Council Recommended</i>								
General Fund Transfer	(8,050)	-	(20,160)	-	(8,050)	-	(20,160)	-
TOT Funding Realignment	(8,455)	-	(26,250)	-	(8,455)	-	(26,250)	-
Council Recommended Revenue Changes	\$(16,505)	\$ -	\$ (46,410)	\$ -	\$(16,505)	\$ -	\$(46,410)	\$ -
Expenses								
<i>Project Category</i>								
Buildings & Facilities	-	(4,132)	(922)	(25,629)	-	(4,132)	(922)	(25,629)
Parks & Open Space	-	(558)	2,400	1,937	-	(558)	2,400	1,937
Streets & Sidewalks	-	(2,408)	-	(5,310)	-	(2,408)	-	(5,310)
Traffic & Transportation	-	(1,674)	-	(12,502)	-	(1,674)	-	(12,502)
Vehicle & Equipment Replacement	-	-	-	-	(1,786)	(1,786)	(3,572)	(3,572)
Proposed Revenue and Expense Changes	\$(16,505)	\$ (8,772)	\$ (44,932)	\$ (41,504)	\$(18,291)	\$(10,558)	\$(48,504)	\$(45,076)
Proposed FY 2021 Budget and 2021-2025 CIP	\$131,019	\$160,381	\$260,549	\$290,483	\$166,817	\$266,330	\$434,559	\$701,667

CIP – MAJOR INVESTMENTS



- Public Safety Building, Fire Station 4, and 101 Bike & Pedestrian Bridge
- Train crossings/rail grade separation planning
- Fire/life safety and electrical upgrades at City Hall
- Airport Apron Reconstruction prioritized by the FAA
- 6 of 13 Storm Water Management Fee ballot measure projects planned
- Water Quality Control Plant has \$133.3 M of infrastructure investment projects

CIP – MAJOR CHANGES



- Reductions in General Fund transfers to Capital Infrastructure result in a \$16.5 M loss in revenues in FY 2021 (-\$46.4 M over 5-yr CIP)
- Capital Infrastructure Plan adjustments
 - General Fund Capital: 21 projects were adjusted from baseline
 - Realignment of SUMC funding allocation among projects
 - Expenses by (-\$8.8 M in FY 2021; -\$43.9 M over 5-yr CIP)
 - All Funds: 23 projects were adjusted from baseline
 - Revenues by (-\$1.8 M in FY 2021; -\$2.1 M over 5-yr CIP);
 - Expenses by (-\$10.6 M in FY 2021; -\$45.1 M over 5-yr CIP)
- Timeline adjustments: 8 projects adjusted within the 5-year CIP

BUDGET PROCESS AND TIMELINE

April 20-Proposed Budget Transmittal to Council

Finance Committee to review Waste Water, Stormwater rates

Business Financial Support Development

Recovery Strategy Development

APRIL

City Council FY 2021 Budget Adoption, FY 2021 Municipal Fees & Charges Adoption, various FY 20201 Utility Rates Adoption

Committee/Commission review as needed (E.g. PTC 6/10)

Business Financial Support Plan Council Consideration

Recovery Strategy Council Consideration and Implementation

JUNE

Finance Committee to review Water, Electric and Gas rates

Committee/Commission review as needed (E.g. PTC 6/10, Storm Drain Oversight)

City Council FY 2021 Budget Hearings & Deliberations: May 11, May 12/13, May 26

Roundtables / Business Support Development

MAY

JULY/BEYOND

FY 2021 Budget Implementation

Recovery Strategy Implementation

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JOIN THE BUDGET CONVERSATION



BUDGET CONVERSATIONS AND COMMUNITY BUDGET PARTICIPATION

Online Budget Priority Input



May 5 - 13

Share your budget priorities through our OpenGov engagement tool.

May 13 - 22

Share your input on specific proposed budget reductions.



Council Review of Service Area Budget Impacts

Tune in and Share your feedback



- **May 11** | 7:30 p.m. – 10:00 p.m.*
- **May 12** | 1:00 p.m. – 10:00 p.m.*
- **May 13** | 1:00 p.m. – 10:00 p.m.*

*tentative end times, subject to change

Council Review of Revised Operating and Capital Budgets

May 26 | 1:00 p.m.

www.cityofpaloalto.org/budget

JOIN THE BUDGET CONVERSATION



How would you prioritize the City's six service areas? The more dots you assign to a service area, the higher a priority it is for you.

		Response Percent	Response Count
Public Safety		25.7%	688
Infrastructure and Environment		16.8%	451
Planning and Transportation		15.6%	418
Economic Sustainability and Business Support		12.2%	327
Neighborhood, Community and Library Services		22.4%	600
Administration and Government		5.7%	154

COUNCIL INPUT AND NEXT STEPS



- At places memorandum on Council discussion and approach on the budget hearings
- Council confirmation of hearing process



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