

Finance Committee **MEETING**

May 7, 2025

Received Before Meeting

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FY 2026 PROPOSED OPERATING AND CAPITAL BUDGETS

Overview of May 6 Meeting

Finance Committee Item #1

May 7, 2025

www.PaloAlto.gov/budget

“PARKING LOT” (as of May 6th 5:30PM)

FY 2026 BUDGET PROCESS

Date	Finance Committee Adjustments to Budget*	FY 2026 GF (cost)/savings or rev	Dept
	<i>Subtotal Sources (Revenue)</i>	\$ -	
	<i>Subtotal Use (Expense)</i>	\$ -	
	Potential Funds Remaining (deficit) / surplus	\$ -	

Date	Parking Lot Items	Amount (cost)/source	Ongoing	Dept
	<i>Subtotal Sources (Revenue)</i>	\$ -	\$ -	
6-May	Non-Profit Funding Level and Categorization	TBD	TBD	CSD
6-May	5% Reduction in Transfer to CIP	(1,550,000)	-	Capital
6-May	10% Reduction in Transfer to CIP	(1,550,000)	-	Capital
6-May	15% Reduction in Transfer to CIP	(1,550,000)	-	Capital
	<i>Subtotal Uses (Expense)</i>	\$ (4,650,000)	\$ -	
	Potential Funds Remaining (deficit) / surplus	\$ (4,650,000)	\$ -	

18.5% of Expense change (860,250)

Date	FY 2026 Council Contingency	
6-May	Beginning Balance	\$ 125,000
	Remaining:	\$ 125,000

Budget Stabilization Reserve FY 2026 estimate = \$54.0M or 17.3%
 Council range is 15% to 20% of expense budget, currently
 estimated at \$312.5M

“PARKING LOT” (as of May 6th 5:30PM) Cont’d.

Date	Parking Lot Items	Amount (cost)/source	Ongoing	Dept
	<i>Subtotal Sources (Revenue)</i>	\$ -	\$ -	
6-May	Non-Profit Funding Level and Categorization (TBD)	TBD	TBD	CSD
6-May	One-time 5% Reduction in Transfer to CIP	(1,550,000)	-	Capital
6-May	One-time 10% Reduction in Transfer to CIP	(1,550,000)	-	Capital
6-May	One-time 15% Reduction in Transfer to CIP	(1,550,000)	-	Capital
	<i>Subtotal Uses (Expenses)</i>	\$ (4,650,000)	\$ -	
	<i>Potential Funds Remaining (deficit) / surplus</i>	\$ (4,650,000)	\$ -	

Slide 3

LLO

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BUDGET HEARING REQUESTS (as of May 6th 5:30PM)

Finance Committee Request for Additional Information (Requires Majority Vote)

- ✓ 1) **Pension and OPEB overview**
- ✓ 2) **Utility User Tax revenue analysis**
- ✓ 3) **Consulting contracts – potential reduction impacts - Discussed by service area**
- 4) CIP reductions 5%, 10%, 15% or \$1.5M, \$3M, \$4.5M and funding source reallocations – Today: High Level Discussion Day 2 @ 3:30 and Detail at FC May 20
- 5) Debt Ratio and borrowing opportunities – Discussed in Day 2 @ 3:30pm
- 6) Fire & Ambulance - augment/alternatives - continued to Day 2 @ 3:30pm
- 7) Finance Committee to Frame Nonprofit Funding for Council, CSD community events grants, et al – Discuss in Day 2 @ 3:30pm
- 8) Summary of mental health investments/appropriations - FC May 20 wrap up
- 9) Historical positions filled and vacancy – FC May 20 wrap up

✓ = response included in this follow-up

PENSION

Finance MEETING **1**
09/17/24
 Received Before Meeting



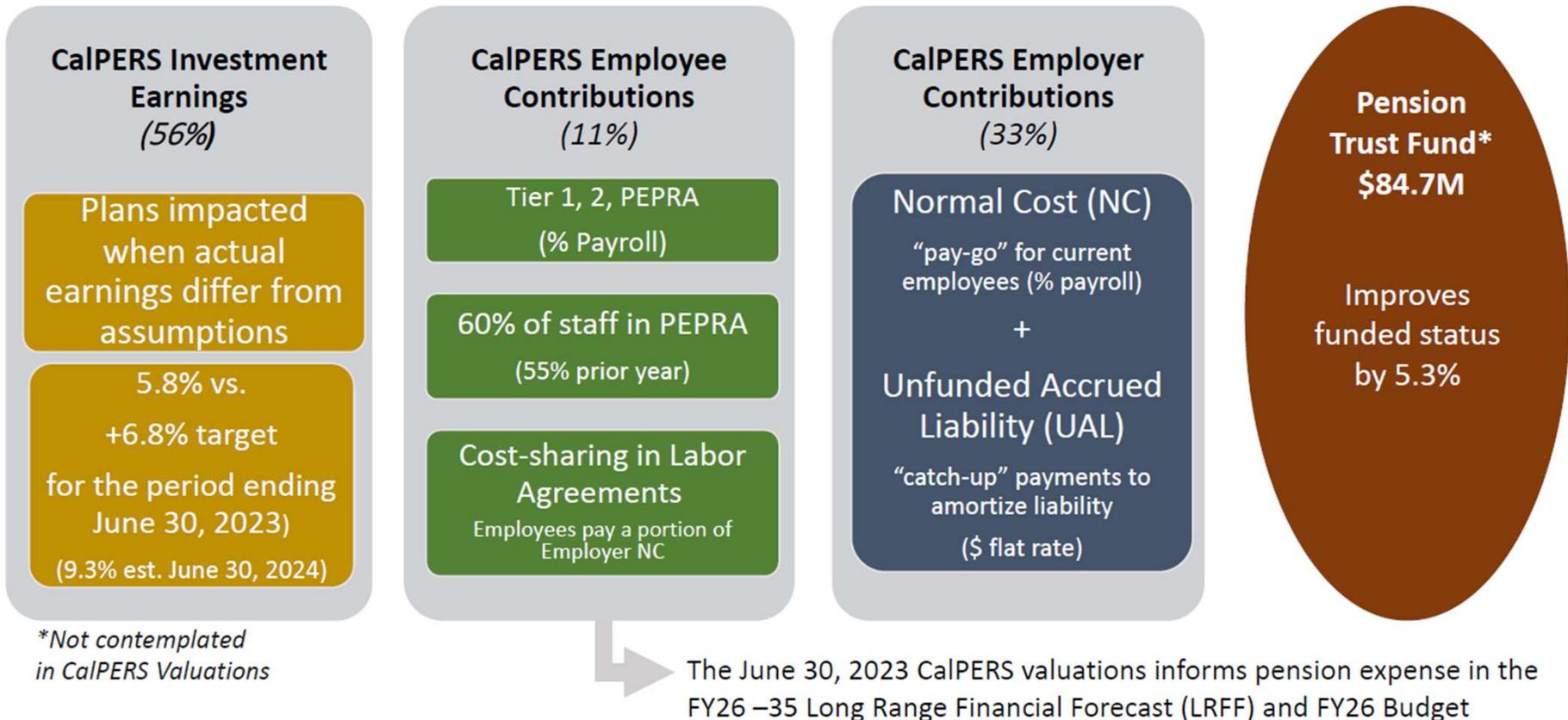
**Transmittal of
CalPERS Annual Valuation Reports
As of June 30, 2023**

Finance Committee
Item #1

September 17, 2024

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Pension Funding Sources & Terminology



PENSION

CalPERS – Total Unfunded Accrued Liability (UAL) (\$ Millions)

Unfunded Liability	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Safety	\$ 182	\$ 193	\$ 156	\$ 213	\$ 224
Miscellaneous	\$ 295	\$ 317	\$ 236	\$ 341	\$ 350
Total UAL (\$ Million)	\$ 477	\$ 510	\$ 392	\$ 553	\$ 574
<i>Funded Status</i>	64.4%	63.5%	73.3%	63.8%	64.0%
Section 115 Trust (\$M)	\$ 29	\$ 37	\$ 39	\$ 58	\$ 85
Funded % w/Section 115	66.6%	66.1%	75.9%	67.6%	69.3%

69.3% Funded Status once adjusted for Pension Trust balance of \$85M as of June 30, 2024. Next actuarial review of projected status of funding goals is estimated in FY 2026, in alignment with Retiree Benefit Funding Policy and CalPERS ALM study. One-time contributions will help achieve policy goals sooner.

OPEB

FC MEETING
6/4/2024
 Received Before Meeting

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CITY OF PALO ALTO RETIREE HEALTHCARE PLAN



June 30, 2023 Actuarial Valuation Summary

Doug Pryor, ASA, EA, MAAA
Foster & Foster, Inc.

June 4, 2024

OPEB

10 Year Projection – Optional Contribution

(Amounts in 000's)

FYE	ADC ²	Contribution				Payroll	ADC % of Pay	UAAL Beg. Of FY	Fund %
		Cash Benefit Payment	Implied Subsidy BP	Trust Pre-Funding	Total				
2025	\$21,996	\$12,827	\$2,745	\$6,424	\$21,996	\$127,929	17.2%	\$140,372	54%
2026	22,551	13,565	2,871	6,115	22,551	131,447	17.2%	134,951	57%
2027	23,180	14,286	3,017	5,877	23,180	135,062	17.2%	128,847	60%
2028	23,812	14,868	2,992	5,952	23,812	138,776	17.2%	122,011	63%
2029	24,474	15,590	3,089	5,795	24,474	142,593	17.2%	114,390	67%
2030	25,147	16,348	3,285	5,514	25,147	146,514	17.2%	105,928	70%
2031	25,821	16,933	3,312	5,576	25,821	150,543	17.2%	96,567	73%
2032	26,538	17,554	3,434	5,550	26,538	154,683	17.2%	86,242	77%
2033	27,272	18,086	3,516	5,670	27,272	158,937	17.2%	74,886	80%
2034	27,999	18,626	3,575	5,798	27,999	163,307	17.1%	62,429	84%

² Actuarially Determined Contribution

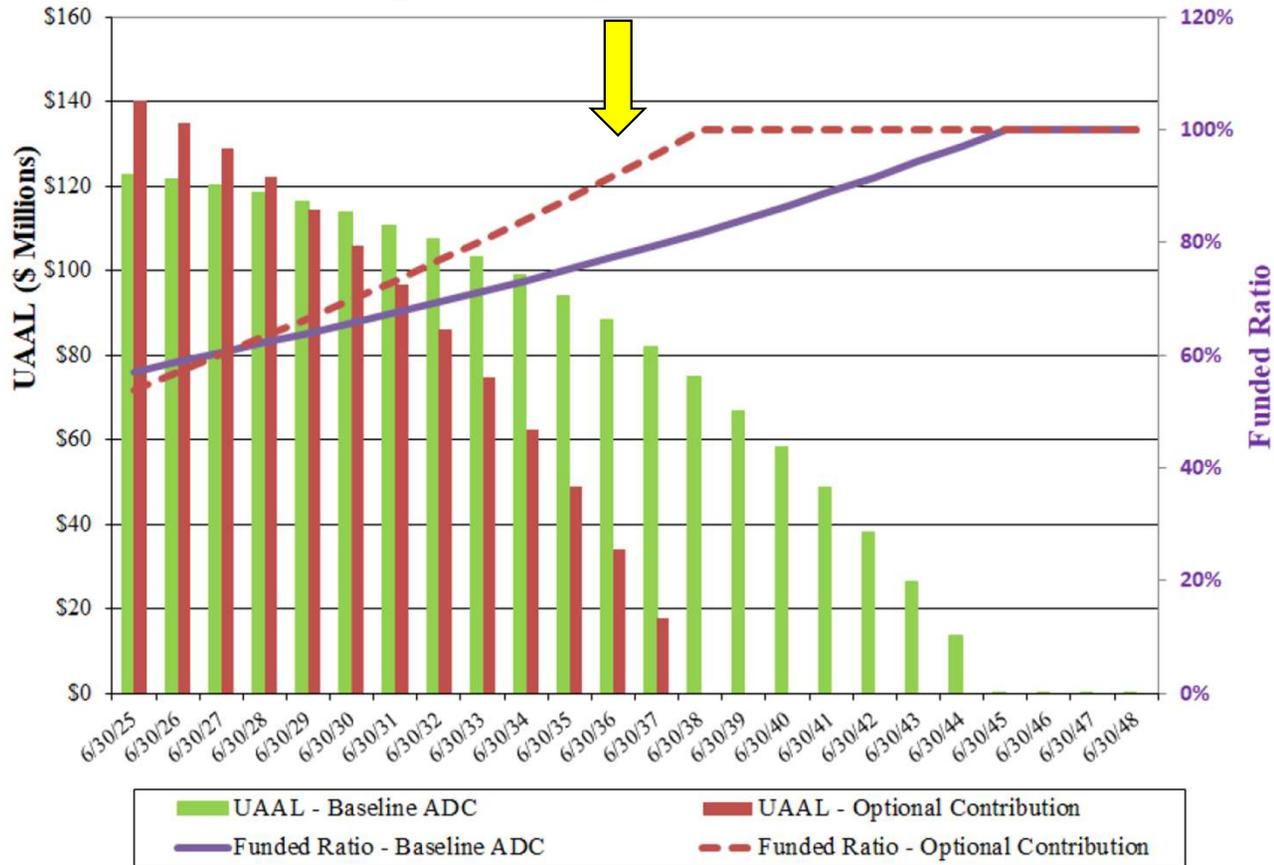


June 4, 2024



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**UAAL and Funded Ratio Projection
(Baseline vs. Optional Contributions)**



UUT Revenue FY25 Projected vs FY26 Proposed

UUT Revenues (\$ million)	FY25 Projected	FY26 Proposed	Y-O-Y %
City Utilities	\$13.8	\$14.5	5%
Telephone	\$6.8	\$6.9	2%
Total	\$20.6	\$21.4	4%

FY25 Projection based upon April 2025 YTD actual and 2 month of estimate.



CITY OF
**PALO
ALTO**

Conclude

May 8, 2024

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