



Finance Committee Staff Report

From: City Manager

Report Type: ACTION ITEMS

Lead Department: Administrative Services

Meeting Date: December 3, 2024

Report #:2405-3068

TITLE

Review and Forward Fiscal Year 2026-2035 Long Range Financial Forecast to City Council

RECOMMENDATION

Staff recommends that the Finance Committee review and recommend that the City Council accept the General Fund Long Range Financial Forecast (LRFF) for Fiscal Year 2026-2035 and the FY 2026 annual Budget Development Guidelines (Attachment A) and direct staff to use this forecast as the starting point for the initiation of the FY 2026 budget process.

EXECUTIVE SUMMARY

Annually, the City presents a ten-year General Fund Long Range Financial Forecast (LRFF) in December that marks the beginning of the annual budget process. This preliminary forecast is based on the most current information available, actual revenues and expenses for FY 2024, and projected results through FY 2025 at the point in time of release. General Fund expenditures are based on current City Council approved service levels compared to projected revenues over the next year. The City service levels have increased during the 3-year period between FY 2024 to FY 2026, as the City continues to maintain a multi-year budget strategy, deliver excellent service level while supporting Council priority objectives and maintaining fiscal stability with anticipated upcoming volatility. The current outlook anticipates a modestly weak economy in 2025, followed by a gradual return to trend growth rates starting in 2026, assuming inflation continues to moderate, and consumer demand remains stable.

The **Base Case Long Range General Fund forecast** projects a \$12.0 million shortfall in FY 2026, followed by shortfalls ranging from \$7.9 million in FY 2027 to \$5.6 million in FY 2029. FY 2030 has a projected surplus of \$2.0 million which continues to grow through FY 2035. This forecast maintains current service levels approved in FY 2025 and should be used for planning purposes to assist in gauging effects of major policy interventions against a likely “status quo” version of the future. These amounts are fairly consistent with previous projections used as part of the two-year budget balancing strategy when adopting the FY 2025 Budget, however, the FY 2026 shortfall increased by \$1 million due to the various factors discussed in detail below. The proposed multi-year financial

strategy addresses the FY 2026 shortfall of \$12 million with uncertainty reserves of \$6.1 million from FY 2023 Mid-Year review and \$5.9 million from FY 2024 Year-end review.

Staff modeled an **alternate forecast scenario that reflects a 1% loss in economically sensitive revenue** and the impact on the General Fund over the forecast period. Compared to the Base Case, this scenario increases the General Fund shortfall over the next ten years. FY 2026 changes from a shortfall of \$12.0 million to \$14.3 million, and revenues are not anticipated to be able to fund the annual expenditures until FY 2031.

Staff modeled an **alternate forecast that reflects a one-time compensation adjustment (1%) in FY 2026** and the impacts on the General Fund over the next ten years. Compared to the Base Case, this scenario increases expenses by \$1.1 million in FY 2026 and increases projected shortfalls in the forecast, ranging from \$13.1 million in FY 2026 to \$6.8 million in FY 2029. FY 2030 has a projected surplus of \$0.7 million which continues to grow through FY 2035.

These alternate forecasts were done separately to show the impacts of each scenario in isolation; however, aspects of both alternate forecasts may occur in conjunction in the future.

Consistent with the projections in the FY 2025 Adopted Budget, this LRFF reflects deficits in the near term with revenues falling below expenses. As previously recommended, the shortfall in FY 2025 will be addressed by the Uncertainty Reserve, that was proactively set aside during the prior year for this purpose. Development of the FY 2026 budget and planning for the subsequent years outlined in the forecast will need to be done strategically over the next several months to balance the increased service level desired by the community with the financial resources currently projected. With these variables, ongoing revenues are unable to keep pace with expenses over the next several years.

The LRFF is a tool to model financial forecasting assuming resources and services are operating at the current authorized levels. City staff will continue to review and refine these projections to establish the FY 2026 budget and use this forecast to begin internal planning for budget balancing solutions. Individual fiscal years will vary from this forecast such as changes in revenue estimates or operating transfers. These circumstances, specific to a given year, typically represent one-time resources that are factored into the annual budget planning process. More detailed guidelines or Budget Policies to inform the development of the FY 2026 budget are discussed at the end of this document (Attachment A).

Included in this report and subsequent documents are the following:

- The Economy: discussion of the current financial climate of the United States to the local economy of the City of Palo Alto (details can be found in Attachment B)
- Summary Long Range Financial Forecast including Revenue and Expense assumptions in FY 2026-2035 (details can be found in Attachments C and D)
 - Financial status of the General Fund as of the FY 2025 Adopted Budget

- Brief discussion of FY 2024 surplus funding
- Updated revenue assumptions based on current projections
- FY 2026 Budget Development Guidelines to inform the Budget process (Attachment A)
- Summary of Assumptions Not Included in Forecast (Attachment E)
- Alternate scenarios to the base case forecast to demonstrate financial impacts to the City from:
 - Impacts from a moderate recession
 - Impacts from a citywide 1% increase of salaries and benefits

BACKGROUND

Annually the Office of Management and Budget produces a ten-year General Fund Long Range Financial Forecast (LRFF). The LRFF reflects staff's best estimates on the projected revenues and expenditures over the next ten years based on the information that is currently available. It is important to note that the LRFF is a planning document and is separate and distinct from the development of the City's annual Operating and Capital Budgets. There are assumptions and parameters modeled in the LRFF, and these assumptions are revised and refined as more information becomes available through the budget development process.

The LRFF contains a high-level comprehensive review of the costs to provide current City Council approved service levels, including current contracts, updates to salaries and benefits based on the current population of employees, and the current labor contracts in effect. The LRFF also reviews the status of the current economy and various economically sensitive revenues such as Sales Tax, Documentary Transfer Tax, Property Tax, and Transient Occupancy Tax to explain key trends in those areas. This Forecast allows staff and City Council to look at both the short-term and long-term financial status of current service levels in the General Fund to inform daily policy decisions and evaluate long-term goals and ongoing challenges.

The Economy

The economy continues to demonstrate resiliency to a formal recession and this forecast reflects a continued level of stagnation offset by inflation. Risks remain due to world conflicts and potential local economy impacts. At the national level, economic growth through the third quarter of calendar year 2024 has been driven by resilient consumer spending, although inflationary pressures remain elevated and borrowing costs continue to weigh on economic activity. The Federal Reserve's monetary policy actions have kept interest rates at historically high levels, with the federal funds rate holding near its highest levels in over two decades. The Fed is maintaining its tight stance in an effort to achieve a "soft landing", aiming for a slowdown in economic growth that avoids recession while containing inflation. Despite these efforts, inflation remains sticky, particularly in sections such as housing and services, leading to ongoing economic uncertainty. The current outlook anticipates a modestly weak economy in 2025, followed by a gradual return to trend growth rates starting in 2026, assuming inflation continues to moderate and consumer demand remains stable. Risks that will continue to be monitored include escalating political tensions, and political landscape shaped by the recent presidential election, all of which could lead to shifts in national economic policies in 2025 and beyond. These factors are creating heightened complexity in financial forecasting and budget development. The

City must navigate the challenge of addressing growing fiscal needs while ensuring long-term fiscal sustainability.

Nationally, as of October 2024, the consumer price index (CPI) which measures changes in the prices paid by consumers for a basket of goods and services, is 2.6%, down from 3.7% in October 2023, but still indicating persistent inflation. Assumptions in the LRFF report for general cost increases are using a CPI of 3% in FY 2026 and FY 2027 and 4% for FY2028 and beyond. The unemployment rate stands at 4.1% up from 3.7% in January of 2024, signaling a potential economic slowdown. Despite these pressures, GDP, a measure of all goods and services produced in the economy, grew at an annualized rate of 2.8% through third quarter of 2024, driven primarily by strong consumer spending. The UCLA Anderson outlook predicts weak economic growth in 2025, with GDP growth expected to range from 1% to 2%, with a return to trend growth of 2% to 3% starting in 2026.

Locally, the economy continues to show resilience, with no recession expected due to strong employment. However, real personal income is projected to remain flat in 2024, with modest growth of 1% to 2% forecasted through 2025. California's unemployment rate has risen to the 5.3% slightly above the 5.0% level at the same time last year. It is important to recognize that while the local economy within the City may exhibit trends similar to those at the state or national levels, its unique economic makeup will result in distinct variations. Staff is using the current available information to inform this forecast, which will change as new information becomes available and adjustments may be necessary to reflect evolving conditions. Additional details on economic statistics such as Gross Domestic Product (GDP), unemployment, and Consumer Price Index (CPI) can be found in **Attachment B** in greater length.

ANALYSIS

Palo Alto serves a diverse community with a broad range of unique services that adds to the complexity of managing a balanced budget and healthy fiscal outlook. This annual General Fund Long Range Financial Forecast is being developed at a time of perceived economic stagnation and geo-political unrest. It is important to recognize that while the local economy within the City may exhibit trends similar to those at the state or national levels, its unique economic makeup may result in distinct variations. As new information becomes available, adjustments may be necessary to reflect evolving conditions.

As with all forecasts, there is uncertainty regarding the revenue and expenditure estimates contained in this document. Instead of a recession, this forecast assumes economic stagnation at the beginning of the ten-year period, in line with current projections from UCLA Anderson. Major tax revenues have rebounded from the impacts of the Covid-19 pandemic and projected to be at or above pre-pandemic levels through the ten-year forecast. Expenses are programmed to maintain service levels based on Council approval. As a result, some limited term programs are not extended through the entire ten-year forecast but discussed in this report to indicate that continuing the programs would require additional resources. Investments in Capital projects are consistent with the 2025-2029 Capital Improvement Plan with continued focus on

completing the Council approved 2014 Infrastructure Plan projects as well as maintaining and upkeeping the City's current facilities and infrastructure. The Uncertainty Reserve that was established as part of the FY 2023 Mid-Year Review was used to balance the FY 2025 Adopted Budget, but as planned and approved by Council, still has funding available to solve the projected shortfall in FY 2026. Strategic planning and fiscal discipline will be needed to solve the estimated shortfalls in the subsequent years of the forecast.

Base Case

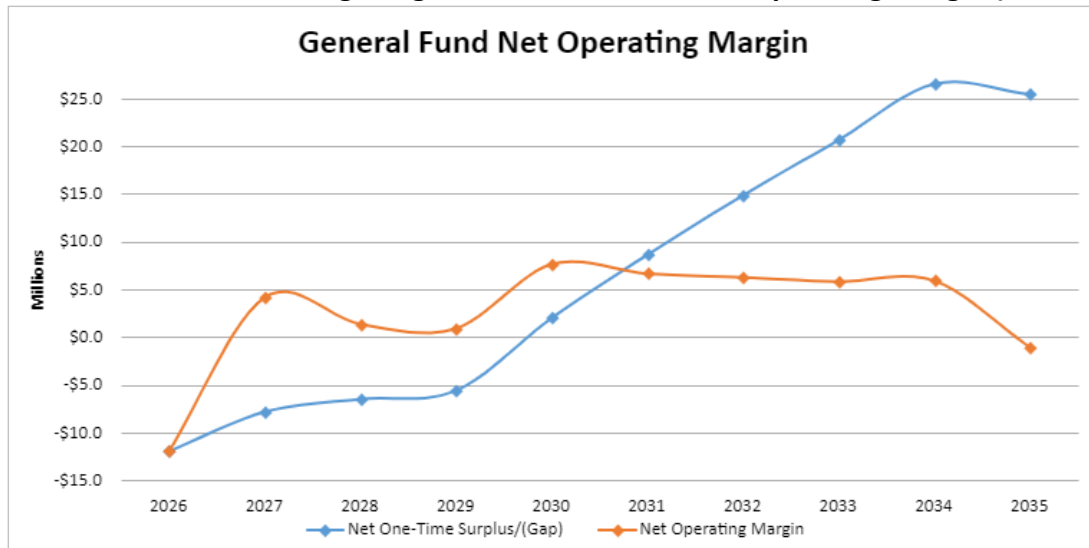
Table 1 displays the projected General Fund revenues and expenditures over ten years and the cumulative net operating margin. The *operating margin* reflects the variance between the projected General Fund revenues and expenditures for each year of the forecast or the annual surplus or shortfall. The *net operating margin* is presented on a one-time basis, as the annual surplus or shortfall for a given year, and on an incremental basis. The incremental forecast assumes that each shortfall is addressed completely with ongoing solutions in the year it appears and that each surplus is completely expended with ongoing expenditures. It is the City's goal to remain in balance on an ongoing basis, so the incremental figure is useful to illustrate the additional surplus and/or shortfall attributed to a particular fiscal year. To the extent a shortfall is not resolved, or a surplus is not expended on an ongoing basis, it is important to understand that the remaining budget shortfall or surplus will remain and be pushed to the following year. The Base Case financial forecast projects a shortfall of \$12.0 million in FY 2026, followed by shortfalls ranging from \$7.9 million in FY 2027 down to \$5.6 million in FY 2029. FY 2030 has a projected surplus of \$2.0 million which continues to grow through FY 2035. Based on these assumptions, the cumulative net operating margin, or ongoing surplus, during the forecast period is a surplus of \$25.4 million.

TABLE 1: FY 2026 – 2035 Long Range Financial Forecast (Base Case)

BASE CASE														
	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total Revenue	\$254,799	\$278,231	\$287,554	\$287,554	298,600	\$313,314	\$326,039	\$339,349	\$354,834	\$369,351	\$383,252	\$397,871	\$413,399	\$429,068
BSR Contribution (One-Time)	-	-	\$3,247	\$3,247	-	-	-	-	-	-	-	-	-	-
Reappropriated Funds (One-Time)	-	-	\$16,093	\$16,093	9,200	-	-	-	-	-	-	-	-	-
Total Source of Funds	\$254,799	\$278,231	\$306,893	\$306,893	\$307,800	\$313,314	\$326,039	\$339,349	\$354,834	\$369,351	\$383,252	\$397,871	\$413,399	\$429,068
Year over Year increase (revenue only)					3.8%	4.9%	4.1%	4.1%	4.6%	4.1%	3.8%	3.8%	3.9%	3.8%
Total Expenditures	243,695	281,062	306,893	306,893	319,788	321,171	332,558	344,995	352,870	360,763	368,429	377,258	386,903	403,667
Total Use of Funds	\$243,695	\$281,062	\$306,893	\$306,893	\$319,788	\$321,171	\$332,558	\$344,995	\$352,870	\$360,763	\$368,429	\$377,258	\$386,903	\$403,667
Year over Year increase					4.2%	0.4%	3.5%	3.7%	2.3%	2.2%	2.1%	2.4%	2.6%	4.3%
Net One-Time Surplus/(Gap)	\$11,104	(\$2,831)	\$0	\$0	(\$11,988)	(\$7,857)	(\$6,519)	(\$5,646)	\$1,964	\$8,589	\$14,824	\$20,612	\$26,495	\$25,401
Cumulative Net Operating Margin (One-Time)														\$65,874
Net Operating Margin					(\$11,988)	\$4,131	\$1,339	\$872	\$7,610	\$6,625	\$6,235	\$5,789	\$5,883	(\$1,095)
Cumulative Net Operating Margin														\$25,401

Net Operating Margin assumes that the annual shortfalls are solved with ongoing solutions and annual surpluses are spent for ongoing expenditures

TABLE 2: FY 2026 – 2035 Long Range Financial Forecast Net Operating Margin (Base Case)



Revenue Assumptions

The FY 2024 Annual Comprehensive Financial Report (ACFR), scheduled for review by the Finance Committee on December 3, 2024, reported General Fund revenues as compared to the prior year; most major tax revenues experienced growth back to pre-pandemic levels due to the improved local economy, high price trends, and inflation (CMR 2404-2912¹). Major tax revenues have continued to grow moderately through the first quarter (Q1) of FY 2024 and is projected to come in at the FY 2025 Adopted Budget level totaling 287.6 million. Further discussion of changes to specific categories can be found in Attachment C. Overall, revenues are projected to increase by \$11.0 million in FY 2026, mainly in Property Tax, Transient Occupancy Tax, and Utility Users Tax. As part of the FY 2025 Mid-Year Budget Review, staff will be returning to Council to recommend using the FY 2024 budget saving to increase the budget uncertainty reserve to help mitigate impacts from a potential recession, as well as smooth the near-term shortfalls seen in this LRFF. A summary of revenue assumptions is discussed here, extensive information regarding each revenue category can be found in **Attachment C**.

Tax revenues constitute approximately 60% of General Fund resources. In FY 2026, the forecast projects a \$7.6 million or 4.5% increase from FY 2025 projected levels (\$169.8 million to \$177.4million). This increase is primarily attributed to higher anticipated receipts across all categories, with Property Tax, Transient Occupancy Tax (TOT), and Utility Users Tax (UUT) accounting for the largest increases.

- *Property Taxes* makes up the largest source of General Fund’s revenue, approximately 25%. In FY 2026, this revenue is anticipated to increase \$3.1 million or 4.5% from FY 2025 (\$68.6 million to \$71.7 million). Steady residential property sales resulting in higher property tax assessed valuation is projected to continue to grow this source annually.

¹Finance Committee, December 3, 2024; Agenda Item #2; Staff Report #2404-2912, <https://cityofpaloalto.primegov.com/portal/viewer?id=9637&type=3>

- *Transient Occupancy Taxes* are impacted by business and other leisure/non-leisure travel and experienced significant reductions in the past few years due to a number of factors resulting from the pandemic. However, this revenue was able to return to pre-pandemic levels in FY 2023. In FY 2026, this revenue is anticipated to increase \$1.3 million or 4.6% from FY 2025 (\$27.9 million to \$29.1 million).
- *Utility Users Tax (UUT)* is levied on electric, gas, and water consumption, as well as telephone usage. Revenue in this category is impacted by consumption levels and has continued to recover as the local economy recovered and workers returned to the office starting in FY 2023. In FY 2026, UUT revenue is anticipated to increase by \$1.6 million or 7.9% from FY 2025 (\$19.9 million to \$21.5 million).

The forecast for non-tax revenues projects a \$3.5 million or 3.9% increase in FY 2026 from FY 2025 adopted levels. This increase is primarily attributable to charges for services and investment income. These increases are partially offset by decreases in limited term revenue from other agencies such as the Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program and decreased reimbursement revenue from other funds for centralized and administrative services.

The changes by revenue category can be seen in Tables 3 and 4 below. Major tax revenue trends are shown in Table 5 and discussed in greater detail in **Attachment C**.

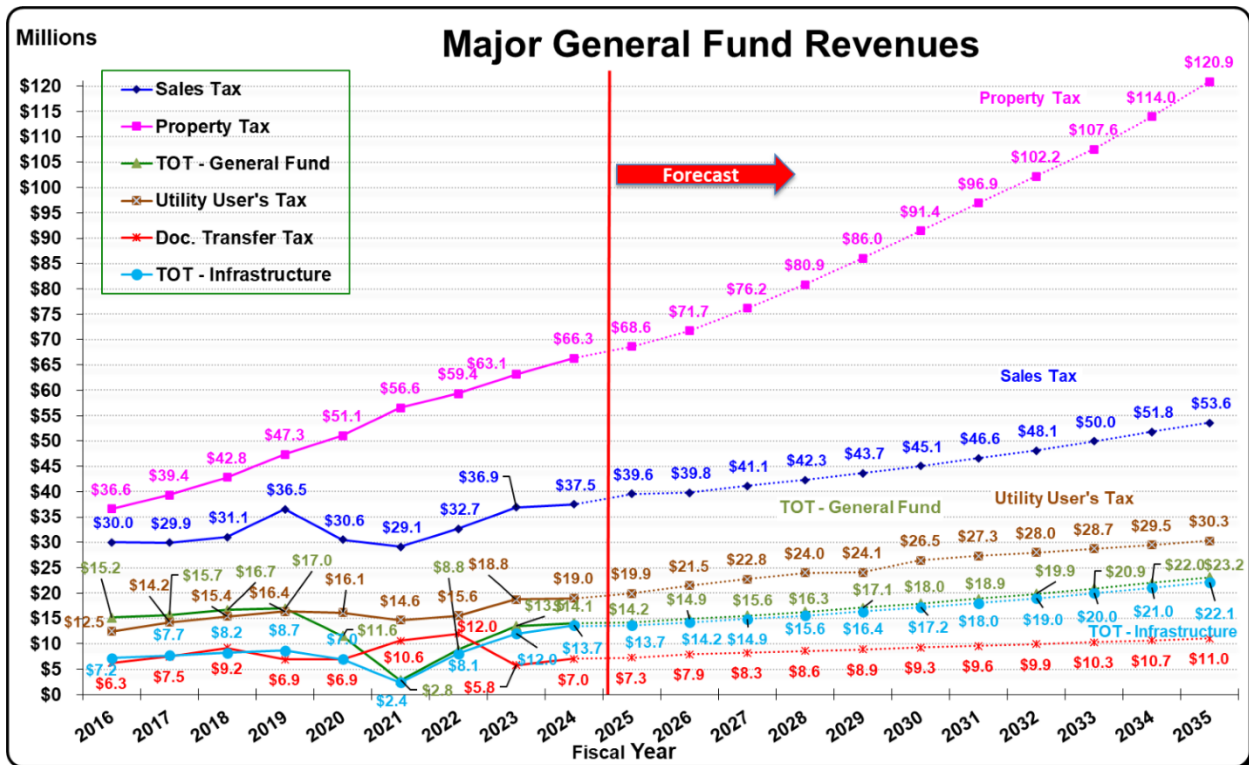
TABLE 3: General Fund Revenue Forecast

Revenue & Other Sources	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	CAGR 10 Years	CAGR 5 Years
Sales Taxes	36,926	37,482	39,577	39,577	39,827	41,105	42,342	43,688	45,095	46,633	48,065	49,954	51,922	53,718	3.0%	1.3%
Property Taxes	63,129	66,344	68,623	68,623	71,720	76,173	80,861	86,020	91,441	96,935	102,170	107,556	113,954	120,891	5.4%	2.5%
Transient Occupancy Tax																
General Purpose	13,471	14,115	14,188	14,188	14,897	15,567	16,317	17,122	17,972	18,877	19,864	20,907	22,005	23,159	4.5%	1.9%
Infrastructure	12,014	13,667	13,669	13,669	14,238	14,878	15,596	16,364	17,177	18,041	18,985	19,982	21,032	22,135	4.5%	1.9%
Documentary Transfer Tax	5,751	7,016	7,260	7,260	7,940	8,268	8,591	8,920	9,260	9,602	9,946	10,299	10,664	11,043	3.4%	1.5%
Utility Users Tax	18,763	19,013	19,943	19,943	21,512	22,783	24,028	24,120	26,477	27,346	28,030	28,741	29,503	30,298	3.5%	2.1%
Other Taxes and Fines	630	6,113	6,520	6,520	7,261	7,504	7,759	7,996	8,254	8,473	8,764	9,040	9,286	9,529	2.8%	1.3%
Subtotal: Taxes	150,684	163,749	169,780	169,780	177,395	186,278	195,494	204,230	215,676	225,907	235,824	246,479	258,366	270,773	4.3%	2.0%
Charges for Services	34,501	36,073	37,909	37,909	41,311	41,962	42,931	43,764	44,302	44,849	45,025	45,344	45,622	44,954	0.8%	0.7%
Permits and Licenses	7,994	11,396	11,410	11,410	11,615	11,787	12,071	12,352	12,557	12,737	12,822	12,966	13,061	12,532	0.8%	0.8%
Return on Investments	2,529	3,660	3,264	3,264	4,508	4,620	4,729	4,869	5,027	5,209	5,401	5,599	5,804	6,018	2.9%	1.1%
Rental Income	14,384	16,352	16,440	16,440	16,401	16,854	17,406	18,010	18,639	19,293	19,974	20,681	21,417	22,182	3.1%	1.3%
From Other Agencies	7,392	3,480	1,308	1,308	576	1,576	576	576	576	576	576	576	576	576	0.0%	0.0%
Charges to Other Funds	13,227	15,409	15,096	15,096	14,683	14,898	15,320	15,703	16,020	16,311	16,466	16,697	17,008	17,040	1.5%	0.9%
Other Revenue	2,133	4,252	3,198	3,198	3,009	3,020	3,037	3,043	3,049	3,054	3,060	3,067	3,073	3,077	0.2%	0.1%
Total Non-Tax Revenue	82,161	90,623	88,626	88,626	92,103	94,718	96,070	98,318	100,171	102,029	103,324	104,930	106,560	106,378	1.5%	0.8%
Operating Transfers-In	21,954	23,859	29,148	29,148	29,101	32,317	34,475	36,800	38,987	41,415	44,104	46,461	48,472	51,916	6.0%	3.0%
BSR Contribution (One-Time)			3,247	3,247												
Reappropriated Funds (One-Time)			16,093	16,093	9,200											
Total Source of Funds	\$254,799	\$278,231	\$306,893	\$306,893	\$307,800	\$313,314	\$326,039	\$339,349	\$354,834	\$369,351	\$383,252	\$397,871	\$413,399	\$429,068		

TABLE 4: General Fund Revenue Forecast Year to Year Percentage Change

	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue & Other Sources														
Sales Taxes		1.5%	5.6%	0.0%	0.6%	3.2%	3.0%	3.2%	3.2%	3.4%	3.1%	3.9%	3.9%	3.5%
Property Taxes		5.1%	3.4%	0.0%	4.5%	6.2%	6.2%	6.4%	6.3%	6.0%	5.4%	5.3%	5.9%	6.1%
Transient Occupancy Tax														
General Purpose		4.8%	0.5%	0.0%	5.0%	4.5%	4.8%	4.9%	5.0%	5.0%	5.2%	5.3%	5.3%	5.2%
Infrastructure		13.8%	0.0%	0.0%	4.2%	4.5%	4.8%	4.9%	5.0%	5.0%	5.2%	5.3%	5.3%	5.2%
Documentary Transfer Tax		22.0%	3.5%	0.0%	9.4%	4.1%	3.9%	3.8%	3.8%	3.7%	3.6%	3.5%	3.5%	3.6%
Utility Users Tax		1.3%	4.9%	0.0%	7.9%	5.9%	5.5%	0.4%	9.8%	3.3%	2.5%	2.5%	2.7%	2.7%
Other Taxes and Fines		870.4%	6.7%	0.0%	11.4%	3.3%	3.4%	3.1%	3.2%	2.7%	3.4%	3.1%	2.7%	2.6%
Subtotal: Taxes		8.7%	3.7%	0.0%	4.5%	5.0%	4.9%	4.5%	5.6%	4.7%	4.4%	4.5%	4.8%	4.8%
Charges for Services		4.6%	5.1%	0.0%	9.0%	1.6%	2.3%	1.9%	1.2%	1.2%	0.4%	0.7%	0.6%	-1.5%
Permits and Licenses		42.6%	0.1%	0.0%	1.8%	1.5%	2.4%	2.3%	1.7%	1.4%	0.7%	1.1%	0.7%	-4.0%
Return on Investments		44.7%	-10.8%	0.0%	38.1%	2.5%	2.4%	3.0%	3.2%	3.6%	3.7%	3.7%	3.7%	3.7%
Rental Income		13.7%	0.5%	0.0%	-0.2%	2.8%	3.3%	3.5%	3.5%	3.5%	3.5%	3.5%	3.6%	3.6%
From Other Agencies		-52.9%	-62.4%	0.0%	-56.0%	173.6%	-63.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Charges to Other Funds		16.5%	-2.0%	0.0%	-2.7%	1.5%	2.8%	2.5%	2.0%	1.8%	1.0%	1.4%	1.9%	0.2%
Other Revenue		99.4%	-24.8%	0.0%	-5.9%	0.4%	0.5%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
Total Non-Tax Revenue		10.3%	-2.2%	0.0%	3.9%	2.8%	1.4%	2.3%	1.9%	1.9%	1.3%	1.6%	1.6%	-0.2%
Operating Transfers-In		8.7%	22.2%	0.0%	-0.2%	11.1%	6.7%	6.7%	5.9%	6.2%	6.5%	5.3%	4.3%	7.1%
Total Source of Funds		9.2%	10.3%	0.0%	0.3%	1.8%	4.1%	4.1%	4.6%	4.1%	3.8%	3.8%	3.9%	3.8%

TABLE 5: City of Palo Alto Major General Fund Revenues



Expense Assumptions

As part of developing the FY 2026-2035 Forecast expenditure budget, the General Fund expense categories have been adjusted by removing FY 2025 Adopted Budget one-time expenses and updating major cost elements such as salary and benefits costs. Table 6 below displays the expense forecast and when compared to the FY 2025 Adopted Budget, growth of 4.2% is expected in FY 2026. The overall annual growth is due mainly to increases in expense categories such as Salary and Benefits, Contractual Services, and Transfers to Other Funds.

A summary of expense assumptions is discussed here, extensive information regarding each expense category can be found in **Attachment D**.

- *Salary and Benefits* are projected to increase \$8.4 million or 4.7% from the FY 2025 (\$179.9 million to \$188.3 million). This is primarily attributable to increases salaries (\$4.5 million), retiree healthcare costs (\$1.9 million) and pension costs (\$1.4 million).
 - A general wage adjustment of 2% is included for all employees starting in either January 2025 or July 2025 for all years of the forecast since no MOA's would be in effect at that time.
 - A reserve is included for potential changes to future labor costs including, changes in vacancy rates, labor and benefit rate variability, and inflation assumptions.
 - A staff vacancy assumption of 5% is assumed, which is an increase from 3% assumption most recently a few years ago, creating a tighter budget forecast as the City continues to improve its actual vacancy rate through successful recruitment and retention programs.
- Long Term contributions to pension and other post-employment benefits reflect increases over the prior year and capital investments are being phased through the first three to five years of the forecast:
 - *Pension 115 Trust contributions* are calculated using a lower 5.3% discount rate for normal cost as compared to CalPERS 6.8%. Through FY 2025, it is expected that \$87.4 million (\$56.4 million in the General Fund) in supplemental principal contributions will be made to the Pension Trust. The FY 2026 budget estimates \$14.1 million (\$8.5 million in the General Fund) in supplemental contributions, a \$0.2 million or 1.0% decrease from FY 2025 Adopted levels of \$14.2 million. This slight reduction is the result of the economic and demographic assumptions used in the annual CalPERS Valuation reports, including but not limited to investment returns.
 - *California Employers' Retiree Benefit Trust (CERBT) Fund contributions for Retiree medical costs* are calculated using a lower 5.75% discount rate as compared to a 6.25% assumption. Through FY 2025, it is expected that \$14.7 million in supplemental principal contributions will be made to the CERBT Trust. The FY 2025 Budget estimates \$12.4 million in the General Fund for ADC, an approximate \$1.9 million or 18.4% increase from FY 2025 levels of \$10.5 million.
 - *Capital Infrastructure transfers* reflect the goal established as part of the 2022-2026 Capital Improvement Plan (CIP) to restore the base portion of this transfer to pre-pandemic levels by FY 2026. The local economy has recovered from the

COVID-19 pandemic, and estimated transfers from TOT revenues in FY 2026 are currently projected to increase to \$14.2 million and the base transfer to increase to \$17.2 million, along with estimated interest earnings of \$2.0 million, for a total \$33.4 million transfer to the Capital Improvement Fund.

- Inflationary assumptions in this long range reflect lower inflation being seen at present. A 3% annual inflation is assumed in FY 2026 and FY 2027 and increases to 4% in FY 2028 through the end of the ten-year forecast to estimate cost increases for non-salary services and equipment.
- Some limited term programs are not extended through the entire ten-year forecast, but discussed later in this report to indicate that continuing the programs would require additional resources. This LRFF also includes the City's committed investment of \$7.0 million in operating expenses for the partnership with LifeMoves and *Project Homekey* site services (\$1.0 million annually from FY 2025 through FY 2031). The timing of the funding was shifted as a result of \$2.0 million from FY 2023 and FY 2024 being approved by the Council to be used to fund expenses related to the Homekey Facilities capital project (PE-24005). Staff will monitor operating funding needs in FY 2025 to align allocations based on the timing of the completion of PE-24005.

TABLE 6: General Fund Expense Forecast and Year to Year Percentage Change

	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	CAGR 10 Years	CAGR 5 Years
Expenditures & Other Uses																
Salary	78,760	88,512	97,312	97,312	101,839	107,179	111,331	115,414	118,033	120,464	122,475	124,496	126,925	136,025	3.4%	1.5%
Benefits	67,956	75,750	82,565	82,565	86,482	87,284	89,783	93,298	94,578	95,883	96,904	98,426	100,343	102,044	2.1%	0.9%
Subtotal: Salary & Benefits	146,717	164,262	179,877	179,877	188,320	194,463	201,113	208,712	212,611	216,347	219,379	222,922	227,268	238,068	2.8%	1.2%
Contract Services	24,214	32,091	33,571	33,571	34,619	35,683	36,902	38,656	39,532	40,575	41,923	44,090	45,625	47,849	3.6%	1.3%
Supplies & Material	3,048	3,696	3,515	3,515	3,610	3,718	3,867	4,022	4,183	4,350	4,524	4,705	4,893	5,089	3.8%	1.5%
General Expense	7,515	14,480	22,139	22,139	18,190	10,449	11,211	11,471	11,716	11,968	12,252	12,273	12,816	13,108	-5.1%	-4.3%
Rents & Leases	163	1,338	1,415	1,415	1,453	1,493	1,533	1,575	1,617	1,661	1,706	1,753	1,801	1,850	2.7%	1.1%
Facilities & Equipment	446	557	656	656	536	552	574	597	621	646	672	699	727	756	1.4%	1.5%
Allocated Charges	22,564	25,639	26,882	26,882	30,353	31,421	32,611	33,801	34,950	36,039	37,139	38,287	39,458	40,776	4.3%	1.4%
Total Non Sal/Ben Before Transfers	57,949	77,800	88,177	88,177	88,761	83,315	86,697	90,121	92,619	95,238	98,215	101,806	105,320	109,428	2.2%	0.4%
Operating Transfers-Out	12,342	6,743	6,314	6,314	6,351	6,382	6,419	6,457	6,490	6,528	6,566	6,576	6,615	6,654	0.5%	0.2%
Transfer to Infrastructure - Base	14,673	18,590	18,857	18,857	22,118	22,133	22,732	23,341	23,973	24,608	25,284	25,972	26,668	27,382	3.8%	0.8%
Transfer to Infrastructure - TOT	12,014	13,667	13,669	13,669	14,238	14,878	15,596	16,364	17,178	18,041	18,985	19,982	21,032	22,135	4.9%	1.9%
Total Use of Funds	245,695	281,062	306,893	306,893	319,788	321,171	332,558	344,995	352,870	360,763	368,429	377,258	386,903	403,667	2.8%	1.0%

	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Expenditures & Other Uses														
Salary	12.4%	9.9%	0.0%	4.7%	5.2%	3.9%	3.7%	2.3%	2.1%	1.7%	1.6%	2.0%	7.2%	
Benefits	11.5%	9.0%	0.0%	4.7%	0.9%	2.9%	3.9%	1.4%	1.4%	1.1%	1.6%	1.9%	1.7%	
Subtotal: Salary & Benefits	12.0%	9.5%	0.0%	4.7%	3.3%	3.4%	3.8%	1.9%	1.8%	1.4%	1.6%	1.9%	4.8%	
Contract Services	32.5%	4.6%	0.0%	3.1%	3.1%	3.4%	4.8%	2.3%	2.6%	3.3%	5.2%	3.5%	4.9%	
Supplies & Material	21.3%	-4.9%	0.0%	2.7%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
General Expense	92.7%	52.9%	0.0%	-17.8%	-42.6%	7.3%	2.3%	2.1%	2.2%	2.4%	0.2%	4.4%	2.3%	
Rents & Leases	721.7%	5.8%	0.0%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.8%	2.7%	2.7%	
Facilities & Equipment	24.8%	17.7%	0.0%	-18.3%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Allocated Charges	13.6%	4.8%	0.0%	12.9%	3.5%	3.8%	3.6%	3.4%	3.1%	3.1%	3.1%	3.1%	3.3%	
Total Non Sal/Ben Before Transfers	34.3%	13.3%	0.0%	0.7%	-6.1%	4.1%	3.9%	2.8%	2.8%	3.1%	3.7%	3.5%	3.9%	
Operating Transfers-Out	-45.4%	-6.4%	0.0%	0.6%	0.5%	0.6%	0.6%	0.5%	0.6%	0.6%	0.2%	0.6%	0.6%	
Transfer to Infrastructure - Base	26.7%	1.4%	0.0%	17.3%	0.1%	2.7%	2.7%	2.7%	2.6%	2.7%	2.7%	2.7%	2.7%	
Transfer to Infrastructure - TOT	13.8%	0.0%	0.0%	4.2%	4.5%	4.8%	4.9%	5.0%	5.0%	5.2%	5.3%	5.3%	5.2%	
Total Use of Funds	15.3%	9.2%	0.0%	4.2%	0.4%	3.5%	3.7%	2.3%	2.2%	2.1%	2.4%	2.6%	4.3%	

Budget Stabilization Reserve

The City's Budget Stabilization Reserve (BSR) serves as the primary General Fund reserve. By policy, the BSR is maintained in the range of 15 to 20% of General Fund operating expenditures, with a target of 18.5%. As part of the FY 2025 Adopted Budget, the Council approved a targeted BSR of 18.5% or \$54.4 million as part of the budget balancing strategy. Any reduction to the reserve below 15% requires City Council approval. At the discretion of the City Manager, any BSR balance above 18.5% may be transferred to the Infrastructure Reserve (IR) in the Capital

Improvement Fund and the City's Section 115 Pension Trust Fund, as outlined in the Retiree Benefit Policy. The BSR is used to fund unanticipated one-time costs as opposed to ongoing or recurring operating expenditures; ongoing revenue or expense trends are updated as part of the annual budget process to adjust ongoing needs. The City's intent is to fund ongoing programs and services with ongoing dollars. Maintaining the BSR at 18.5% or higher provides flexibility for the City to deal with unforeseen issues that may arise. Furthermore, establishing, and following, sound fiscal reserve policies has been a strong factor in the City being rated AAA by rating agencies.

Based on information reported in the FY 2024 Annual Comprehensive Financial Report (ACFR) CMR 2404-2912², the City's current BSR balance is \$65.9 million, approximately \$8.9 million above the 18.5% target of \$54.4 million for FY 2025. The proposed allocations are for the Capital Fund Infrastructure Reserve (IR) of \$3.0 million and Budget Uncertainty Reserve of \$5.9 million. While it is a departure from the current policy, this allocation provides flexibility to fund capital cost uncertainties and adequate funding to address the projected FY 2026 budget shortfall, ensuring the City maintains high quality service level. Staff anticipates returning to Council in February 2025 with the FY 2025 Mid-Year Review and recommendations in alignment with the allocation below for the appropriation of BSR funds above the 18.5% level. These actions will leave the BSR at \$54.4 million per the 18.5% Council recommended level.

²Finance Committee, December 3, 2024; Agenda Item #2; Staff Report #2404-2912, <https://cityofpaloalto.primegov.com/portal/viewer?id=9637&type=3>

TABLE 7: Budget Stabilization Reserve (BSR) Summary (in millions)

General Fund BSR Balance, June 30, 2024	\$65.9
<i>FY 2025 Approved Adjustments to the BSR Balance</i>	
FY 2025 Adopted Budget	(\$2.6)
<i>Subtotal: Approved Adjustments to the BSR Balance</i>	(\$2.6)
<i>Subtotal: BSR Balance, After Approved Adjustments</i>	\$63.3
<i>FY 2025 RECOMMENDED Adjustments to the BSR Balance (to be appropriated in FY 2025 Mid-Year Budget Review)</i>	
<i>Transfer to Infrastructure Reserve (IR) in the Capital Improvement Fund</i>	(\$3.0)
<i>Increase Uncertainty Reserve</i>	(\$5.9)
<i>Subtotal: RECOMMENDED Adjustments to the BSR Balance</i>	(\$8.9)
Current Projected FY 2025 BSR Level, (June 30, 2025)	<u>\$54.4</u>

As mentioned previously, major tax revenues have continued to grow moderately through the first quarter (Q1) of FY 2025 in alignment with projections and are expected to come in at the FY 2025 Adopted Budget levels. In FY 2025, staff estimates total revenues to be consistent with the Adopted Budget of \$287.6 million. Further discussion of changes to specific categories for FY 2026 can be found in Attachment C. Staff will continue to monitor revenues especially amongst significant sources with anticipated increases and decreases and provide another update in FY 2025 mid-year budget update (February 2025).

In addition to the BSR, funding of approximately \$6.1 million remains in an Uncertainty Reserve that was established as part of the FY 2023 Mid-Year Review to fund the two-year budget strategy for FY 2024 and FY 2025. These funds are one-time in nature so once they are spent, they are not available for ongoing needs.

Assumptions NOT Included in Forecast

It should be noted that this forecast does not include several potential impacts to the FY 2026-2035 LRFF that are outlined in **Attachment E**. These items are known projects or areas of investment that are priorities but have not been fully developed in terms of costs and timelines. This is not intended to be a comprehensive list nor in any priority order.

FY 2026 Budget Development Guidelines

As discussed earlier in this document, this preliminary forecast represents the initial steps of the FY 2026 budget development process. Due to the clear overlap of projecting the City's fiscal condition and the need to shape service level expectations, staff recommends that the inclusion of Budget Development Guidelines be incorporated into the discussions at the beginning of an annual budget process. The FY 2026 Budget Development Guidelines, which are detailed in **Attachment A**, are meant to reflect the anticipated fiscal condition of the City and to provide high-level budgetary direction to the organization. These guidelines will shape and inform the annual financial planning and the allocation of resources across the organization, especially in the General Fund.

Pairing Budget Development Guidelines with the forecast at the beginning of the budget process links the anticipated fiscal condition of the organization with the necessary context regarding service delivery prioritization and resource allocation that will be further explored through the process. This also ensures that the City is able to proactively address anticipated changes in its fiscal condition through the budget process.

Conclusion

This forecast maintains current service levels approved in FY 2025 and should be used for planning purposes to assist in gauging effects of major policy interventions against a likely "status quo" version of the future. The level of uncertainty in this forecast is similar to where it was a year ago in terms of impacts from economic and geo-political uncertainty and evaluating potential impacts on the local economy. Expense savings and uptick in several revenue categories that occurred in FY 2024 caused a one-time surplus of \$8.9 million. These revenue trends continue in the forecast, although increases in the near term may be flattened due to economic stagnation. Staff will return to Council in February 2025 with the FY 2025 Mid-Year Review, recommending that the \$8.9 million surplus be allocated to the Infrastructure Reserve (\$3.0 million) and Budget Uncertainty Reserve (\$5.9 million) to help bridge the FY 2026 budget gap, in accordance with Council policy allowing the City Manager to direct amounts exceeding the BSR target.

The LRFF Base Case assumes a weak economy in 2025, followed by a return to trend growth rates starting in 2026 and through the remaining ten-year forecast period. Revenue growth is anticipated to stagnate through the end of FY 2025, and potentially into FY 2026, as inflationary pressures remain elevated and borrowing costs continue to weigh on economic activity. As a result, the LRFF projects a shortfall of \$12.0 million in FY 2026, followed by shortfalls ranging from

\$7.9 million in FY 2027 to \$5.6 million in FY 2029. FY 2030 has a projected surplus of \$2.0 million which continues to grow through FY 2035. These amounts are fairly consistent with previous projections used as part of the two-year budget balancing strategy when adopting the FY 2025 Budget. Additionally, this LRFF projects \$287.6 million in total revenues in FY 2025, consistent with the adopted budget.

Funding of approximately \$6.1 million remains in an Uncertainty Reserve that was established as part of the FY 2023 Mid-Year Review to fund the two-year budget strategy for FY 2024 and FY 2025. This forecast includes the addition of \$5.9 to the Budget Uncertainty Reserve, bringing the total amount of the reserve to \$12.0 million. These funds are one-time in nature so once they are spent, they are not available for ongoing needs.

In addition to the Base Case Forecast, staff modeled alternate forecast scenarios that are discussed below. The first alternative reflects a 1% loss in economically sensitive revenue in FY 2026 compared to the Base Case, and increases the General Fund shortfall over the next ten years. FY 2026 increases from a shortfall of \$12.0 million to \$14.3 million, and revenues are not anticipated to be able to fund the annual expenditures until FY 2030. Staff also modeled an alternate forecast that reflects a 1% compensation adjustment and the impacts on the General Fund over the next ten years. The shortfall in FY 2026 increases by \$1.1 million, the shortfall in FY 2027 grows to \$9.0 million from \$7.9 million in the Base Case. These alternate forecasts were done separately to show the impacts of each scenario in isolation; however, aspects of both alternate forecasts may occur in conjunction in the future.

Alternative Scenarios for Consideration

Alternative Forecast Scenario A: Economically Sensitive Revenue Loss

This alternative forecast models the impact of a 1% revenue loss on economically sensitive revenue. Since it is difficult to predict the timing of a recession, this scenario shows the cost of a revenue loss in FY 2026 and how it would impact the subsequent years of the forecast. The major taxes, charges for services, and permits and licenses revenue categories are typically impacted by economic changes, so the impact has been calculated on these revenue sources. The 1% loss from these revenue sources would reduce the overall revenue in FY 2026 by \$2.3 million. The Base Case projected that by FY 2030, the City would begin to have a positive surplus; this alternative forecast changes the surplus of \$2.0 million in FY 2030 to a shortfall of \$0.8 million. In this alternative, the General Fund would have a shortfall of approximately \$14.3 million in the first year of the forecast. The summary table for this alternative forecast and the Net Operating Margin graph for this alternative forecast are below.

TABLE 8: FY 2026 – FY 2035 Long Range Financial Forecast

Alternative Forecast A

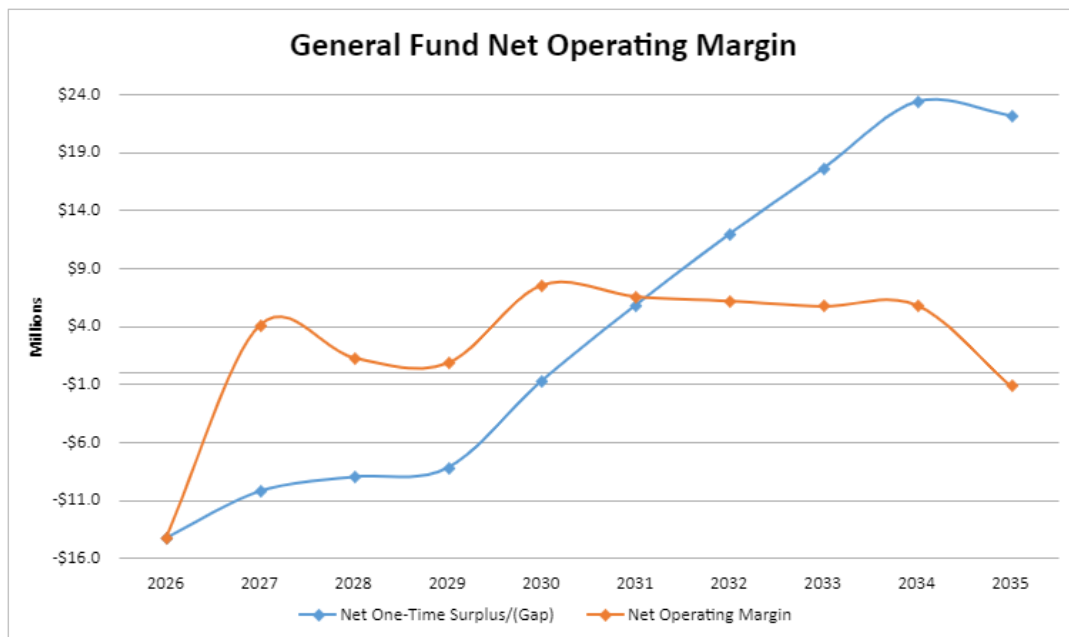
ALTERNATIVE SCENARIO: RECESSION (1% Loss of Economically Sensitive Revenue in FY 2026)

	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total Revenue	\$254,799	\$278,231	\$287,554	\$287,554	296,297	310,914	323,534	336,745	352,109	366,516	380,316	394,823	410,228	425,785
BSR Contribution (One-Time)	-	-	\$3,247	\$3,247	-	-	-	-	-	-	-	-	-	-
Reappropriated Funds (One-Time)	-	-	\$16,093	\$16,093	9,200	-	-	-	-	-	-	-	-	-
Total Source of Funds	\$254,799	\$278,231	\$306,893	\$306,893	\$305,497	\$310,914	\$323,534	\$336,745	\$352,109	\$366,516	\$380,316	\$394,823	\$410,228	\$425,785
Year over Year increase (revenue only)					3.0%	4.9%	4.1%	4.1%	4.6%	4.1%	3.8%	3.8%	3.9%	3.8%
Total Expenditures	243,695	281,062	306,893	306,893	319,788	321,169	332,555	344,992	352,868	360,760	368,426	377,255	386,900	403,664
Total Use of Funds	\$243,695	\$281,062	\$306,893	\$306,893	\$319,788	\$321,169	\$332,555	\$344,992	\$352,868	\$360,760	\$368,426	\$377,255	\$386,900	\$403,664
Year over Year increase					4.2%	0.4%	3.5%	3.7%	2.3%	2.2%	2.1%	2.4%	2.6%	4.3%
Net One-Time Surplus/(Gap)	\$11,104	(\$2,831)	\$0	\$0	(\$14,292)	(\$10,255)	(\$9,021)	(\$8,247)	(\$759)	\$5,757	\$11,890	\$17,567	\$23,328	\$22,121
Cumulative Net Operating Margin (One-Time)														\$38,088
Net Operating Margin					(\$14,292)	\$4,036	\$1,234	\$774	\$7,488	\$6,516	\$6,133	\$5,678	\$5,761	(\$1,207)
Cumulative Net Operating Margin														\$22,121

Net Operating Margin assumes that the annual shortfalls are solved with ongoing solutions and annual surpluses are spent for ongoing expenditures

TABLE 9: FY 2026 –2035 Long Range Financial Forecast Net Operating Margin

Alternative Forecast A



Alternative Forecast B: One-time Compensation Adjustment, Additional 1%

Consistent with City Council direction and past practice, the Base Case assumes a 2% general wage adjustment in the years beyond the terms of existing Memorandum of Agreements (MOAs). As of the timing of this forecast, MOAs are in effect through January 2025 (Service Employees International Union) (SEIU) and June 2025 (all other full-time labor groups). To support ongoing efforts for competitive wages and other terms of employment, the Base Case forecast includes a reserve for potential changes in new labor agreements, pension, or other benefits. Offering competitive compensation plans aligns with industry standards for attracting and retaining a skilled and motivated workforce and better positions the City of Palo Alto as an

employer of choice. This level of funding is intended to offset potential future costs and may differ from actual outcomes. Negotiations for new labor agreements are anticipated to occur in FY 2025 for new terms beginning in FY 2025 and FY 2026.

This alternative scenario models the impact of a one-time adjustment in FY 2026 to increase compensation by an additional 1% above assumptions in the Base Case; this is the first full fiscal year for new MOA terms with all labor groups. As with other assumptions in the LRFF, this model is for forecasting purposes and does not reflect future commitment.

The one-time compensation adjustment would increase expenditures in FY 2026 by \$1.1 million. The Base Case projected that by FY 2030, the City would begin to have a positive surplus; this alternative forecast increases the operating shortfalls in the near-term, resulting in budget gaps ranging from \$13.1million in FY 2026 to \$6.8 million in FY 2029. The summary table for this alternative forecast and the Net Operating Margin graph for this alternative forecast are below.

TABLE 10: FY 2026 – FY 2035 Long Range Financial Forecast

Alternative Forecast B

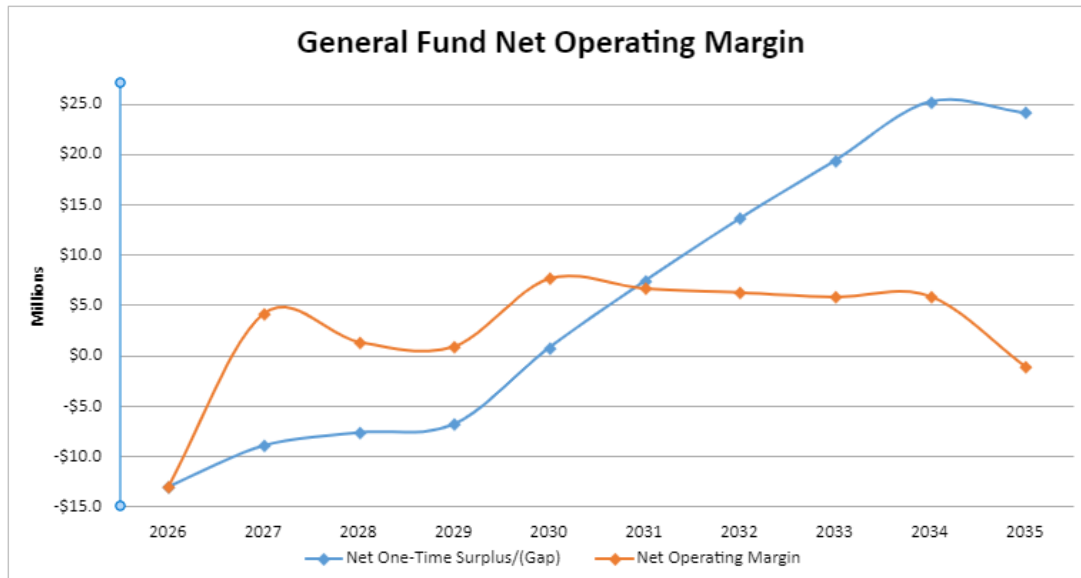
ALTERNATIVE SCENARIO: ONE-TIME COMPENSATION ADJUSTMENT (ADDITIONAL 1%) in FY 2026

	Actual 2023	Actual 2024	Adopted 2025	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total Revenue	\$254,799	\$278,231	\$287,554	\$287,554	298,600	\$313,314	\$326,039	\$339,349	\$354,834	\$369,351	\$383,252	\$397,871	\$413,399	\$429,068
BSR Contribution (One-Time)	-	-	\$3,247	\$3,247	-	-	-	-	-	-	-	-	-	-
Reappropriated Funds (One-Time)	-	-	\$16,093	\$16,093	9,200	-	-	-	-	-	-	-	-	-
Total Source of Funds	\$254,799	\$278,231	\$306,893	\$306,893	\$307,800	\$313,314	\$326,039	\$339,349	\$354,834	\$369,351	\$383,252	\$397,871	\$413,399	\$429,068
Year over Year Increase (revenue only)					3.8%	4.9%	4.1%	4.1%	4.6%	4.1%	3.8%	3.8%	3.9%	3.8%
Total Expenditures	243,695	281,062	306,893	306,893	320,878	322,305	333,725	346,198	354,097	362,014	369,705	378,560	388,231	405,021
Total Use of Funds	\$243,695	\$281,062	\$306,893	\$306,893	\$320,878	\$322,305	\$333,725	\$346,198	\$354,097	\$362,014	\$369,705	\$378,560	\$388,231	\$405,021
Year over Year Increase					4.6%	0.4%	3.5%	3.7%	2.3%	2.2%	2.1%	2.4%	2.6%	4.3%
Net One-Time Surplus/(Gap)	\$11,104	(\$2,831)	\$0	\$0	(\$13,078)	(\$8,991)	(\$7,686)	(\$6,849)	\$737	\$7,338	\$13,547	\$19,311	\$25,168	\$24,046
Cumulative Net Operating Margin (One-Time)														\$53,542
Net Operating Margin					(\$13,078)	\$4,087	\$1,305	\$837	\$7,586	\$6,601	\$6,210	\$5,763	\$5,857	(\$1,121)
Cumulative Net Operating Margin														\$24,046

Net Operating Margin assumes that the annual shortfalls are solved with ongoing solutions and annual surpluses are spent for ongoing expenditures

TABLE 11: FY 2026 – 2035 Long Range Financial Forecast Net Operating Margin

Alternative Forecast B



FISCAL/RESOURCE IMPACT

Financial implications from this report and input from the Finance Committee and City Council will be considered in the City Manager’s development of the Fiscal Year 2026 budget.

STAKEHOLDER ENGAGEMENT

The preliminary forecast for 2026-2035 represents the beginning of the fiscal year 2026 budget development process. Information provided in this report will be discussed with the City Council after the Finance Committee reviews and provides recommendations. Those conversations will provide direction to staff in the budget development process. It is anticipated that conversations with City Council and the community will occur through public budget hearings in Spring 2025, according to the standard budget adoption process.

The community can track previous and upcoming FY 2026 budget discussions and information at www.cityofpaloalto.org/budget

ENVIRONMENTAL REVIEW

This report is not a project for the purposes of the California Environmental Quality Act. Environmental review is not required.

ATTACHMENTS

Attachment A: FY 2026 Budget Policy Guidelines

Attachment B: The Economy

Attachment C: General Fund Base Case Revenue Assumptions

Attachment D: General Fund Base Case Expense Assumptions

Attachment E: Assumptions Not Included in Forecast

APPROVED BY:

Lauren Lai, Administrative Services Director