



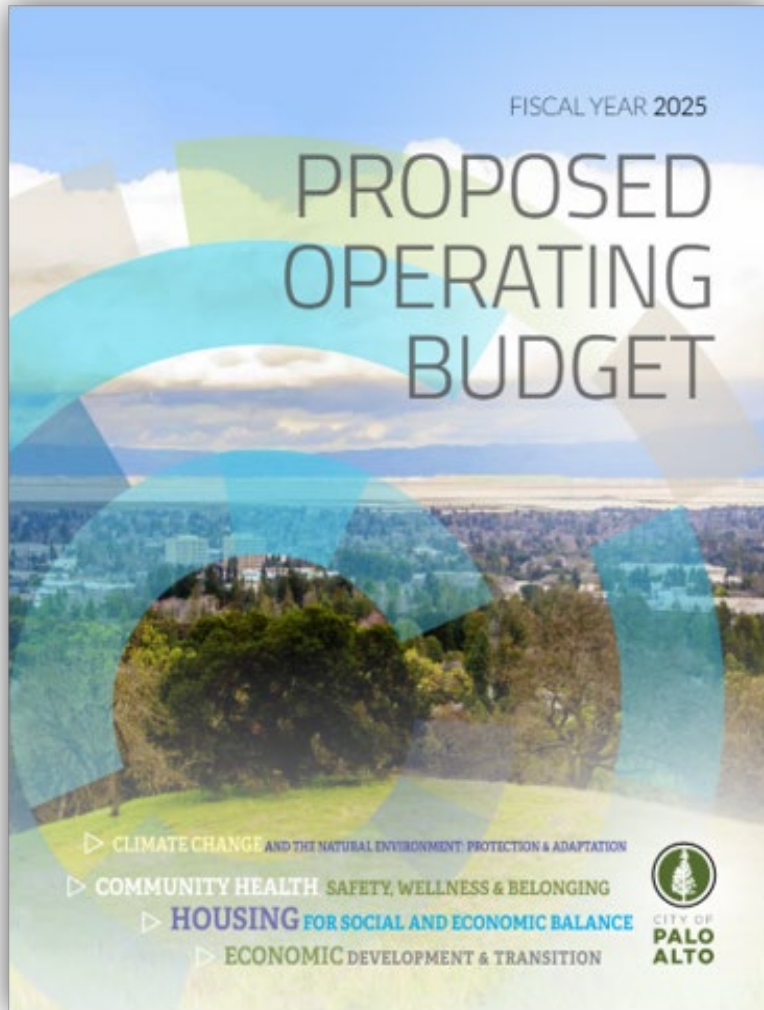
ADOPTION OF FY 2025 OPERATING AND CAPITAL BUDGETS, MUNICIPAL FEE SCHEDULE, & APPROPRIATION LIMITS & RETIREE HEALTH CARE ACTUARIAL & CONTRIBUTION

Item #28

June 17, 2024

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CITY COUNCIL FY 2025 BUDGET ADOPTION OVERVIEW

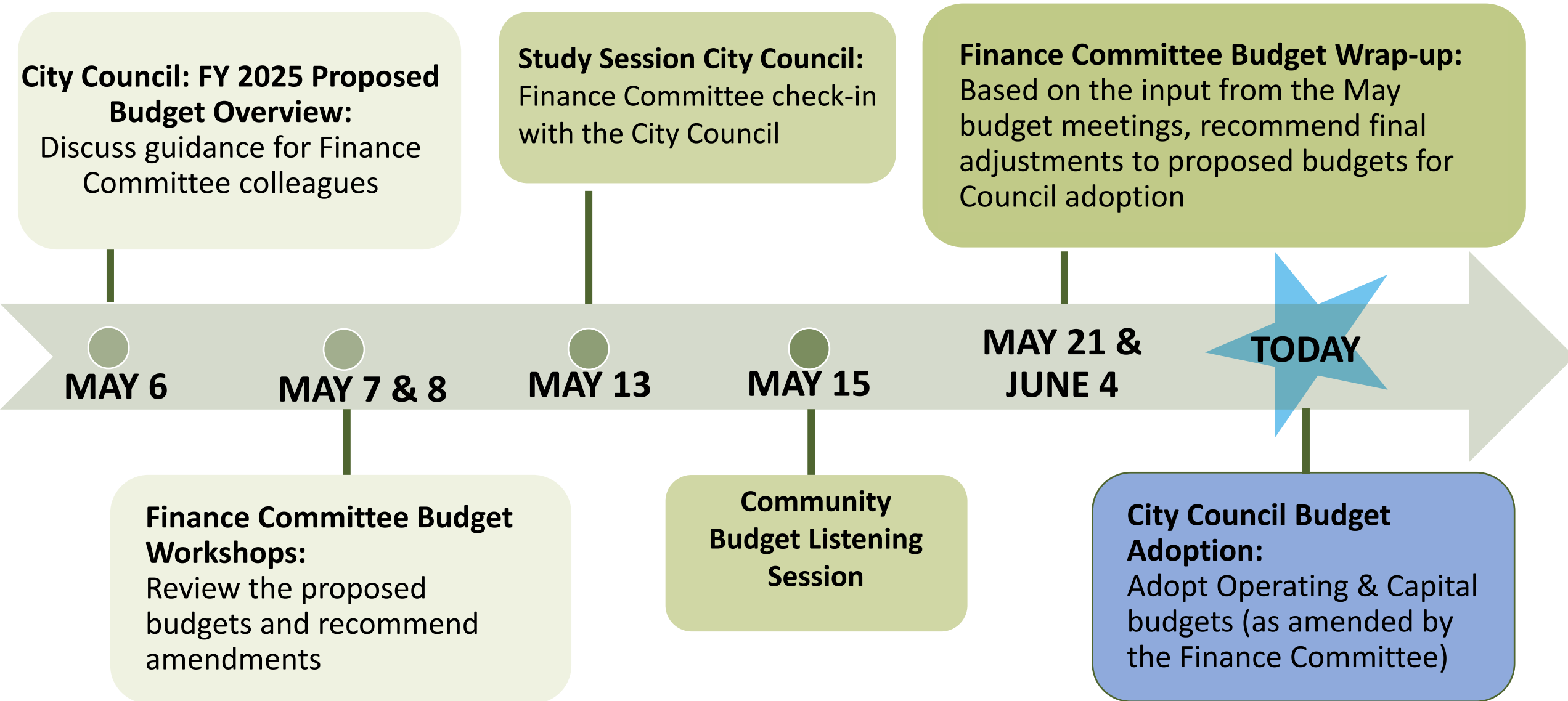


Tonight's meeting concludes the FY 2025 budget process

- Staff report provides summary of Finance Committee deliberations to date
- Review final balancing actions
- Summarize staff workplan items
- Other Actions: approve municipal fees, appropriation limits and retiree health actuarial report & contribution.

GOAL: Adopt the FY 2025 Operating & Capital Budgets and Municipal Fee Schedule and other actions above.

BUDGET CONVERSATIONS & CALENDAR



FY 2025 BUDGET SUMMARY

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Actuals	FY 2024 ADOPTED	FY 2025 ADOPTED
GF Revenue	\$209.7	\$201.0	\$239.1	\$254.8	\$261.1	\$287.5
GF Expense	\$226.3	\$185.6	\$201.9	\$243.8	\$279.6	\$306.9
Full-time Staffing (Citywide)	1,035	1,035	956	1,018	1,063	1,092

- Operating budget totals \$1.1 billion (\$306.9 million in General Fund)
- Capital budget totals \$441.8 million in FY 2025 and \$1.7 billion over the five-year CIP

General Fund Reserves

- Budget Stabilization Reserve (BSR) - \$54.4 million projected FY 2025 balance (18.5% of expenses)
- Uncertainty Reserve - \$6.2 million remaining for FY26 projected gross deficit of \$11.0 million

Staffing Levels: +29 Full-time FTE or 2.7% increase over the FY 2024 Budget (Citywide)

- Includes +16.5 FTE in the General Fund

FY 2025 Finance Committee Recommendations (General Fund Uses)

Dept	FY 2025 General Fund Recommended Adjustments Description	FY 2025 Revenue or Savings/ (Cost)	Ongoing Revenue or Savings/ (Cost)
NON	Other Post Employment Benefit (OPEB) 2-Year Phase-In	(1,650,000)	(3,300,000)
NON	Increase Uncertainty Reserve to \$6.2M for Future Needs	(1,470,000)	-
CSD	JMZ additional staffing, new ticketing system and promotion	(509,000)	(702,000)
CIP	California Avenue Interim Improvements	(450,000)	-
CIP	Additional funding for Roth Building Rehabilitation (PF-23001) (revise terms and conditions of the tenant work letter) \$1M total including \$0.2M interest earnings previously appropriated	(300,000)	(500,000)
NON	Establish Citywide Special Events & Programming (\$265k total program) [Requested UNAFF \$45k, 3 rd Thursdays \$40k, Neighbors Abroad \$30k (already in FY25 Proposed Budget), Magical Bridge \$150k, Environmental Volunteers Foothills Nature Preserve \$11k one-time]	(246,000)	(235,000)

Dept	FY 2025 General Fund Recommended Adjustments Description	FY 2025 Revenue or Savings/ (Cost)	Ongoing Revenue or Savings/ (Cost)
NON	Palo Alto Transportation Management Association (PATMA) (increase to \$400,000 Citywide)	(175,000)	(175,000)
PWD	Public Services Streets 311 Requests	(100,000)	(107,000)
FIR	Upstaff Fire Engine 62 with 3 Sworn Staff instead of Overtime	(74,000)	(120,000)
NON	Car-free Streetscape Design for Ramona Street	(50,000)	-
CSD	Administrative Support for new Citywide Special Events & Programming (1 FTE)	-	(125,000)
CIP	Study of artificial turf replacement with grass at up to 4 fields (recommend use of current CIP to fund a study)	-	-
OOT	Review an alternative service approach for PA Link with reduced net costs (proposed FY2025 budget funds \$0.9M)	177,000	340,000
NON	Reduce Real Property Investment Reserve to \$1.0M Annually	1,500,000	1,500,000
Subtotal Uses (Expense)		(\$3,347,000)	(\$3,424,000)

FY 2025 Finance Committee Recommendations (GF Sources)

Dept	FY 2025 General Fund Recommended Adjustments Description	FY 2025 Revenue or Savings/ (Cost)	Ongoing Revenue or Savings/ (Cost)
NON	Beginning Balance – City Council Priorities Reserve	\$-	\$-
NON	Increase Gas Transfer to General Fund in FY25 to 14.5% (from 11.9%) & in FY26 to 18% (previously scheduled in FY27)	1,958,000	916,000
NON	Increase JMZ ticket prices from \$10 to \$14, during peak periods	350,000	350,000
NON	Use BSR to balance FY 2025 – Reduce BSR to 18.5%	605,000	-
OOT	Review an alternative service approach for PA Link with reduced net costs (proposed FY2025 budget funds \$0.9M)	223,000	60,000
CSD	Account for Los Altos & Los Altos Hills contribution for animal control services Report #2403-2827	198,000	198,000
FIR	Upstaff Fire Engine 62 with 3 Sworn Staff instead of Overtime (Funding from Stanford for Fire Services Agreement)	14,000	23,000
	Subtotal Sources (Revenue)	\$3,347,000	\$1,547,000
	Potential Fund Remaining (Deficit)/Surplus	\$-	(\$1,877,000)

FY 2025 Finance Committee Recommendations (Other Funds)

- Add 1.0 FTE Associate Sustainability Program Administrator in the Electric Fund
- Adjust Gas Equity Transfer to GF from 11.9% to 14.5% of Gross Revenues (+\$2.0M)
 - Gas Rate increase from 9.0% to 12.5% in FY25
 - Increase Equity Transfer to full 18% of Gross Revenues in FY26
 - Decrease Gas Main Replacements #25 (GS-15000) -\$0.7M
- Capital Budget Adjustments
 - Reappropriations to continue projects in FY25
 - Baylands Boardwalk Piling Repair (PE-24000) +\$0.2M for higher bids
 - California Avenue Streetscape Update (PL-23000) +\$0.5M for overall improvements
 - Roth Building Rehabilitation (PF-23001) +\$1.0M in total for cost escalation (\$0.2M interest earnings in project FY24 Mid-Year, \$0.3M in FY25, \$0.5M in FY26)

STAFF WORKPLAN ITEMS FOR FY 2025

- Ability Path request to be considered at FY 2025 Mid-Year Review
- Fire Emergency Medical Response Fee Adjustments (Ongoing Revenue TBD)
- Fire Emergency Medical Response; Supplemental Resources (\$1.0-\$4.0M Ongoing)
- Review Parks Restroom Prioritization Specifically Pardee Park (Ongoing costs TBD)
- Active Recruitment Digital Marketing Services (Ongoing costs TBD)
- Organizational Development & Safety Division (\$0.1M Ongoing; 50% GF/50% ISF)
- Historical Grants Information

DRAFT MOTION FOR CITY COUNCIL CONSIDERATION

- 1) Adopt the Fiscal Year 2025 Budget Ordinance which includes the Operating and Capital Budgets, Table of Organization, and Municipal Fee Schedule, as amended by the actions outlined in this report:
 - a. *[...INSERT ANY CHANGES HERE...]*
- 2) Accept the FY 2025-2029 Capital Improvement Plan as amended by the actions outlined in this report;
- 3) Adopt a Resolution determining the Appropriations Limit for Fiscal Year 2025; and
- 4) Accept the June 30, 2023 biennial actuarial valuation of Palo Alto's Retiree Healthcare Plan and approve funding of the Actuarial Determined Calculation (ADC) for Fiscal Year 2025 and Fiscal Year 2026 with a two-year phase-in



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