



# FY 2024 PROPOSED OPERATING AND CAPITAL BUDGETS

May 5, 2023

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

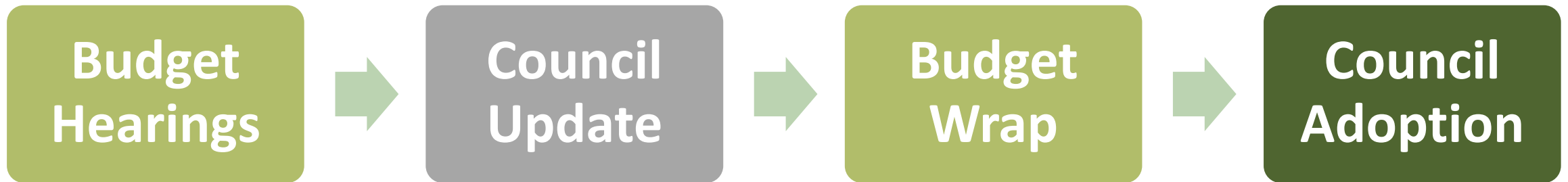
# NEW INFORMATION (AS OF MAY 5<sup>th</sup> 9AM)

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- [OpenBudget Web App](#) updated to include FY 2024 Proposed Budget
- At-Places Memorandum
  - Issued May 4<sup>th</sup> to provide general information (i.e. vacancies, reappropriations, and contracts)
- Staff Presentations for today (May 5<sup>th</sup>) linked to agendas ([www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget))
  - May 9<sup>th</sup> presentations will be posted prior to 9AM Tuesday

# BUDGET HEARING GUIDELINES

- Meeting proceedings organized by agenda item:
  - Combined presentation from departments by service area
  - Highlight budgetary information and areas of focus
  - Finance Committee discussion with a 5-minute timer for Councilmember comments and questions
- Recommended Motions:
  - “Tentative Approval of *[insert item]*”: **majority vote**
  - Recommend to be placed in the “parking lot”: **majority vote**
  - Request additional information/staff follow up: **majority vote**



# “PARKING LOT”

- Used as a running list of items Committee will consider adjusting, using funds available.
- Status reviewed at the end of each day
- Will inform the basis of the discussions with Finance Committee at budget wrap

## FY 2024 BUDGET PROCESS

Date	Finance Committee Adjustments to Budget*	FY 2024 GF (cost)/savings or rev	Dept
5-May	Beginning Balance - Council Priorities Reserve	\$ 2,250,000	
5-May			
	Remaining:	\$ -	

Date	Parking Lot Issues	Amount (cost)/savings or rev	Dept
5-May			
	Total:	\$ -	

Date	FY 2024 Council Contingency	
5-May	Beginning Balance	\$ 125,000
	Remaining:	\$ 125,000



# JOIN THE BUDGET CONVERSATION

Save the date on the following ways for the community to join the budget conversations:

- **Finance Committee Budget Hearings:**  
May 5 at 9:00 A.M.  
May 9 at 9:00 A.M.  
May 30 at 5:00 P.M. – Wrap-up
- **Community Informational Session:**  
Learn about the City's proposed budget  
May 16 at 6:00 P.M.
- **City Council Budget Adoption:**  
June 19 at 5:00 P.M.

FISCAL YEAR 2024



## JOIN THE BUDGET CONVERSATION

Climate Change and the Natural Environment: Protection and Adaptation | Community Health & Safety | Housing for Social & Economic Balance | Economic Recovery

Find all meetings planned at [www.CityofPaloAlto.org/Budget](http://www.CityofPaloAlto.org/Budget)



# OVERVIEW

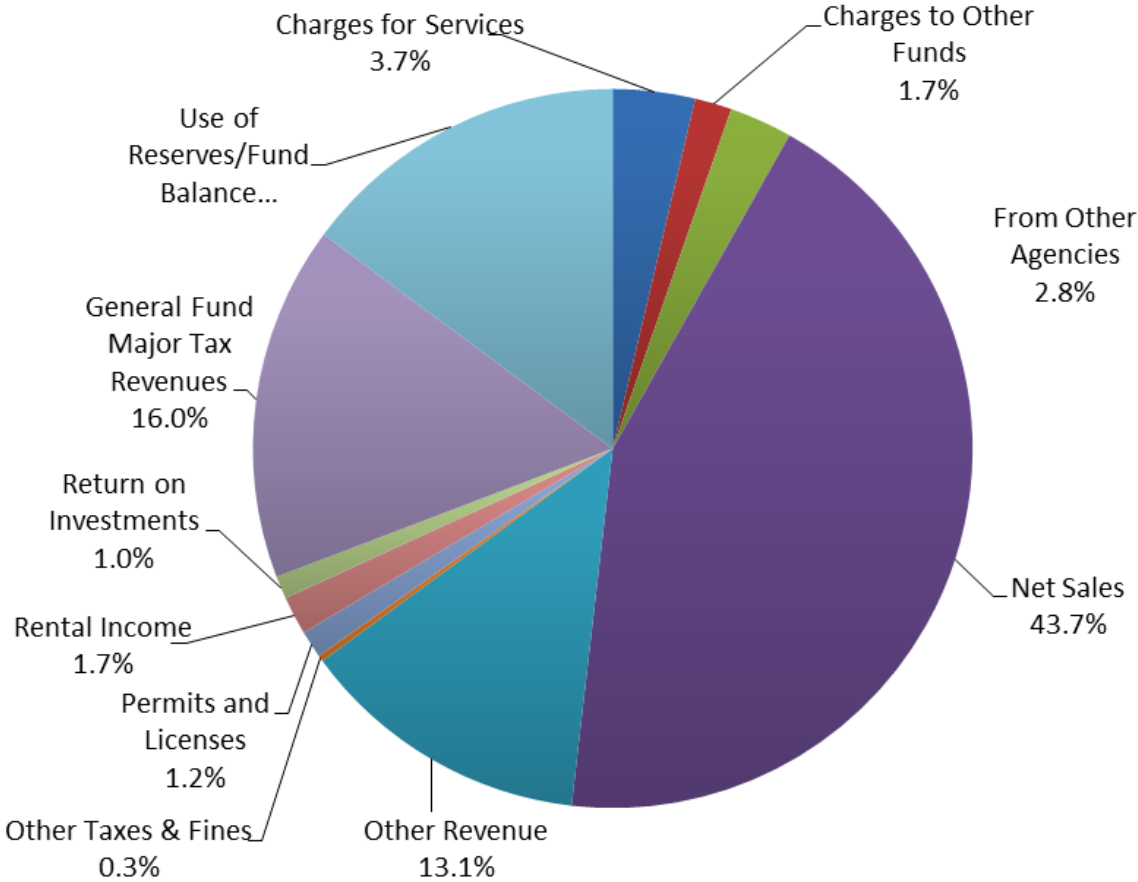
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# COUNCIL POLICY PARAMETER ASSUMPTIONS

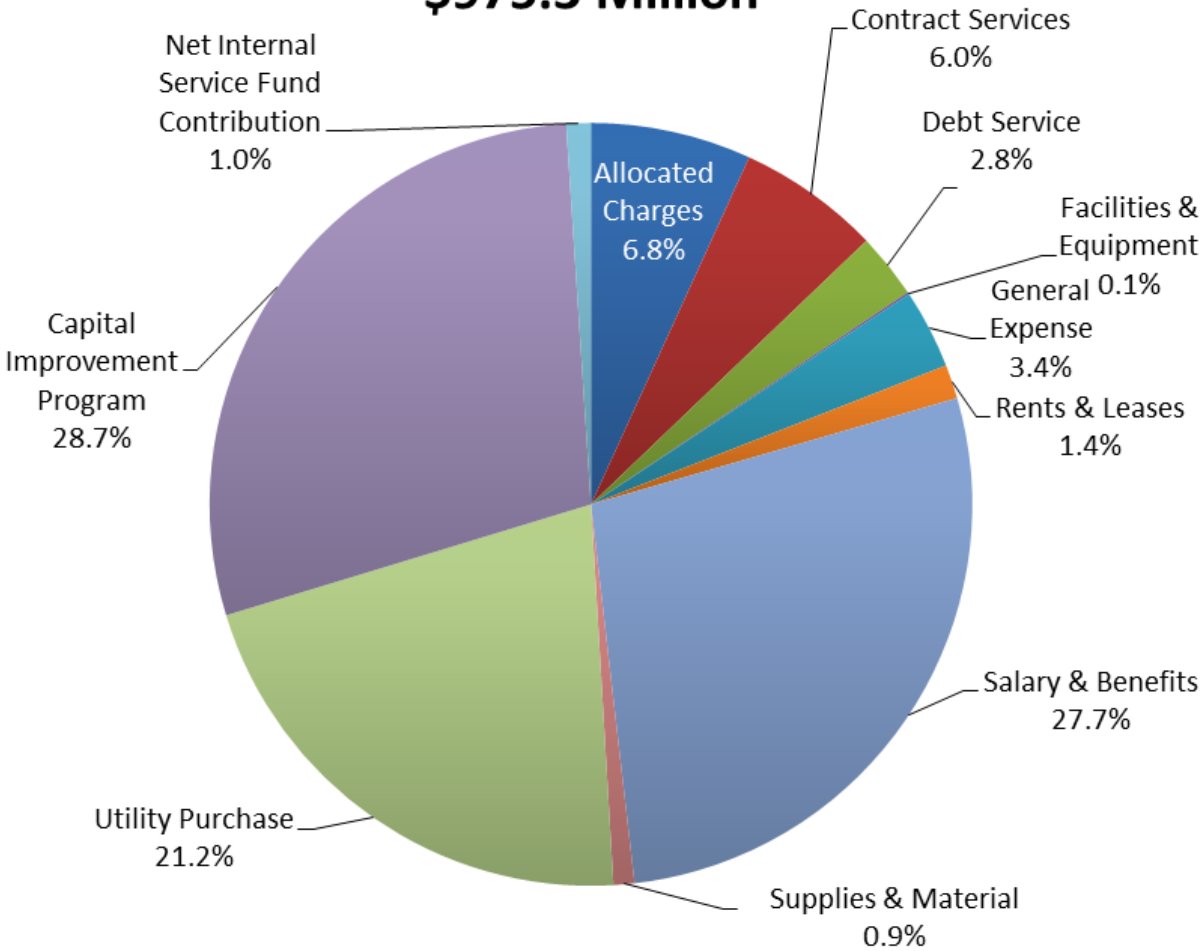
- FY 2024 recognizes a pivot point and cautious optimism by proposing significant reinvestments in services
  - Operating budget totals \$975.3 million (\$274.9 million in General Fund)
  - Capital budget totals \$324.0 million in FY 2024, \$1.2 billion over the five-year CIP
- Use of one-time funding for priority services and City Council initiatives - Projected deficit of \$6.2 million in FY 2026.
  - Uncertainty Reserve (\$14 million) & Budget Stabilization Reserve at 20%
- Long Range Financial Forecast outlines need for fiscal sustainability solutions
  - Measure K and L solidify funding for critical services
  - Continue proactive funding of long-term obligations

# ALL FUNDS SOURCES & EXPENSES

**FY 2024 Sources**  
**\$975.3 Million**

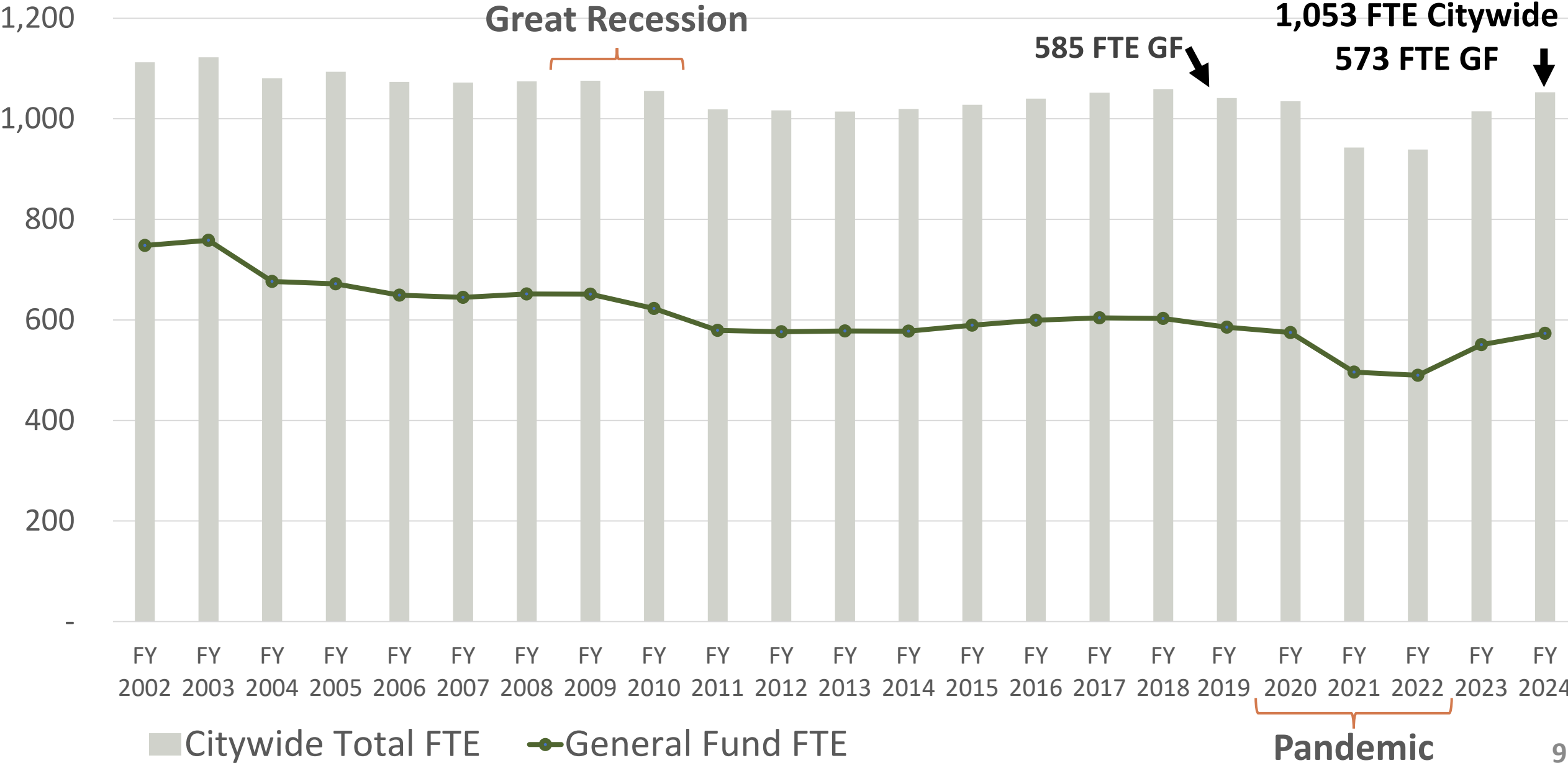


**FY 2024 Expenses**  
**\$975.3 Million**





# HISTORICAL FULL-TIME STAFFING COMPARISON



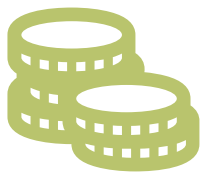
# FULL-TIME STAFFING AND VACANCIES

Full-Time Position Changes	General Fund	Enterprise Funds	Other Funds	Total
<b>FY 2023 Adopted Budget</b>	<b>552.81</b>	<b>371.58</b>	<b>93.46</b>	<b>1,017.85</b>
FY 2023 Approved Adjustments	4.75	-	1.00	5.75
<b>FY 2023 Modified Budget</b>	<b>557.56</b>	<b>371.58</b>	<b>94.46</b>	<b>1,023.60</b>
FY 2024 Increase	16.60	8.00	4.40	29.00
FY 2024 Reallocation	(1.00)	1.00	-	-
<b>FY 2024 Proposed Budget</b>	<b>573.16</b>	<b>380.58</b>	<b>98.86</b>	<b>1,052.60</b>
<i>Net Difference: FY 23 Adopted to FY 24 Proposed</i>	<i>20.35</i>	<i>9.00</i>	<i>5.40</i>	<i>34.75</i>

**14% vacancy rate all funds, 11.6% in the General Fund**

**Turnover has decreased significantly – to date 18 separations in FY 23 vs. 58 in FY 22.**

## Supplemental Contributions to Section 115 Trust Funds



### Pension Trust

- FY 2024: \$13.1 million (\$7.7 million General Fund)
- Through FY 2023 \$54.4 million contributed
- July 2021 funded status: 73.3%

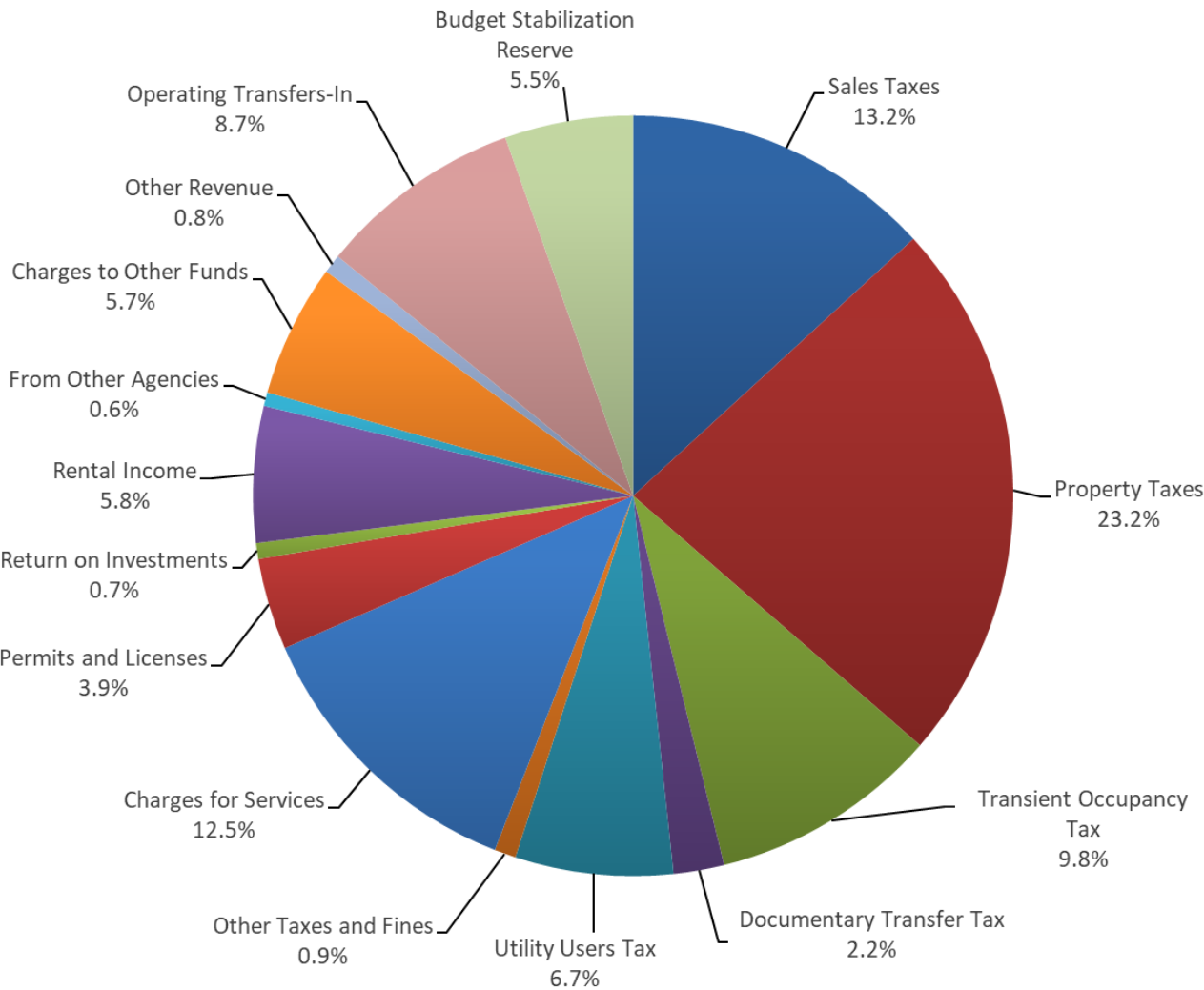


### Other Post-Employment Benefit (OPEB) Trust

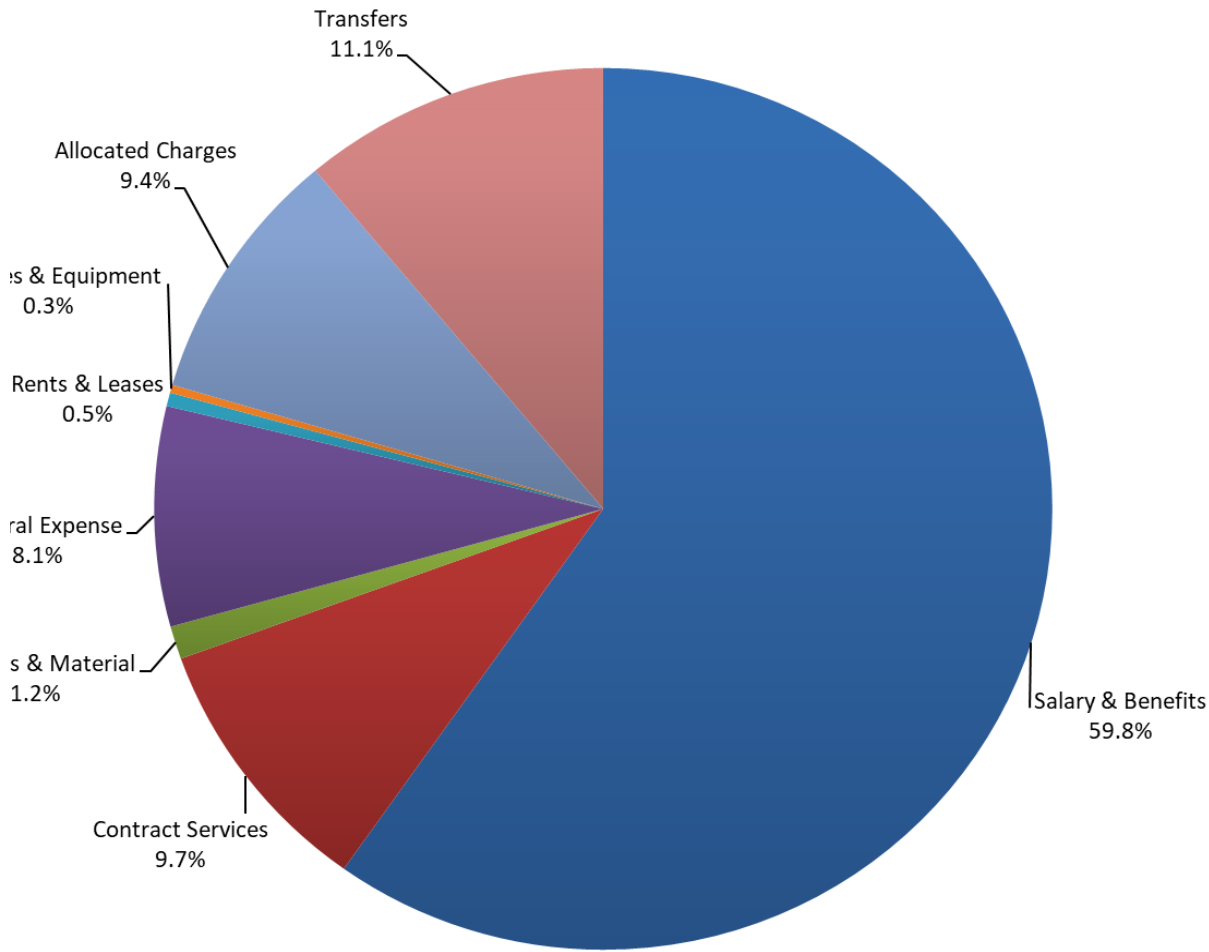
- FY 2024: \$1.5 million (\$0.9 million General Fund)
- Through FY 2023 \$8.0 million contributed
- July 2021 funded status: 67%

# GENERAL FUND SOURCES & EXPENSES

SOURCES / \$274.9 Million



EXPENSES / \$274.9 Million



# FY 2024 GENERAL FUND BALANCING



(\$ in millions)		FY 2024	FY 2025	FY 2026
<i>Spending</i>  <i>(use of \$) / source of \$</i>	FY 2024 Budget (Deficit) / Surplus	(\$2.6)	(\$5.0)	(\$3.9)
	Council Priorities Reserve/Tier 2	(\$2.3)	(\$2.3)	(\$2.3)
	BSR at 20%	\$0	(\$2.8)	
	<b>Forecasted (Deficit)/Surplus</b>	<b>(\$4.9)</b>	<b>(10.1)</b>	<b>(\$6.1)</b>
<i>Use of Reserves</i>	Use of Uncertainty Reserve	\$3.9	\$10.1	-
	Use of DSD Reserve	\$1	-	-
<b>Proposed (Deficit/Surplus)</b>		<b>\$0</b>	<b>\$0</b>	<b>(\$6.1)</b>
<i>Ending Reserve Balances</i>	<i>Uncertainty Reserve</i>	<i>\$10.1</i>	<i>-</i>	<i>-</i>
	<i>DSD Reserve</i>	<i>\$2.1</i>	<i>\$2.1</i>	<i>\$2.1</i>
	<b>BUDGET STABILIZATION RESERVE</b>	<b>\$52.9</b>	<b>\$55.7</b>	<b>\$55.7</b>

# FY 2023 GENERAL FUND PROJECTED REV & EXP

Revenue & Other Sources	2020 Actuals	2021 Actuals	2022 Actuals	2023 Adopted	2023 Midyear	2023 Est.	Change
Sales Taxes	30,563	29,127	32,705	32,580	34,080	36,148	2,068
Property Taxes	51,089	56,572	59,353	59,770	60,270	61,418	1,148
Transient Occupancy Tax	18,553	5,179	16,946	18,199	22,199	27,274	5,075
General Purpose	11,568	2,796	8,828	8,472	12,472	14,652	2,180
Infrastructure	6,985	2,383	8,118	9,727	9,727	12,622	2,895
Documentary Transfer Tax	6,903	10,627	11,990	7,217	7,217	4,915	(2,302)
Utility Users Tax	16,140	14,642	15,599	15,579	15,579	18,537	2,958
Other Taxes and Fines	1,172	683	893	1,784	1,784	1,784	-
Subtotal: Taxes	\$124,420	\$116,830	\$137,486	\$135,129	\$141,129	\$150,076	\$8,947

Almost 75% of the estimated FY 2023 surplus revenues of \$9M  
are included in assumptions for the  
FY 2024 Proposed Budget balancing strategy (~\$6.5M)





Passage of both measures ensures continuation of and restoration of key services in the FY 2024 Proposed Budget

## Business Tax (Measure K) FY 2024 \$1.6M

- Council adopted advisory guidelines:
  - Public safety
  - Affordable housing and homeless services
  - Transportation safety improvements and grade separations
- Phase-in of tax and rate begins Jan 2024
  - ★ \$750,000 remains to be allocated for affordable housing and homeless services

## Natural Gas Transfer (Measure L) FY 2024 \$7.7M

- Measure affirms transfer up to 18% of annual gross gas retail revenue
- FY 2024 recommend rate of 15.5%
- An 18% transfer is approximately \$1M in additional funds.

# FY 2024 Proposed Investments

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- Continued reopening of library branches
- Resources for animal services, theatre, Art Center, special events, and grants
- Fire and life safety inspection
- PERT clinicians and traffic enforcement
- Historic resources, code enforcement, and Building and Fire prevention plan review
- Represented custodial services,
- Urban Forest tree trimming services, parklet program,
- Water quality control plant to support capital investments through engineering staffing.
- Supporting staffing for Dark Fiber expansion and Fiber to the Premises.



# CITY COUNCIL PRIORITIES RESERVE (\$2.25M)



## **Economic Recovery and Transition**

- Resources for a comprehensive economic development strategy
- Study for car-free streets ordinance

## **Climate Change – Protection and Adaption**

- S/CAP resources to commission studies and improve road safety
- Sea level rise adaption, natural habitat protection

## **Housing for Social and Economic Balance**

- Downtown housing plan and various coordinated area plan(s)
- Explore opportunities for affordable housing, unhoused srvc, & short term rental; capital funding needs for the Homekey project

## **Community Health and Safety**

- Dispatch staffing, eucalyptus tree removal, and airplane noise
- Additional funding for HSRAP and youth mental health
- Establish a therapeutics program, fully restore library hours

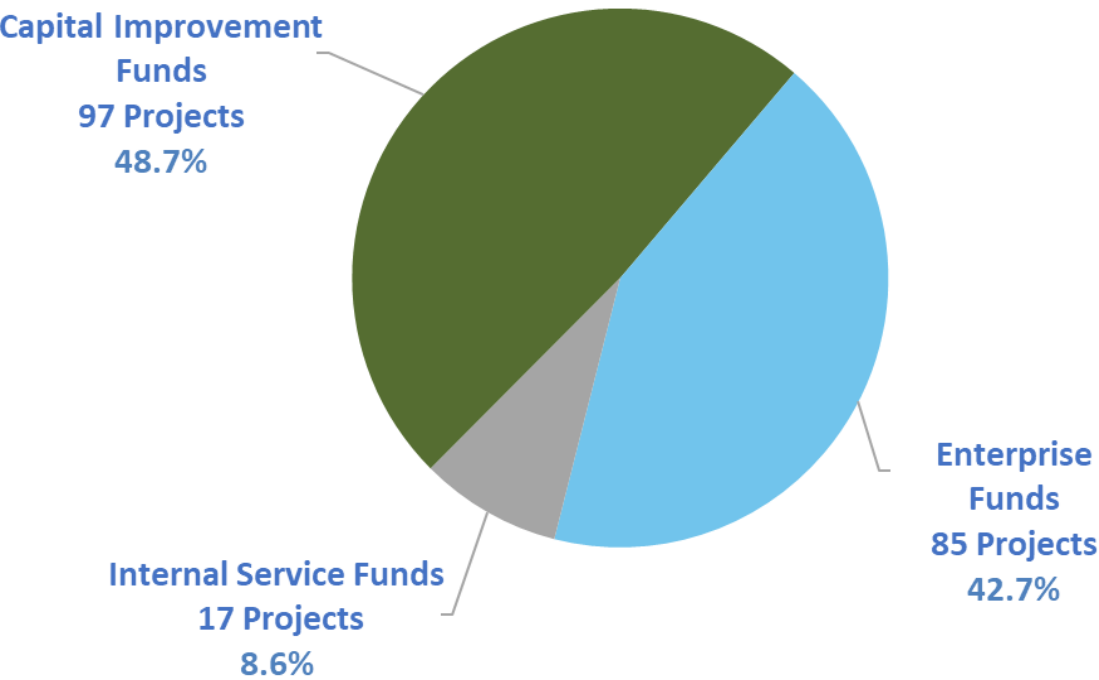
## **Other Service Enhancements**

- Various proposals to enhance productivity and efficiency, customer service, and service levels, or advance initiatives not in the City Council workplan

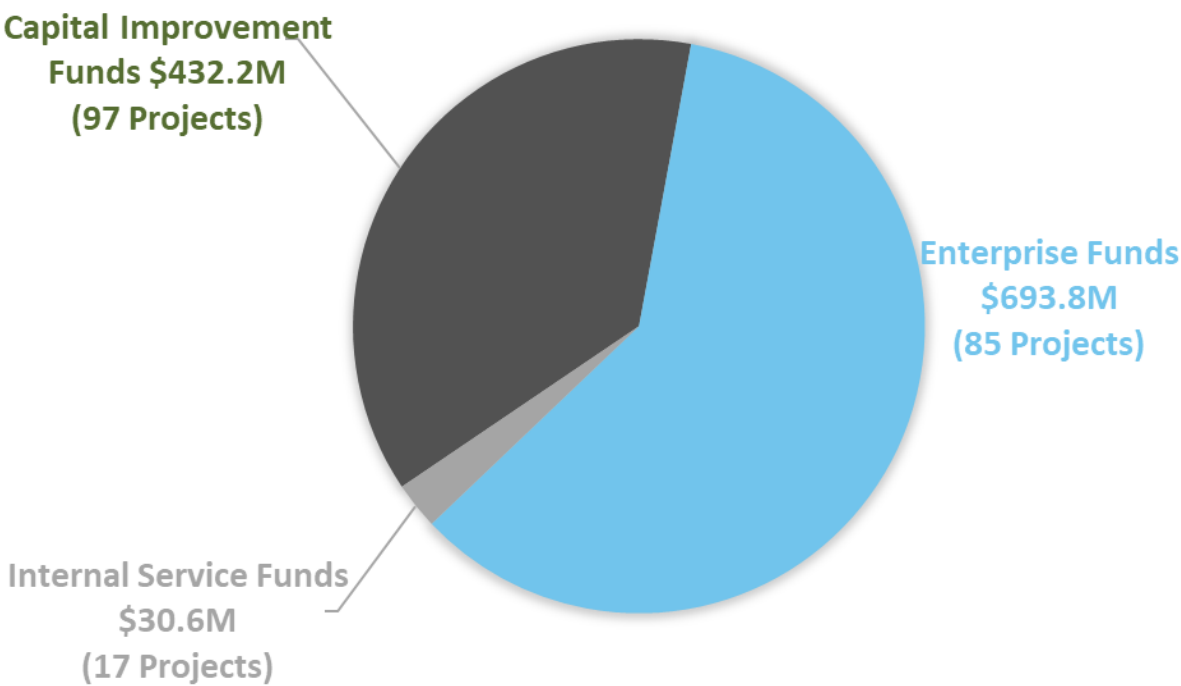
# CAPITAL IMPROVEMENT PROGRAM (CIP) – OVERVIEW 5-YR PLAN



2024-2028 CIP PLANNED PROJECTS BY  
FUND TYPE (199 PROJECTS)

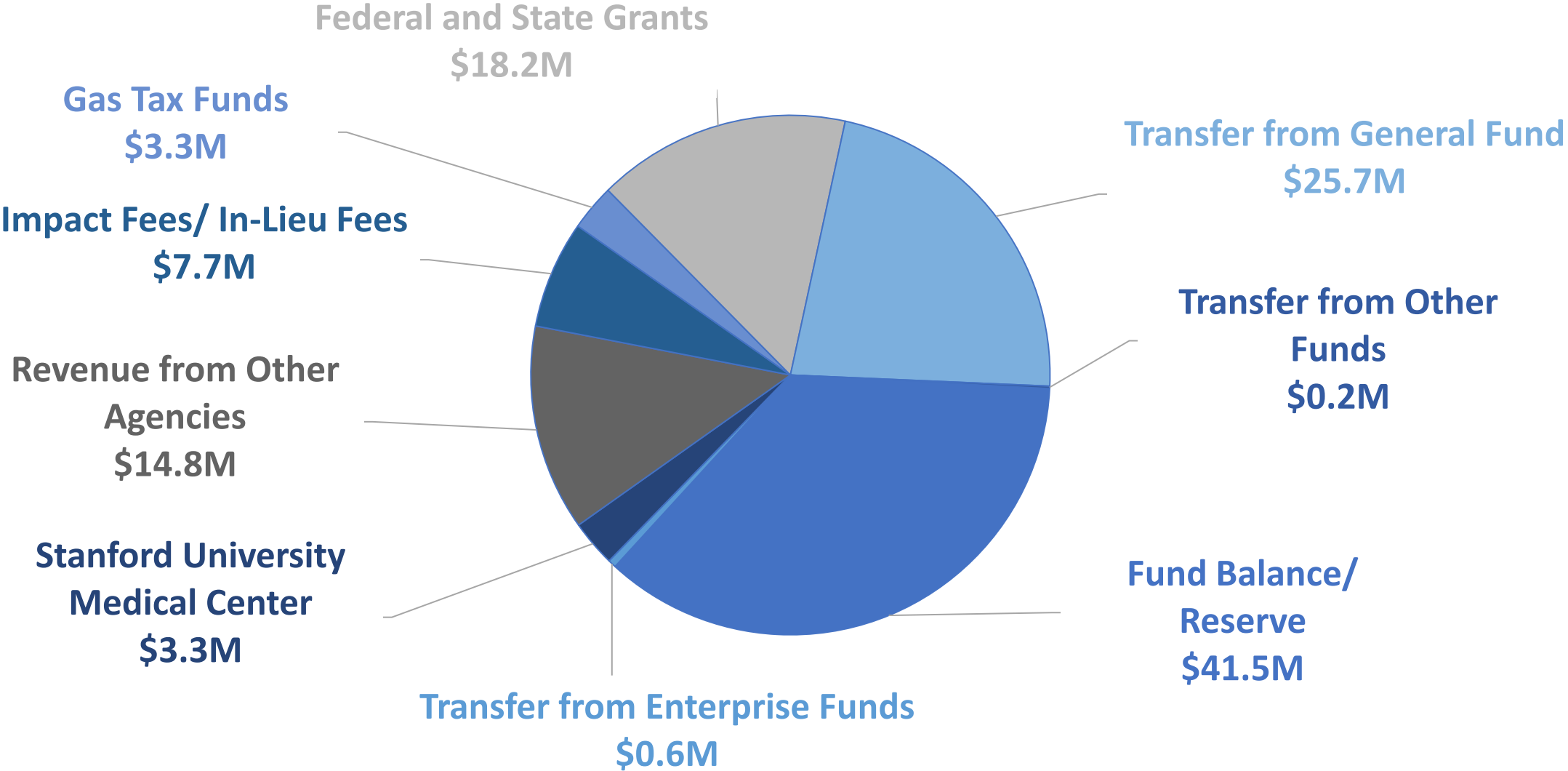


2024-2028 CIP PLANNED FUNDING  
BY FUND TYPE (\$1,156.6 MILLION)

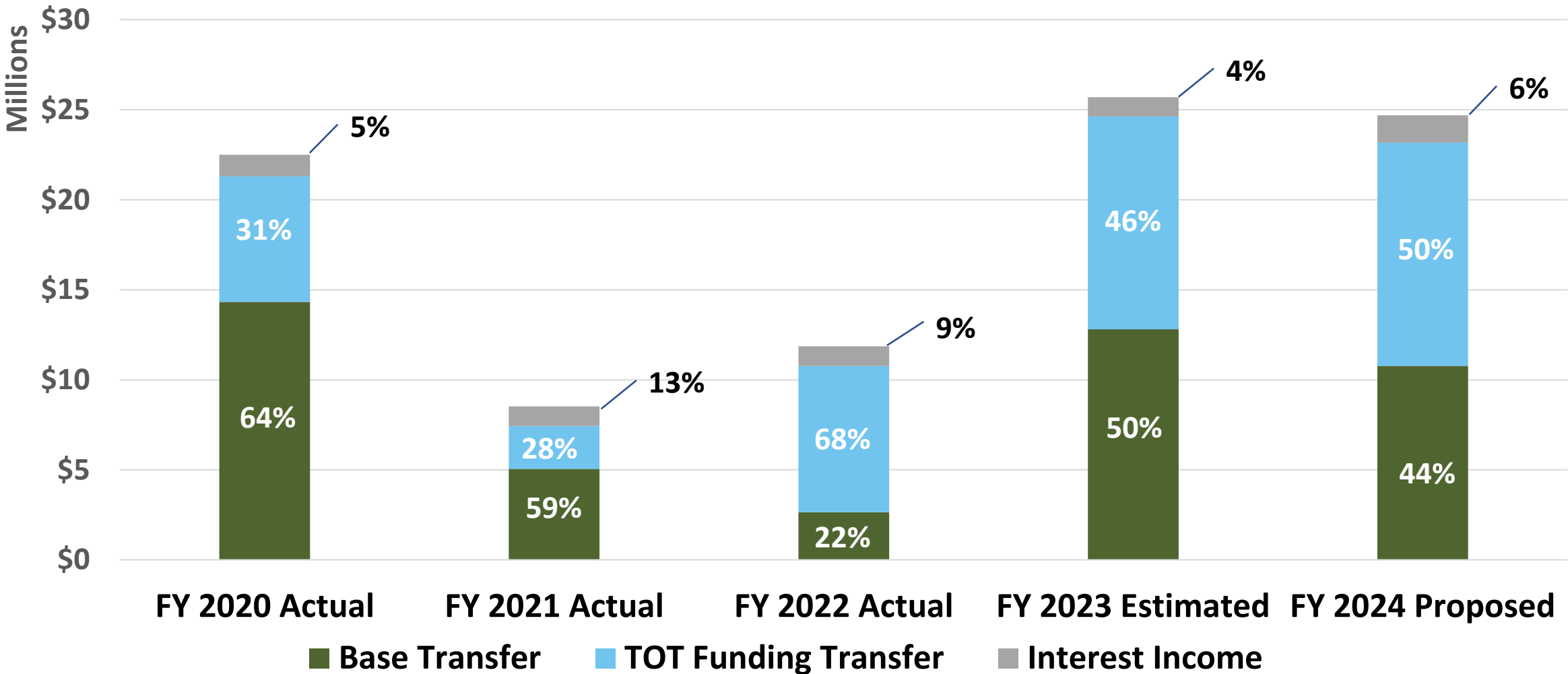


- \$822M CIP plan in FY 2023-2027 increased to \$1,157M in CIP plan FY 2024-2027
- FY 2023 Capital Budget of \$380M decreased to \$324M in FY 2024, primarily due to completion of key phases of Regional Water Quality Control Plant long range facility plan.

# 2024 CAPITAL IMPRVT FUND REVENUES BY SOURCE: \$115.2 MILLION



# CIP – GENERAL FUND INVESTMENT IN CAPITAL IMPROVEMENT FUND



Note: FY 2023 Base Transfer includes contribution in alignment with Council policy of FY 2022 General Fund surplus BSR (\$4M)

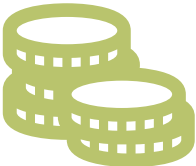




# Non-Departmental

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OPERATING PG. 473-478



Contingent Accounts, Reserves & Transfers	FY 2024 Proposed Budget
Contingent Accounts: <ul style="list-style-type: none"><li>- City Council</li><li>- HSRAP</li><li>- City Manager, HR, and Innovations &amp; Special Events</li></ul>	\$125 K \$50 K \$300 K
Project Homekey Reserve (yr 2 of 7 for operations)	\$1.0 M
Budget Uncertainty Reserve reappropriation from FY23 (FY 25 deficit, yr 2 Council Priorities, 20% BSR)	\$10.1 M
Council Priorities Reserve (to be allocated as directed by Council)	\$2.3 M
Transfer to Infrastructure (Capital & Cubberley)	\$25.5 M

# FY 2024 BUDGET SUMMARY (NON-DEPARTMENTAL)

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## Major Proposed Changes in General Fund

- Chamber of Commerce funding to facilitate economic development
- Childcare pilot program to subsidize child and afterschool care for qualified City employees
- Use \$3.9 million from the Budget Uncertainty Reserve for citywide reinvestments
  - \$1.6 million to bridge FY 2024
  - \$2.25 million for a Council Priorities Reserve