



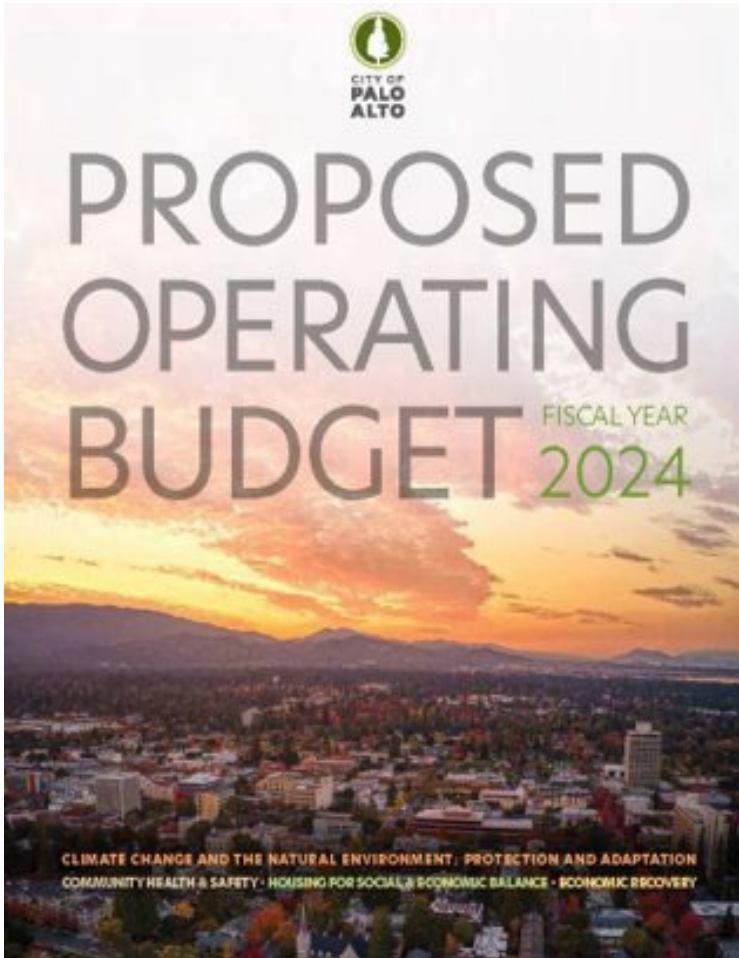
FY 2024 PROPOSED OPERATING & CAPITAL BUDGETS

Finance Committee
Review with City Council
Item #AA1

May 22, 2023

www.cityofpaloalto.org/budget

PURPOSE OF TONIGHT'S STUDY SESSION



Tonight's study session facilitates a Finance Committee check-in with the City Council to review:

- Next steps in the budget process
- New information provided to aid in review
- Status of Finance Committee hearings
- Revised budget balancing
 - Staff recommendations
- Potential referrals for staff

GOAL: City Council discuss FY 2024 proposed budget and provide Finance Committee colleagues guidance for final Finance Committee recommended FY 2024 budget

BUDGET CONVERSATIONS & SCHEDULE

City Council: FY 2024 Proposed Budget Overview:
Discuss guidance for Finance Committee colleagues

Community Budget Listening Session

Finance Committee Budget Wrap-up:
Based on the input from the May budget meetings, recommend final adjustments to proposed budgets for Council adoption

May 1

MAY 5 & 9

MAY 16

TONIGHT

MAY 30

JUNE 19

Finance Committee Budget Workshops:
Review the proposed budgets and recommend amendments

Study Session City Council:
Finance Committee check-in with the City Council

City Council Budget Adoption:
Adopt Capital & Operating budgets (as amended by the Finance Committee)

NEW INFORMATION PROVIDED May 5 & 9

At Places Memorandum Summary

- General information transmitted (capital reappropriations; staffing, recruitment, and vacancies; organization charts)
- Consolidated list of Tier 2 Proposals by Council Priority
- Information Requested by the Finance Committee:
 - Pension Trust Contribution History
 - HSRAP Funding History
 - Library Circulation and Visitor Information
 - PATMA Citywide Expansion
 - Canine Unit Funding
 - Cubberley Operations and Maintenance Funding History

FINANCE COMMITTEE TENTATIVE ADJUSTMENTS



Finance Committee Adjustments to Budget	FY 2024 GF Sources	FY 2025 GF Sources	Ongoing Sources
Beginning Balance	\$2.25 M	\$2.25 M	\$-
Measure K Housing and Homeless Services*	750,000	800,000	800,000
FY23 Surplus Major Tax Revenues	2.5 M	-	-
FY23 Vacancy Savings (\$1-2M)	1.5 M	-	-
Gas Equity Transfer at 18% in FY25 (measure L)	-	1.0 M	1.0 M
FY23 & FY24 HomeKey Operations Savings	2.0 M	-	-
Subtotal Sources	\$9.0 M	\$4.0 M	\$1.8 M

* Measure K Total expected receipts of \$1.5M (FY25) and \$3.0M ongoing, allocated to extent eligible expenses are recommended.

Staff recommends additional support resources of \$837,000 to administer these investments

Finance Committee Adjustments to Budget	FY 2024 GF Expenses	FY 2025 & Ongoing	Dept
HSRAP (reflects HRC requested \$'s +\$200k/yr)	(150,000)	(150,000)	
T2: Art Center Visitor Staffing	(113,000)	(113,000)	
T2: Eucalyptus Tree Removal	(400,000)	-	CSD
T2: Youth Mental Health Programs	(200,000)	-	
T2: Therapeutics Recreation Program	(90,000)	(95,000)	
T2: Library Hours	(145,000)	(145,000)	LIB
Neighbors Abroad	(20,000)	(20,000)	NON
T2: Permitting and Inspections Operations	(115,000)	(115,000)	
T2: Zoning Code Update (3 yrs \$1.5M)	(500,000)	(500,000)	
T2: Bird Safe Glass/Wildlife Protection	(75,000)	-	PDS
T2: San Antonio CAP (each plan \$2M)	(50,000)	(700,000)	
T2: Regulate Short Term Rentals	(100,000)	(100,000)	
T2: Seismic Upgrade (additional funding)	(75,000)	-	
PATMA Citywide Expansion	(25,000)	(25,000)	OOT
T2: Transportation Modes Staffing	(185,000)	(196,000)	OOT
T2: Fire Utility Task Vehicle	(67,000)	(10,000)	FIR
T2: Public Safety Dispatcher Staffing	(267,000)	(285,000)	POL
T2: Airport Noise Reduction	(100,000)	-	PWD
Cubberley Facility Maintenance & Upkeep	(900,000)	(900,000)	PWD/CSD
T2: Sea Level Rise and Adaptation Plan	(200,000)	(200,000)	PWD/UTL
T2: S/CAP Studies	(600,000)	-	PWD/UTL
T2: LifeMoves Construction (PE-24005)	(2,500,000)	-	CIP
T2: Electric Vehicle Fleet Replacement (50%)	(400,000)	(400,000)	CIP
T2: Economic Dev Staffing	(145,000)	(145,000)	CMO
T2: Car Free Streets	(250,000)	(250,000)	CMO
T2: Unhoused Residence Services	(100,000)	-	CMO
Subtotal Use (Expense)	\$(7,772,000)	\$(4,349,000)	5

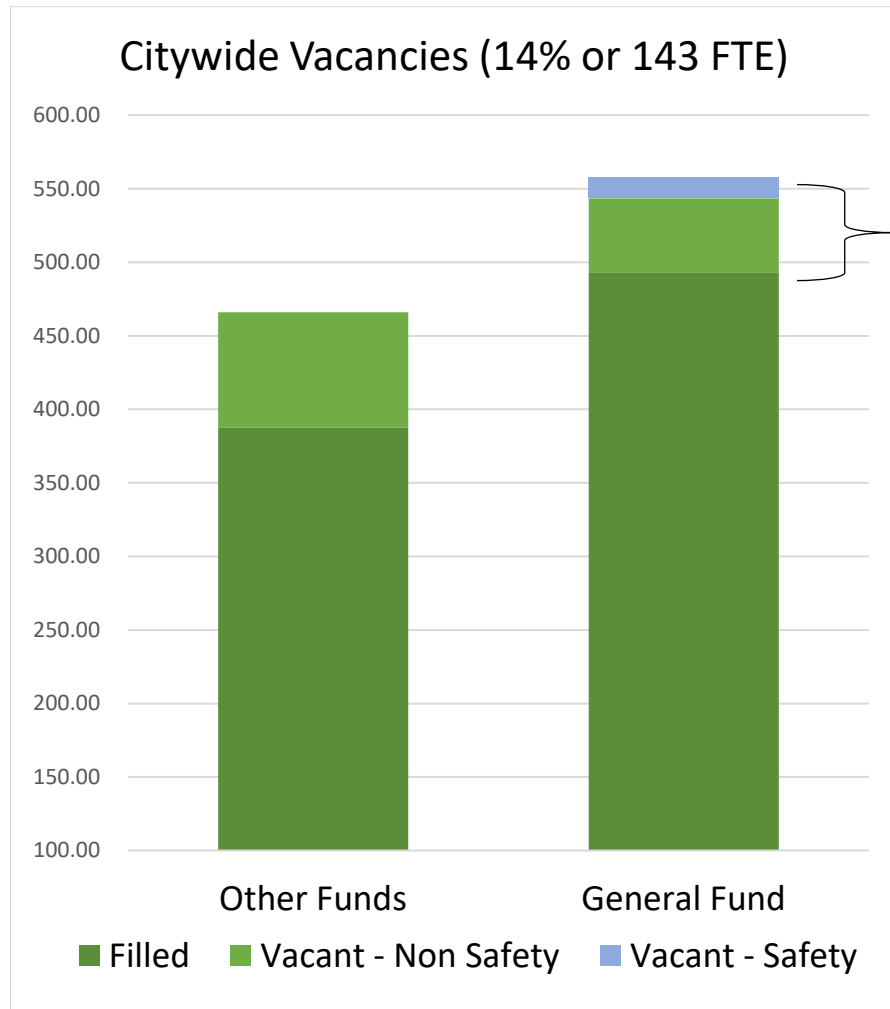
TENTATIVE ADJUSTMENTS: FY 2023 MAJOR TAX REVENUE



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

- Unallocated surplus revenues typically transferred to Pension 115 Trust and capital improvement fund as one-time contributions.
- Proposed Budget balancing strategy assumes nearly 75% of the expected surplus or tax revenue of approximately \$147 M
 - Finance Committee recommends allocation of the full estimated \$150 M

TENTATIVE ADJUSTMENTS: FY 2023 VACANCY SAVINGS



General Fund:
8.3% vacancy rate
(excluding public safety)

3% assumed in budget

\$1-2 million savings
projected

Typical uses of vacancy savings:

- Alternative staffing strategies
 - professional services
 - hire ahead
 - technology efficiencies
 - summer internship program
 - backfill/overtime
- New labor terms (out of cycle)
- One-time contributions (inc. other net savings)
 - \$21.6M (\$16.4M General Fund) to Pension Trust since 2017
\$67.5M total contributions
 - \$46.4M to the Capital Improvement Fund over 10 years

- The Proposed Budget balancing strategy assumes that projected savings will be used for alternative staffing strategies and/or one-time contributions
- Tentative recommendations recognize \$1.5M

FY 2024 PROPOSED BUDGET INVESTMENTS

- 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
- Tree trimming services, parklet program
- Water quality control plant to support capital investments through engineering staffing
- Supporting Dark Fiber expansion and Fiber to the Premises.



General Fund:

The Proposed Budget adds \$6.6M services with 16 full-time staff including support for Council 2023 Priority outcomes.

Finance Committee recommendations add \$5.6M and ~8 full-time staff (inc. 20+ Tier 2 proposals)

Adds \$12M year-over-year

FY 2024 REVISED GENERAL FUND BALANCING



(\$ in millions)		FY 2024	FY 2025	FY 2026
<i>Spending</i> <i>(use of \$) /</i> <i>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)
	NEW Tentative Recommendations	\$1.2	(\$0.3)	(\$0.3)
	NEW Administrative Support	(\$0.8)	(\$0.8)	(\$0.8)
	BSR at 20% FY25	\$0	(\$2.8)	-
	Forecasted (Deficit)/Surplus	(\$4.5)	(\$11.3)	(\$7.3)
<i>Use of Reserves</i>	Use of Uncertainty Reserve& DSD Reserve (FY 24 only)	\$4.9	\$10.1	-
	Proposed (Deficit/Surplus)	\$0.4	(\$1.2)	(\$7.3) <i>revised</i>
<i>Ending Reserve</i> <i>Balances</i>	<i>Uncertainty Reserve & DSD Reserve (\$2.1M)</i>	\$12.2	\$2.1	\$2.1
	BUDGET STABILIZATION RESERVE (\$)	\$52.9	\$55.7	\$48.4*
	*BUDGET STABILIZATION RESERVE (%)	19.5%	19.8%	16.6%

Revised balancing does not contemplate: Parking Lot, future labor negotiations & budget amendments, FY25 Proposed Budget needs, or projects that do not have confirmed timelines or costs ("known unknowns")

*FY26 assumes use of BSR to cover full deficit for demonstration purposes

FINANCE COMMITTEE “PARKING LOT”

Parking Lot Items	Amount source/(cost)	Ongoing	Dept
Unspent Council Contingency	125,000	-	NON
<i>Subtotal Sources (Revenue)</i>	<i>\$125,000</i>	<i>\$-</i>	
HSRAP (inc. from HRC max based on GF %)	(150,000)	(150,000)	CSD
T2: Volunteer Coordinator for JMZ	(105,000)	(110,000)	CSD
T2: Library Programs	(261,000)	(261,000)	LIB
T2: Cypress Lane Alley Improvement	(400,000)	(20,000)	PWD
T2: Full Electric Vehicle Fleet Replacement (100%)	(400,000)	(400,000)	PWD
T2: Community Engagement Qtrly Newsletter	(100,000)	(100,000)	CMO
<i>Subtotal Uses (Expense)</i>	<i>\$(1,416,000)</i>	<i>\$(1,041,000)</i>	

FINANCE COMMITTEE POTENTIAL REFERRALS

1) Coordinated Area Plans (CAP) Process Review

- Examine the CAP process with the housing ad hoc committee for potential improvement and streamlining
- Staff intends to bring forward this review, so no referral is needed

2) Fee Subsidy for S/CAP

- Provide additional detail on potential electrification subsidy to discount or waive electrification permitting fees
- Staff intends to include this information as part of the S/CAP update staff report anticipated in June 2023, so no referral is needed

3) Establish HSRAP Allocation at 1% of the General Fund

- Consider if HSRAP funding should be pegged to a benchmark, such as the percentage of General Fund budgeted expenditures

INFORMATION FOR COUNCIL DISCUSSION

- Tentative Adjustments recommended by the Finance Committee
 - Increase funding sources of \$9.0M in FY24, \$4.0M in FY25, and \$1.8M ongoing;
 - Add \$7.8M expenses in FY24 and \$4.3M ongoing
- Finance Committee
 - “Parking Lot” items for any additional Tentative Adjustments;
 - Referral items from the Finance Committee to Staff; and
- Staff Recommendations
 - Reduce additions to the Council Priority Reserve of \$2.25M
 - Add administrative support in alignment with budget revisions

Council Discussion: review the above and discuss the budget including staff’s recommendations. Provide Finance Committee guidance for final recommended FY 2024 budget.