



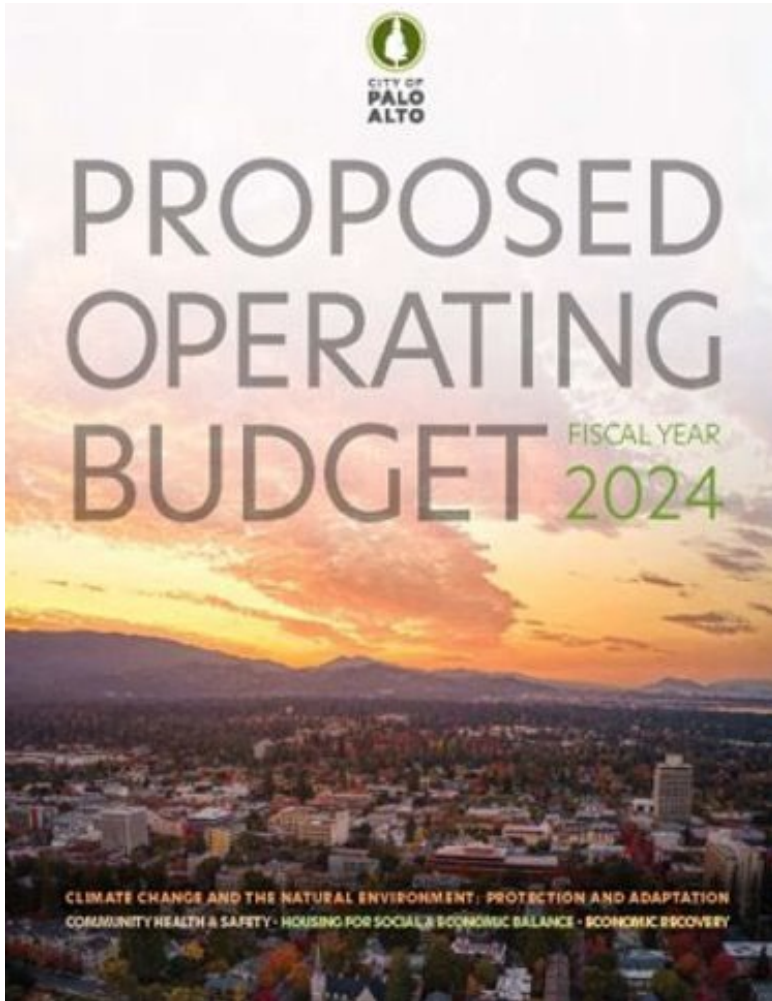
# ADOPTION OF FY 2024 OPERATING AND CAPITAL BUDGETS & MUNICIPAL FEE SCHEDULE

Item #29

July 19, 2023

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

# CITY COUNCIL FY 2024 BUDGET ADOPTION OVERVIEW



Tonight's meeting concludes the FY 2024 budget process

- Staff report provides summary of Finance Committee deliberations to date
- Discuss final adjustments recommended by the Finance Committee and staff, including:
  - Actions to reduce net costs by \$1M
  - Technical and other changes
- Review final balancing actions
- Confirm potential referrals for staff

**GOAL:** Adopt the FY 2024 Operating & Capital Budgets and Municipal Fee Schedule

# 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

MAY 22

May 30

TONIGHT

**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)

# FY 2024 BUDGET SUMMARY

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Actuals	FY 2023 ADOPTED	FY 2024 ADOPTED
<b>Revenue</b>	\$209.7	\$200.7	\$238.8	\$237.8	<b>\$260.6</b>
<b>Expense</b>	\$226.3	\$185.6	\$198.0	\$247.4	<b>\$279.1</b>
<b>Full-time Staffing (Citywide)</b>	1,034	1,034	956	1,018	<b>*1,063</b>

*\* Includes 5.75 Full-time FTE added during FY 2023*

- Operating budget totals \$1.0 billion (\$279.1 million in General Fund)
- Capital budget totals \$355.3 million in FY 2024 and \$1.2 billion over the five-year CIP

## Budget Stabilization Reserve (BSR)

- \$54.3 million projected FY 2024 year-end balance - at 20.2% of expenses

**Staffing Levels:** +45 Full-time FTE or 4.4% increase over the FY 2023 Budget (Citywide)

Includes +33 in the General Fund



# FINANCE COMMITTEE RECOMMENDED ADJUSTMENTS (1 of 2)

Finance Committee Adjustments to Budget	5/22 Study Session	5/30 Budget Wrap	6/19 Adopted Budget
Beginning Balance – City Council Priorities Reserve	\$2,250,000	\$-	\$2,250,000
Measure K Housing and Homeless Services	750,000	(200,000)	550,000
FY23 Surplus Major Tax Revenues	2,500,000	-	2,500,000
FY23 Vacancy Savings (\$1-2M)	1,500,000	-	1,500,000
FY23 & FY24 HomeKey Operations Savings	2,000,000	-	2,000,000
<b>Subtotal Sources (Revenue)</b>	<b>\$9,000,000</b>	<b>\$(200,000)</b>	<b>\$8,800,000</b>

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

City Council Recommendation 5/22:  
Reduce Net Costs by \$1 million

Finance Committee Adjustments to Budget	5/22 Study Session	5/30 Budget Wrap	6/19 Adopted Budget
<b>Economic Recovery and Transition (ERT)</b>			
T2: Economic Development Assistant	(145,000)	-	(145,000)
T2: Car Free Streets	(250,000)	-	(250,000)
<i>Subtotal ERT</i>	<i>(395,000)</i>	<i>-</i>	<i>(395,000)</i>
<b>Climate Change &amp; The Natural Environment (CC&amp;NE)</b>			
T2: Transportation Modes and Staffing	(185,000)	-	(185,000)
T2: Bird Safe Glass/Wildlife Protection	(75,000)	-	(75,000)
T2: Full Electric Vehicle Fleet Replacement (50%)	(400,000)	400,000	-
T2: Sustainability & Climate Action Plan (S/CAP) Studies (inc. Electric Vehicle and Reliability/Resiliency Strategic Plans)	(600,000)	-	(600,000)
T2: Sea Level Rise and Adaptation Plan	(200,000)	200,000	-
<i>Subtotal CC&amp;NE</i>	<i>(1,460,000)</i>	<i>600,000</i>	<i>(860,000)</i>

# FINANCE COMMITTEE RECOMMENDED ADJUSTMENTS (2 of 2)

Finance Committee Adjustments to Budget	5/22 Study Session	5/30 Budget Wrap	6/19 Adopted Budget
Housing for Social & Economic Balance (HS&EB)			
T2: LifeMoves Construction Homekey Facilities (PE-24005)	(2,500,000)	-	(2,500,000)
T2: Unhoused Residence Services	(100,000)	100,000	-
T2: Regulate Short-term Rentals	(100,000)	100,000	-
T2: San Antonio Coordinated Area Plan (CAP)	(50,000)	-	(50,000)
T2: Downtown Housing Plan	-	(500,000)	(500,000)
Subtotal HS&EB	(2,750,000)	(300,000)	(3,050,000)
Community Health & Safety (CH&S)			
T2: Youth Mental Health Programs	(200,000)	200,000	-
T2: Eucalyptus Tree Removal	(400,000)	400,000	-
T2: Therapeutics Recreation Program	(90,000)	-	(90,000)
T2: Library Hours	(145,000)	-	(145,000)
T2: Seismic Upgrade (additional funding)	(75,000)	-	(75,000)
T2: Public Safety Dispatcher Staffing	(267,000)	-	(267,000)
T2: Airport Noise Reduction	(100,000)	25,000	(75,000)
Subtotal CH&S	(1,277,000)	625,000	(652,000)

All deferred projects will be considered in the FY 2024 Midyear Process

Finance Committee Adjustments to Budget	5/22 Study Session	5/30 Budget Wrap	6/19 Adopted Budget
Service Enhancements / Non-Tier 2			
T2: Art Center Visitor Services and Exhibit Install	(113,000)	(11,000)	(124,000)
Cubberley Facility Maintenance and Upkeep	(900,000)	370,000	(530,000)
T2: HSRAP (reflects HRC max requested funding)	(150,000)	-	(150,000)
United Nations Association Film Festival (UNAFF)	-	(25,000)	(25,000)
T2: Fire Utility Task Vehicle	(67,000)	-	(67,000)
T2: Permitting and Inspections Operations	(115,000)	-	(115,000)
T2: Zoning Code Update (3 years at \$1.5M)	(500,000)	500,000	-
Neighbors Abroad	(20,000)	-	(20,000)
Palo Alto Transportation Management Authority (PATMA) Citywide Expansion	(25,000)	-	(25,000)
Purchasing Support (1.0 Contract Administrator)	-	(200,000)	(200,000)
Legal Support (1.0 Assistant City Attorney or outside counsel resources)	-	(290,000)	(290,000)
Recruitment Support (1.0 Sr. HR Admin & Two 0.48 FTE Management Specialists)	-	(190,000)	(190,000)
Delayed Hiring for T2 Proposals (4 months)	-	185,000	185,000
Subtotal Enhance Services & Non-Tier 2	(1,890,000)	339,000	(1,551,000)
Subtotal Uses (Expense)	7,772,000	1,264,000	(6,508,000)
TOTAL NET SURPLUS/(DEFICIT)	\$1.2M	\$1.1M	\$2.3M

# ADDITIONAL RECOMMENDED ADJUSTMENTS

OPERATING	<p><b>Cubberley Facility Maintenance and Upkeep (from Cubberley Fund to General Fund)</b></p> <ul style="list-style-type: none"><li>• Preserve Cubberley Fund for capital-related investments <i>Increase reallocation by \$93,000 for routine maintenance services (\$623,000 total)</i></li></ul> <p><b>Sustainability and Climate Action Plan (S/CAP) Enterprise Staffing</b></p> <ul style="list-style-type: none"><li>• Realign staffing to unify resources and support the 3-year workplan <i>eliminate: 1.0 Senior Engineer &amp; 1.0 Principal Resource Planner</i> <i>add: 1.0 Assistant Director of Sustainability &amp; Climate Action and 1.0 Engineer</i></li></ul>
CAPITAL	<p><b>Mitchell Park Library Repair (PE-24006)</b></p> <ul style="list-style-type: none"><li>• Assess repairs due to a vehicular accident at the Mitchell Library</li></ul>

## Other Adjustments

- Budget actions approved by the City Council after the Proposed Budget
- Technical corrections and adjustments (no operational impact)
- FY 2023 to FY 2024 Capital Reappropriations

# POTENTIAL REFERRALS TO STAFF

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## 1) *Human Services Resource Allocation Process (HSRAP) Funding*

Consider pegging HSRAP budget allocations to a benchmark, such as percentage of General Fund budgeted expenditures

## 2) *Eucalyptus Tree Removal Study*

Refer to the City's Stanford ad-hoc committee for discussions with Stanford on mitigation of fire risk to the City, University, and surrounding areas



# DRAFT MOTION FOR CITY COUNCIL CONSIDERATION

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- 1) Adopt the Fiscal Year 2024 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 2024-2028 Capital Improvement Plan as amended by the actions outlined in this report;
- 3) Adopt the amended salary schedule for the Management, Professionals and Confidential Group; and
- 4) Provide direction for potential referrals to staff.



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