

**FY 2021-2022
PROPOSED OPERATING
AND CAPITAL BUDGETS**

**Finance Committee
Item #1**

May 11, 2021

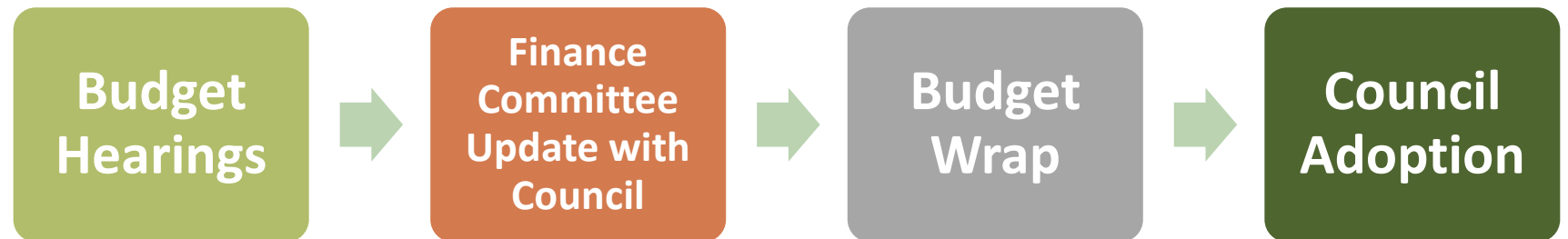
www.cityofpaloalto.org/budget



OVERVIEW

BUDGET HEARING GUIDELINES

- Meeting proceedings organized by agenda item:
 - Combined presentation from departments by service area
 - Highlight budgetary information and areas of emphasis moving forward
 - Finance Committee discussion with a 5 min 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 that the committee will consider restoring, using funds available.
- Status of this will be reviewed at the end of the day May 12th and inform the basis of the discussions with City Council on May 17th

FY 2022 BUDGET PROCESS

Date	Finance Committee Adjustments to Budget	FY 2022 GF	Dept
	<i>Beginning Balance - ARPA Reserve</i>	\$ 3,192,580	
	Remaining:	\$ 3,192,580	

Date	Parking Lot Issues	GF Amount	Dept
4-May	JMZ Ticket Pricing Analysis	914,000	CSD
	Total:	\$ 914,000	

Date	FY 2022 Council Contingency	
11-May	Beginning Balance	\$ 125,000

NEW INFORMATION (AS OF MAY 11th 9AM)

- At Places Memorandum
 - Issued for May 11th including general information (i.e. vacancies, leases)
 - May 12th in process for Municipal Fees
- Staff Presentations for May 11th are linked to agendas and can be found at www.cityofpaloalto.org/budget
 - May 12th presentations will be posted prior to 9AM Wednesday
- May 6th Town Hall Recording and Blog have been posted
- Council Policy Parameter Assumptions

COUNCIL POLICY PARAMETER ASSUMPTIONS

- Review of service delivery – City as primary provider or alternative service providers (i.e. non-profits)
- Use of alternative one-time funding sources (i.e. ARPA, SUMC, donations/fees)
 - Revised ARPA allocation, \$13.7M
- Long Range Financial Forecast Scenario B
 - Preliminary Q3 revenue estimates
- Level and use of reserves (15-20% range)
- Debt Financing
- Proactive funding of long-term obligations

Preliminary Q3 Revenues, +\$2M to \$3.3M

Increase FY 2021 estimated BSR from \$35.8M to \$37.8M (roughly 18.5% target)

+ Property Tax

~ Sales Tax

- Transient Occupancy Tax

+ Documentary Transfer Tax

JOIN THE BUDGET CONVERSATION



NEXT STEPS

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

- **Finance Committee FY 2021-22 Budget Preview:**
May 4, At 2:00 P.M.
- **Online Survey to be Released:** May 5
- **Budget Town Hall:** FY 2021-22 Budget Discussion
May 6, 6:00 P.M. –*Register online via the link below.*
- **Finance Committee Budget Hearings:**
May 11, 12, 25, All Hearings Begin At 9:00 A.M.
- **Finance Committee Update at Council:**
May 17
- **City Council Budget Adoption:** June 21, at 5 P.M.

Join the Conversation
On The City's Budget

Join the conversation and share your budget priorities through a series of community engagement opportunities.

For specific agendas, go to www.cityofpaloalto.org/budget

www.cityofpaloalto.org/budget

ITEM #2

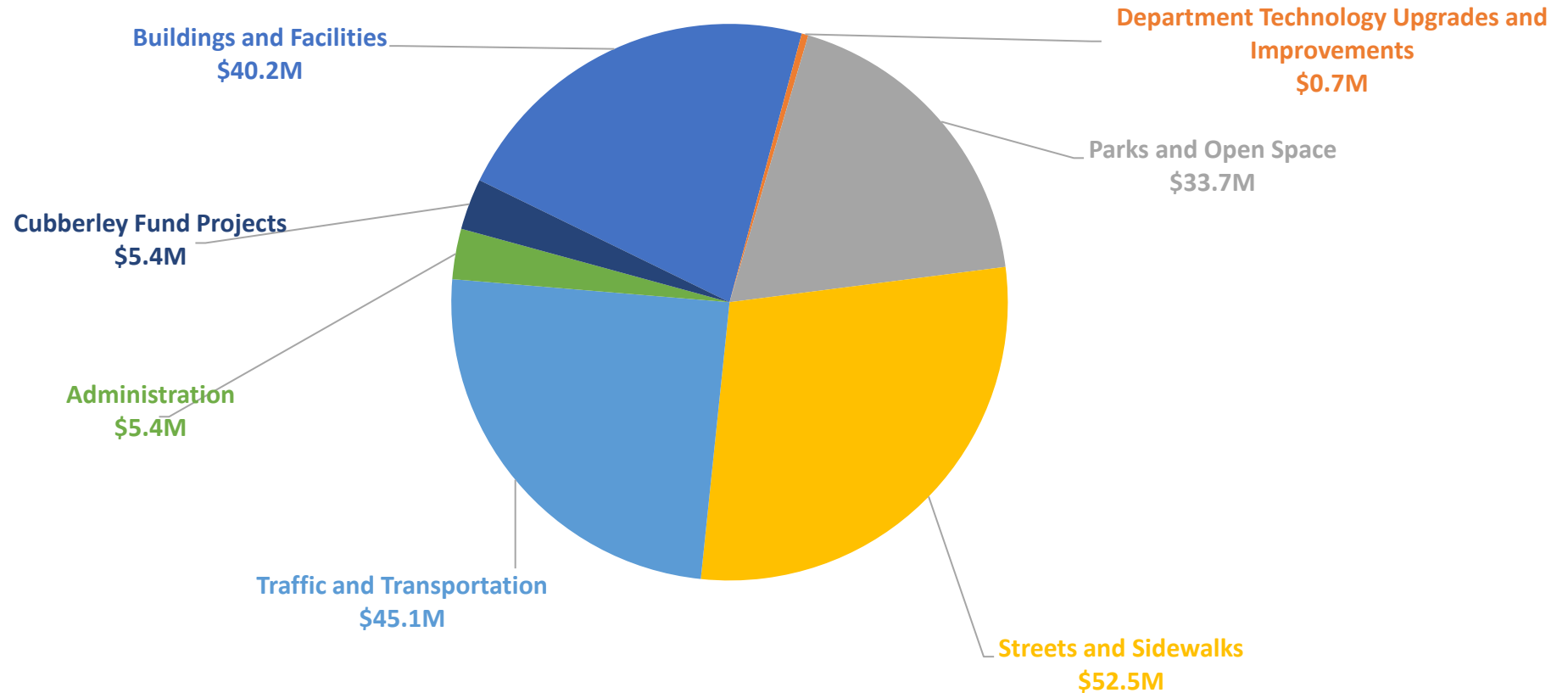
**FY 2022 PROPOSED BUDGET
HEARINGS
GENERAL FUND CAPITAL BUDGET
GENERAL CAPITAL
IMPROVEMENT PLAN
AND CUBBERLEY CAPITAL
IMPROVEMENT PLAN
CAP PG. 51-234, 235-252**

May 11, 2021

www.cityofpaloalto.org/budget

FY 2022 PROPOSED BUDGET SUMMARY

2022-2026 CAPITAL IMPROVEMENT FUND AND CUBBERLEY FUND EXPENDITURES BY CATEGORY \$182.9 MILLION





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GENERAL FUND CAPITAL PROJECTS

General Capital Improvement Plan Pg. 51-234
Cubberley Capital Improvement Plan Pg. 235-252

FY 2022 GENERAL CAPITAL IMPROVEMENT PLAN

FY 2022- FY 2026 CIP Baseline Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$ 31.7 M	\$ 45.3 M	\$ 35.8 M	\$ 37.4 M	\$ 37.6 M	\$ 187.9 M
Expenses	\$ 54.1 M	\$ 47.5 M	\$ 39.8 M	\$ 34.1 M	\$ 31.5 M	\$ 207.0 M
Infrastructure Reserve	\$ 10.7 M	\$ 5.9 M	\$ 2.0 M	\$ 2.9 M	\$ 9.0 M	\$ 9.0 M

FY 2022 – FY 2026 Capital Improvement Plan Outlook

- Overall Transfers from the General Fund:
\$9.7M in FY 2022; \$113.8M over 5-Year CIP
- Transfers from Transient Occupancy Tax (TOT) revenues dedicated by Council for infrastructure improvements:
\$5.9 M in FY 2022; \$52.1 M over 5-Year CIP
- One new project:
 - San Francisquito Creek Joint Powers Authority Ongoing Creek Projects (PE-22000): \$0.1M in FY 2022; \$0.4M over 5-Year CIP

COUNCIL CONSIDERATIONS & GENERAL FUND CAPITAL PROJECT SUMMARY

FY 2022 – FY 2026 Capital Improvement Plan Strategy

- Staff continuously re-evaluated economic impact during FY 2021
- Projects continued to be reprioritized to address reduced capacity for capital investments
- Criteria based on health and safety issues; Council priorities, including the Infrastructure Plan (IP) projects; and external funding sources
- Reductions of \$2.7 million and Council-directed additional reduction of \$2.5 million included in proposed capital budget

FY 2022 BUDGET SUMMARY

GENERAL CAPITAL IMPROVEMENT PLAN MAJOR CHANGES

- Charleston/Arastradero Corridor Project – remaining work split into revised phase 3 & 4. Phase 3 to start construction in Fall 2021. Phase 4 funding currently not in 2022-2026 CIP.
- Fire Station #4 Replacement – deferred design start to FY 2022 and construction to FY 2024 & FY 2025
- Incorporated Birch Street property (PE-19003) into Boulware Park Improvement Project (PE-17005). Complete design on expanded park in FY 2022.
- Short-term and long-term impacts to Keep-up/Catch-up work

FY 2022 BUDGET SUMMARY

GENERAL CAPITAL IMPROVEMENT PLAN CONTINUING PROJECTS

- Completing construction on the Highway 101 Bridge Project
- Continuing construction on the Public Safety Building Project
- Continuing design on Newell Road Bridge Project
- Anticipated start of construction on Rinconada Park Improvements Phase 1 and several other smaller park improvements projects
- Continuing design on the South Palo Alto Bikeways Project
- Start addressing work identified in the ADA Transition Plan Update

FY 2022 CUBBERLEY IMPROVEMENT PLAN

FY 2022- FY 2026 CIP Baseline Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$ 1.9 M	\$ 1.9 M	\$ 1.9 M	\$ 1.9 M	\$ 1.9 M	\$ 9.3 M
Expenses	\$ 0.9 M	\$ 1.0 M	\$ 1.1 M	\$ 1.1 M	\$ 0.9 M	\$ 5.1 M
Ending Fund Balance	\$2.4 M	\$2.6 M	\$2.5 M	\$2.3 M	\$3.1 M	\$3.1 M

FY 2022 – FY 2026 Cubberley Improvement Plan Outlook

- Revenues from General Fund transfers \$1.9 M annually
- No new projects, continuation of maintenance and upkeep of the facilities

FY 2022 – FY 2026 Cubberley Improvement Plan Strategy

- Cubberley Master Plan recommendations to be revisited

“PARKING LOT” AS OF 5/11 @ 2PM

FY 2022 BUDGET PROCESS

Date	Finance Committee Adjustments to Budget*	FY 2022 GF	Dept
	Beginning Balance - ARPA Reserve	\$ 3,192,580	
11-May	Add Phase 4 Charleston/Arastradero Corridor Project in FY 2023 CIP plan +\$3M; staff to provide options for offset	-	PWD
	Remaining:	\$ 3,192,580	

Date	Parking Lot Issues	Amount (cost)/savings	Dept
4-May	JMZ Ticket Pricing Analysis	(914,000)	CSD
11-May	Revised ARPA Allocation +\$1.2M over 24 mo.	600,000	ASD
	Total:	\$ (314,000)	

Budget Stabilization Reserve 6/30/21 est = \$37.8M or @ 18.5% target (as of 5/11/21)
Council range is 15% to 20% of Adopted expenses, currently estimated at \$205.6M

* Pending, the FY 2022 Proposed Budget assumes \$1.6 million in General Fund savings from labor concessions. This cannot be achieved unilaterally and requires mutual agreement. If not achieved, alternative funding will need to be identified as outlined in the balancing strategy.

Date	FY 2022 Council Contingency	
11-May	Beginning Balance	\$ 125,000

ITEM #4

**FY 2022 PROPOSED BUDGET
HEARINGS
ENTERPRISE FUNDS CAPITAL
IMPROVEMENT PLAN
AND INTERNAL SERVICE FUNDS
CAPITAL IMPROVEMENT PLAN
CAP PG. 253-524, 525-586**

May 11, 2021

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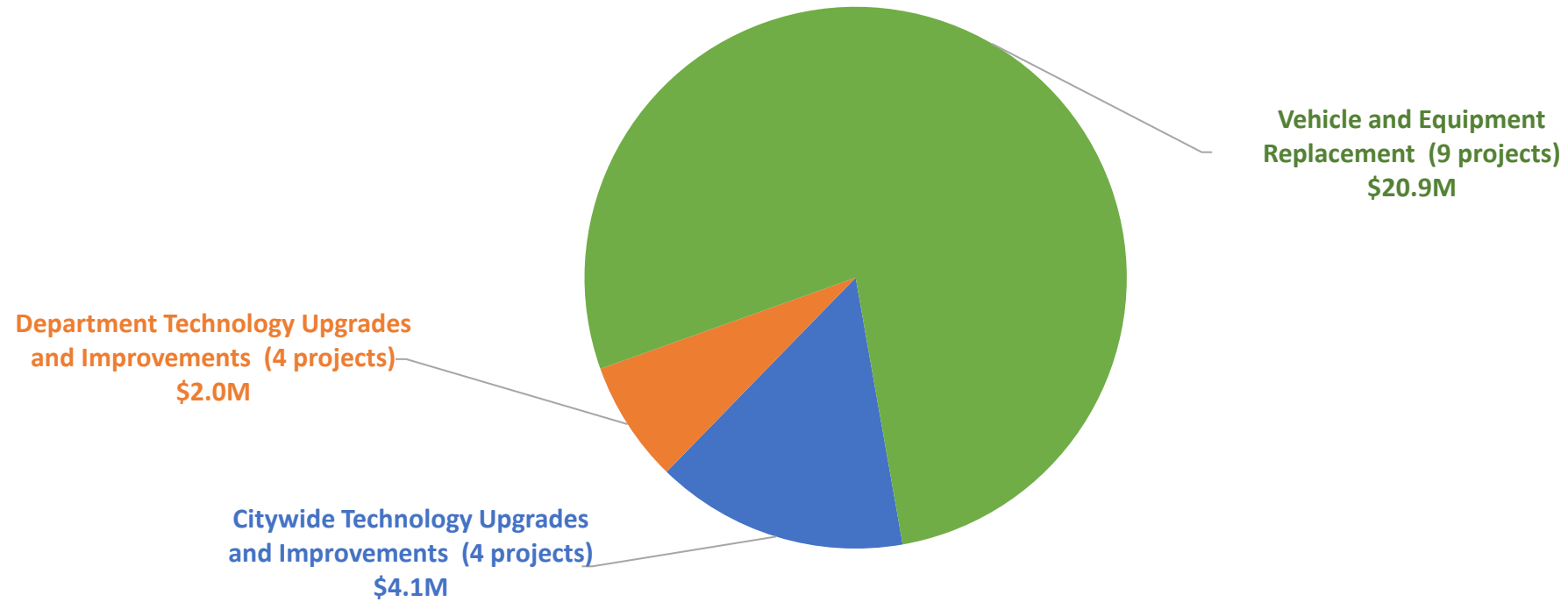
INTERNAL SERVICE FUND PROJECTS

Technology Fund Projects Pg. 527-557

Vehicle Replacement Fund Projects Pg. 561-585

FY 2022 PROPOSED BUDGET SUMMARY

2022-2026 INTERNAL SERVICE FUNDS CIP PROJECTS BY FUND (17 TOTAL) \$26.9 MILLION



FY 2022 INFORMATION TECHNOLOGY FUND

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$0.2M	\$0.2M	\$0.1M	\$0.1M	\$0.0M	\$0.6M
Expenses	\$5.1M	\$0.8M	\$0.1M	\$0.1M	\$0.0M	\$6.0M

FY 2022 – FY 2026 Information Technology Fund CIP Outlook

- Phase 1 of the ERP upgrade has been completed. Phase 2 to begin in FY2022, \$2M
- Council Chambers Audio Visual and ADA Upgrades will be revisited in FY2022, \$1.7M
- Implementation of the new Records Management System (RMS) for PD will be completed in FY2022, \$0.8M
- New project:
 - Computer Aided Dispatch (CAD) Upgrade (TE-23000): \$0M in FY 2022; \$0.7M over 5-Year CIP

FY 2022 VEHICLE REPLACEMENT FUND

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$1.4M	\$3.6M	\$3.6M	\$3.6M	\$3.6M	\$15.8M
Expenses	\$4.4M	\$3.6M	\$3.6M	\$3.5M	\$3.5M	\$18.6M

FY 2022 – FY 2026 Vehicle Replacement Fund CIP Outlook

- FY2022 expenses include reappropriated funding from previous years for vehicles that still need to be ordered or outfitted.
- FY2021 and FY2022 replacement budgets were reduced by 60%
- FY2023 - FY2026 see funding restored to FY2020 levels.
- One new project:
\$0M in FY 2022; \$3.4M over 5-Year CIP



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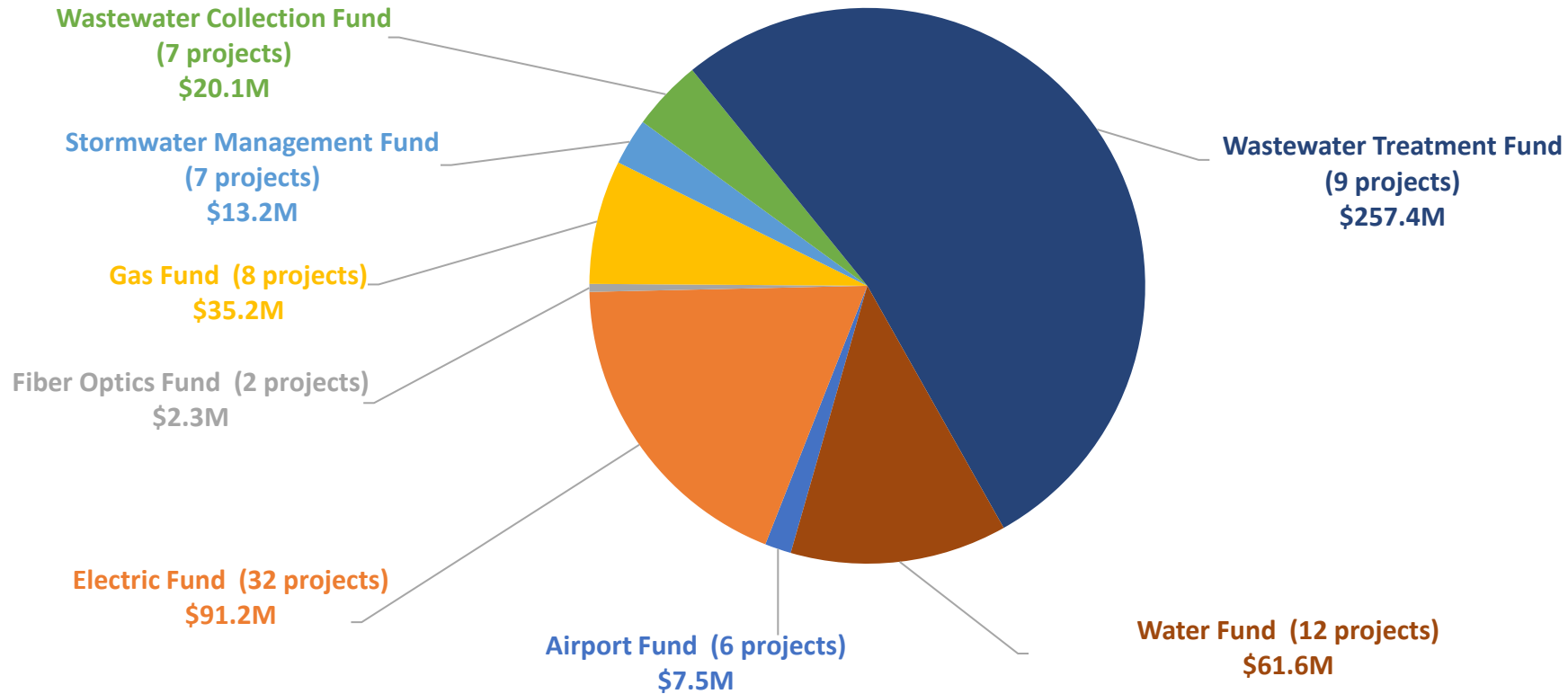
ENTERPRISE FUND PROJECTS

Public Works Projects Pgs. 255-277; 403-427; 453-485

Utilities Projects Pgs. 279-359; 361-401; 429-451; 487-523

FY 2022 PROPOSED BUDGET SUMMARY

2022-2026 ENTERPRISE CIP PROJECTS BY FUND (83 TOTAL) \$488.7 MILLION



COUNCIL CONSIDERATIONS & PUBLIC WORKS ENTERPRISE PROJECT SUMMARY

FY 2022 – FY 2026 Capital Improvement Plan Strategy

- Adjusting to temporarily reduced vehicle replacement budgets and planning for Fleet electrification
- Continuing other Airport improvements following completion of Apron project
- Implementing 13 Storm Water Ballot Measure priority projects
- Ramping up rebuilding and rehabilitation of the RWQCP

FY 2022 PUBLIC WORKS - AIRPORT FUND p.255

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$0.6M	\$0.3M	\$0.4M	\$4.0M	\$0.4M	\$5.8M
Expenses	\$0.9M	\$0.6M	\$0.7M	\$4.6M	\$0.7M	\$7.5M

FY 2022 – FY 2026 Airport Fund CIP Outlook

- Airfield Electrical Improvements \$5.3M
- Airport Layout Plan \$0.7M
- Automated Weather Observation System \$0.6M
- Runway and Taxiway Reconstruction & Drainage Improvements \$0.7M
- One new project:
 - Airport Temporary Office Buildings (AP-22001): \$0.1M in FY 2022; \$0.2M over 5-Year CIP

FY 2022 PUBLIC WORKS - STORMWATER MANAGEMENT FUND p.403

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M
Expenses	\$6.2M	\$2.5M	\$2.0M	\$1.0M	\$1.5M	\$13.3M

FY 2022 – FY 2026 Stormwater Management Fund CIP Outlook

- Corporation Way System Upgrades and Pump Station \$3.4M
- East Meadow Drive System Upgrades \$0.8M
- Louis Road System Upgrades \$1.8M
- West Bayshore Road Pump Station \$1.4M
- West Bayshore Road Trunk Line Improvements \$2.4M
- One new project:
 - Green Stormwater Infrastructure (SD-22001):\$0.5M in FY 2022; \$0.5M over 5-Year CIP

FY 2022 PUBLIC WORKS – WASTEWATER TREATMENT FUND p.453

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$19.9M	\$145.7M	\$20.9M	\$0.0M	\$43.6M	\$230.1M
Expenses	\$30.7M	\$149.7M	\$25.0M	\$4.2M	\$47.9M	\$257.4M

FY 2022 – FY 2026 Wastewater Treatment Fund CIP Outlook

- Outfall Line Construction \$10.6M
- Primary Sedimentation Tank Rehabilitation \$6.2M
- Secondary Treatment Upgrades \$126.0M
- Advanced Water Purification Facility \$17.2M
- New Laboratory and Environmental Services Building \$23.8M
- Headworks Facility Replacement \$49.1M
- One new project:
 - Horizontal Levee Pilot (WQ-22001): \$0.1 M in FY 2022; \$0.8M over 5-Year CIP

COUNCIL CONSIDERATIONS & UTILITIES ENTERPRISE PROJECT SUMMARY

FY 2022 – FY 2026 Capital Improvement Plan Strategy

- Infrastructure replacement and upgrades is a high priority to ensure system safety, reliability, resiliency, and future capacity.
- CIP prioritization is based on infrastructure criticality, age and condition, system redundancy, and types and number of customers served.
- Dedicated CIP reserves to fund ongoing capital projects, accumulate funds for future large one-time CIP, and serve as contingency for unforeseen capital expenses.
- For FY 2022, Utilities for the most part will be able to stay on track with scheduled CIP but will scale back a couple main replacement projects to minimize rate increases in the Gas and Wastewater Collection utilities.

FY 2022 UTILITIES - ELECTRIC FUND p.279

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$1.9 M	\$1.9 M	\$1.9 M	\$1.9 M	\$1.9 M	\$9.3 M
Expenses	\$23.3 M	\$25.2 M	\$21.7 M	\$10.3 M	\$10.8 M	\$91.2 M

FY 2022 – FY 2026 Electric Fund CIP Outlook

- Smart Grid (Advanced Metering Infrastructure) \$17.0M
 - Funded by Electric Special Projects Reserves
- Foothills Rebuild (Wildfire Mitigation) \$2.0M*
- Wood Pole Replacement \$7.8M
- Rebuild Underground Districts \$7.8M

- One new project:
 - Colorado Distribution Feeder Outlet Replacement (EL-22002): \$0.4M in FY 2022 (one time)

FY 2022 UTILITIES - FIBER FUND p.361

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.0M	\$0.8M
Expenses	\$0.5M	\$0.5M	\$0.5M	\$0.5M	\$0.5M	\$2.3M

FY 2022 – FY 2026 Fiber Fund CIP Outlook

- Paused Fiber Optics Network System Rebuild
- Detailed engineering design for new fiber backbone and fiber-to-the-home distribution network – pending Council's direction on May 24, 2021 meeting

FY 2022 UTILITIES - GAS FUND p.375

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$4.5M
Expenses	\$5.8M	\$9.7M	\$4.3M	\$11.3M	\$4.2M	\$35.2M

FY 2022 – FY 2026 Gas Fund CIP Outlook

- Completion of Gas Main Replacement (GMR) Project 23 in FY 2022
- GMR Project 24, \$9M in FY 2023
- GMR Project 25, \$11M in FY 2025

FY 2022 UTILITIES – WASTEWATER COLLECTION FUND p.429

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$0.5M	\$0.5M	\$0.5M	\$0.5M	\$0.5M	\$2.3M
Expenses	\$5.6M	\$2.3M	\$3.5M	\$5.4M	\$3.3M	\$20.1M

FY 2022 – FY 2026 Wastewater Collection Fund CIP Outlook

- Sanitary Sewer Replacement (SSR) Project 30 – reduced budget from \$6.0M to \$4.4M in FY 2022
- SSR Project 31 – deferred one year from FY 2024 to FY 2025; reduced to \$5.2M
- SSR Project 32 – deferred one year from FY 2026 to FY 2027

FY 2022 UTILITIES - WATER FUND p.487

2022-2026 CIP Proposed Budget Summary

	FY 2022 Proposed	FY 2023	FY 2024	FY 2025	FY 2026	5-Year Total
Revenues	\$1.2M	\$1.2M	\$1.3M	\$1.3M	\$1.5M	\$6.5M
Expenses	\$14.9M	\$10.4M	\$12.9M	\$4.6M	\$18.8M	\$61.6M

FY 2022 – FY 2026 Water Fund CIP Outlook

- Water Tank Seismic Upgrade and Rehabilitation; \$15.6M
 - Corte Madera, Dahl and Park
- Water Main Replacement (WMR) Project 28; \$11M in FY 2022
- WMR Project 29; \$9.4M in FY 2024
- WMR Project 30; \$9.4M in FY 2026
- Water Meter Replacement – 9,000 meters as part of the AMI project

ITEM #5

**FY 2022 PROPOSED BUDGET
HEARINGS**

PUBLIC SAFETY CITY SERVICE AREA

**OFFICE OF EMERGENCY SERVICES,
POLICE, & FIRE DEPARTMENTS**

OP PG. 205 - 214, 255 - 261, 277 - 288

May 11, 2021

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FY 2022 PROPOSED BUDGET

Department	General Fund Revenue	General Fund Expenses	General Fund FTE
Fire	\$10,360,360	\$34,834,347	89.80
Emergency Services	\$95,589	\$1,236,545	2.48
Police	\$4,016,201	\$41,443,360	120.35



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Fire Department

Operating Pg. 205-214

FY 2022 PROPOSED BUDGET (FIRE)

Balancing Strategy

The Department will expand the Fire Station 2 brown-out beyond evenings and weekends to a full-time brown-out model. This will reduce overtime funding and require termination of fire alarm service response to certain occupancy types to maintain availability of resources for more emergent incidents. Response times, reliance on mutual aid, and crew workload will increase, and changes may impact the Stanford Fire Services Contract.

Major Proposed Changes in General Fund

- Flexible staffing model resulting in unit brownouts (-\$656,000)
- Fire alarm response changes

FY 2022 DEPARTMENT OUTLOOK (FIRE)

- Emergency response to fires, medical emergencies, technical rescue incidents and hazardous materials emergencies
- Maintain an effective response force to stop the escalation of emergencies, e.g. structure fires, and focus on optimizing our emergency response system
- Maintain current emergency medical response and ambulance transport services
- Continue to perform fire inspections on State-mandated occupancies, foothill residences, businesses with hazardous materials and new construction's fire protection systems



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Office of Emergency Services

Operating Pg. 255-261

FY 2022 PROPOSED BUDGET (OES)

Balancing Strategy

OES will reduce the operations and maintenance funding aligned with the Intrusion Detection System (Caltrain right-of-way camera system).

Major Proposed Changes in General Fund

- Reduce funding for IDS program (-\$90,000)

FY 2022 DEPARTMENT OUTLOOK (OES)

- Palo Alto OES will continue to lead the corrective action process to improve our response and recovery systems related to the COVID-19 pandemic.
- A heightened interest within the community to provide all-hazards based education and training is anticipated.
- Update to the Local Hazard Mitigation Plan (LHMP)
- Coordinate the implementation of a Foothills Fire Early Warning system
- Participate in the final design/build of the Public Safety Building



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Police Department

Operating Pg. 277-288

FY 2022 PROPOSED BUDGET (POLICE)

Balancing Strategy

- With the exception of revenue from parking enforcement, special events, regional partners, and alarm registrations/fees, most services provided have little cost recovery.
- Seek new cost recovery streams; move to a flexible resources model based on daily staffing; and reduce or eliminate management, support staff, and programs.
- Increase the acceptance of online reporting – particularly with property-related crimes.
- Services related to quality of life or administrative in function will be provided as staffing, funding or cost recovery permits (e.g. directed traffic enforcement, non-injury traffic reports, recurrent alarms, community outreach). These services will be subordinate to emergencies and other mandated activities.

FY 2022 BUDGET SUMMARY (POLICE)

Major Budget Changes

- Reduction in Patrol Operations (-\$1.0 M)
- Subsidize Animal Control Operations with Donations (-\$575,000)
- Reduction in Crossing Guard Services (-\$304,000)
- Reallocate Lieutenant to City Manager's Office (-\$293,000)
- Reduction in Parking Enforcement Management (-\$134,000)
- Reduction in Administrative Programming (-\$47,000)

FY 2022 DEPARTMENT OUTLOOK (POLICE)

- Answer calls for help and respond to urgent or escalated calls for help 24/7
- Investigate and enforce laws
- Maintain an Animal Control team at various times of the week
- Maintain lobby and property counter hours weekly
- Administer the City radio infrastructure for all departments
- Collect and maintain sensitive records and evidence
- Coordinate with other agencies such as the District Attorney's office and other law enforcement agencies
- Maintain timed parking enforcement in business districts

SERVICE AREA SUMMARY

	General Fund FY 2020 Adopted (Pre-Pandemic)	General Fund FY 2022 Proposed	% change	FY 2020 Adopted General Fund FTE (Pre-Pandemic)	FY 2022 Proposed General Fund FTE	% change
Public Safety	\$81.3 M	\$77.6 M	(4.5%)	253.70	212.63	(16.2%)