

FY 2021-2022 BUDGET WRAP-UP

PROPOSED OPERATING AND CAPITAL BUDGETS & MUNICIPAL FEE SCHEDULE

Finance Committee

Finance MEETING

5/25/2021

Received Before Meeting

1

May 25, 2021

www.cityofpaloalto.org/budget

BUDGET WRAP OVERVIEW

- Review of tentative budget adjustments to date including additional staff recommended adjustments and City Council direction to the Committee
- Review additional information provided as requested and/or at Staff's behest
 - Revised General Fund Long Range Financial Forecast using Council directed LRFF Scenario B assumptions, a conservative recovery over three to five-year period
 - Summary of funding source status for ROTH Building rehabilitation
- Alternative balancing strategy should labor concessions (\$1.6M in General Fund, \$2.5M all funds) not be achieved

BUDGET SURVEY SUMMARY RESULTS



Summary Results May 4- May 21

- Total visitors: 1107
- Total responses: 888

QUESTION 1

Please prioritize the following Citywide Service Areas.

1. Community/Library Services
2. Public Safety
3. Planning/Transportation
4. Strategic Support

No change from last release of survey results.

QUESTION 2

From the list of FY 2021-22 Proposed Budget reductions listed below, please prioritize up to ten (10) items that are the most important to you to restore if funding becomes available. Ranking #1 means this item is your highest priority service to be restored, if additional funding is available.

1. Neighborhood Libraries and Maintain Distribution Services
2. Children's Theatre Operations and Production Staffing
3. Police Patrol Staffing
4. Arts Center Operating Hours & Programming and Increase Fees
5. Crossing Guard Services 50%
6. Sports and Recreation Programming and Increase Fees
7. Investment in the City's Infrastructure Catch-up and Keep-up
8. Emergency Incident Response Services Brown Out (Fire Station 2)
9. Teen Center Operations and Use the Think Fund/Bryant Street Garage Fund
10. Junior Museum and Zoo Marketing Resources

Fire Station 2 moved up to #8 from #9, shifting Teen Center Operations to #9

BUDGET SURVEY SUMMARY RESULTS

QUESTION 3

If you could balance the budget through alternative funding sources, how would you rank the following funding sources? Funds would be used to provide City services such as libraries, community services, and public safety. Rank one (1) is the highest priority for use/pursuit.

1. Reduce City Reserves by 25%
2. Advance the 2nd Year American Rescue Program Act (ARPA) Funding set aside for FY 2022-23 in FY 2021-22
3. Reduce City Reserves by 10%
4. Establish a New Revenue (requires voter approval; e.g. a business tax or a charge on customer utility bills)
5. Increase an Existing Tax (requires voter approval)
6. Reduce City Reserves by 50%
7. Reduce City Reserves by 65%

Changes include a shift of use of reserves by 25% to #1, shifting advancing the 2nd year of ARPA funding to #2

- Question 4 is an open field, for general comments.

BUDGET SURVEY SUMMARY RESULTS

QUESTION 4 is an open field for general comments and included 392 results.

Some themes included were:

- Exploring options related to JMZ entrance fees so that they are lower than \$18
- Supporting teen and youth wellness programming, including YCS
- Reinforcing priorities such as providing community services and public safety services
- Continue to look for efficiencies and providing services differently
- Support for Charleston – Arastradero project to continue

CURRENT STATUS OF RECOMMENDED ADJUSTMENTS

General Fund	One-Time \$ (savings)/cost	Ongoing \$ (savings)/cost	Other Fund Adjustments	Fund
City Council & Finance Committee Recommendations <i>Includes 60-40 split of ARPA, use of ARPA Reserve, and use of BSR (\$2.5M)</i>	(\$2M)	\$2.3M	Add Phase 4 Charleston/Arastradero Corridor Project in CIP plan +\$3 million (offset by \$1.2 million SUMC funding; \$1.5 million from the Bike and Pedestrian Plan capital project (PL-04010); and \$300,000 from various street maintenance projects)	Capital Improvement Fund & Stanford University Medical Center (SUMC)
Staff recommended adjustments (<i>Budget Wrap-up Memo – Section 3</i>)	\$0.3M	\$0.6M	Adjust Commodity Purchases in Gas (decrease \$1.6 million)	Gas Operating Fund
			Reduce the funding allocated to the Transportation Management Association (TMA) to \$150,000	University Avenue Parking Permit Fund
			Fund the ROTH Building Phase 1 rehabilitation (aka “warm shell”) of 300 Homer Ave. estimated at \$4.0 to 4.5 million	To Be Determined
TOTAL	(\$1.7M)	\$3.0M		

ADDITIONAL STAFF RECOMMENDED ADJUSTMENTS

- Facility and custodial budget associated with restoration of Library services and Baylands Interpretive Center open hours, \$53,000
- Business Registry Certificate and Business Improvement District fee waiver (City Council, May 17, 2021, CMR 12167), \$82,000
- Restore Citywide Administrative Support functions

Department	Position/Service Restoration	General Fund Cost	All Funds Cost
Administrative Services	Restore Purchasing 0.50 FTE Administrative Associate and realign staff resources	94,000	94,000
City Attorney's Office	Restore Assistant City Attorney from underfilled Deputy City Attorney	92,000	92,000
City Auditor's Office	Restore Auditor services contract	30,000	40,000
Fire	Add 1.0 FTE Administrative Associate II, eliminate hourly Administrative Specialist II	68,000	68,000
Human Resources	Recruitment support staffing	75,000	75,000
Information Technology	Technology consultant services (one-time)	80,000	200,000
Public Works	Restore 1.0 FTE Facilities Technician	136,000	136,000
Non-Departmental	Reserve for administration support (one-time)	300,000	300,000
TOTAL		\$875,000	\$1,005,000

LONG RANGE FINANCIAL FORECAST UPDATED

Baseline Scenario: ARPA 60/40 assumes savings from labor concessions

The baseline scenario aligns with the Finance Committee and City Council recommendations to date.

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Use of Reserves/Fund Balance	\$3,450	\$159	\$0	\$0	\$0
Total Revenue	\$205,691	\$213,002	\$218,366	\$225,186	\$231,642
		3.6%	2.5%	3.1%	2.9%
Total Expenditures	\$207,462	\$221,977	\$232,524	\$240,846	\$243,149
		7.0%	4.8%	3.6%	1.0%
Net One-Time Surplus/(Gap)	\$1,679	(\$8,816)	(\$14,158)	(\$15,661)	(\$11,507)
Cumulative Net Operating Margin (One-Time)					(\$48,463)
Net Operating Margin	\$1,679	(\$10,495)	(\$5,342)	(\$1,503)	\$4,154
Cumulative Net Operating Margin					(\$11,507)

Alternative Scenario 1: ARPA 60/40 does not assume any labor concessions

Cumulative Net Operating Margin for FY 2022 – 2026 increases to -\$13M

LONG RANGE FINANCIAL FORECAST KNOWN UNKNOWNNS

Assumptions not included in the Forecast:

- Labor negotiations
- Capital Infrastructure plan
- Grade Separation
- Parks Master Plan
- Racial Equity Work
- Other Capital Improvement Projects
- City owned assets operated by non-profit organizations
- Future changes in funding or service levels as adopted by Council
- Cubberley Community Center Concept Plan
- Loans for special projects
- Legislative updates
- Tax revenue alignment with updated Comprehensive Plan
- Litigation
- Changes in the local, regional, and national economy

STAFF RECOMMENDATION

- 1) Review the current budget adjustments to the Fiscal Year 2022 Proposed Operating and Capital Budgets and Municipal Fee Schedule in alignment with the work completed by the Committee May 4, 11, and 12, 2021 and the City Council budget review on May 17, 2021;
- 2) Review additional information provided either at staff's behest or as requested by the Committee and City Council such as the revised General Fund financial forecast scenarios;
- 3) Recommend to the City Council the adoption of the FY 2022 Operating and Capital Budgets, Municipal Fee Schedule, and approve the FY 2022-2025 Capital Improvement Plan as amended by the actions outlined in this report and approved in the wrap-up discussion; and
- 4) Recommend to the City Council adjustments to the FY 2022 Operating Budget in the event the City does not reach agreement with labor groups on concessions estimated at \$1.6 million in the General Fund and \$2.5 million all funds.