

FY 2021-2022 PROPOSED OPERATING AND CAPITAL BUDGETS

Finance Committee
Review with City Council
Item #11

May 17, 2021

www.cityofpaloalto.org/budget

MULTIYEAR IMPACTS OF THE PANDEMIC

- The past year has been filled with uncertainty and challenges
 - City of Palo Alto took swift, decisive, and difficult action to balance an approx. \$40 million decline in FY 2021 revenues (particularly sales and hotel taxes)
 - Significant efforts have been underway and accomplished to adapt to rapid changes
- Council directed staff to use LRFF Scenario B assumptions which outlines a conservative recovery from the current pandemic over a three to five-year period
- Following an extremely difficult year, balancing strategies to address the City's continued fiscal challenges, are neither recommended nor sustainable
- By City Charter requirement, a balanced budget must be adopted by Council by 6/30

BUDGET SURVEY STATUS UPDATE

Budget Survey

- Budget survey released on May 5, 2021
- Survey closes May 21 at 12 p.m.
- First summary of results: released on May 12 At-Places Finance Committee report
- Next summary: released on May 17 for Finance Committee Update at the Council Meeting
- Last summary: to be released on Friday, May 21 after the close of the survey



BUDGET SURVEY SUMMARY RESULTS

Summary Results May 4- May 17

- Total visitors: 1015
- Total responses: 820

QUESTION 1

Please prioritize the following Citywide Service Areas.

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

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. Teen Center Operations and Use the Think Fund/Bryant Street Garage Fund
9. Emergency Incident Response Services Brown Out (Fire Station 2)
10. Junior Museum and Zoo Marketing Resources

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. Advance the 2nd Year American Rescue Program Act (ARPA) Funding set aside for FY 2022-23 in FY 2021-22
2. Reduce City Reserves by 25%
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%

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

NEW INFORMATION PROVIDED May 10th & 11th

At Places Memorandum Summary

- General information transmitted (i.e. vacancies, leases, spend, organization charts)
- Correction tables for Municipal Fees
- Crossing guard locations
- Preliminary survey results
- Palo Alto Transportation Management Association letter

Revenue Adjustments

- Updated ARPA funding from \$12.5M to \$13.7M
- Preliminary Q3 General Fund revenue

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

FINANCE COMMITTEE ADJUSTED

- Parking lot was used as a running list of items that the committee will consider restoring, using funds available.
- Status of tentative actions taken by the Committee to inform the basis of the discussions with City Council on May 17th

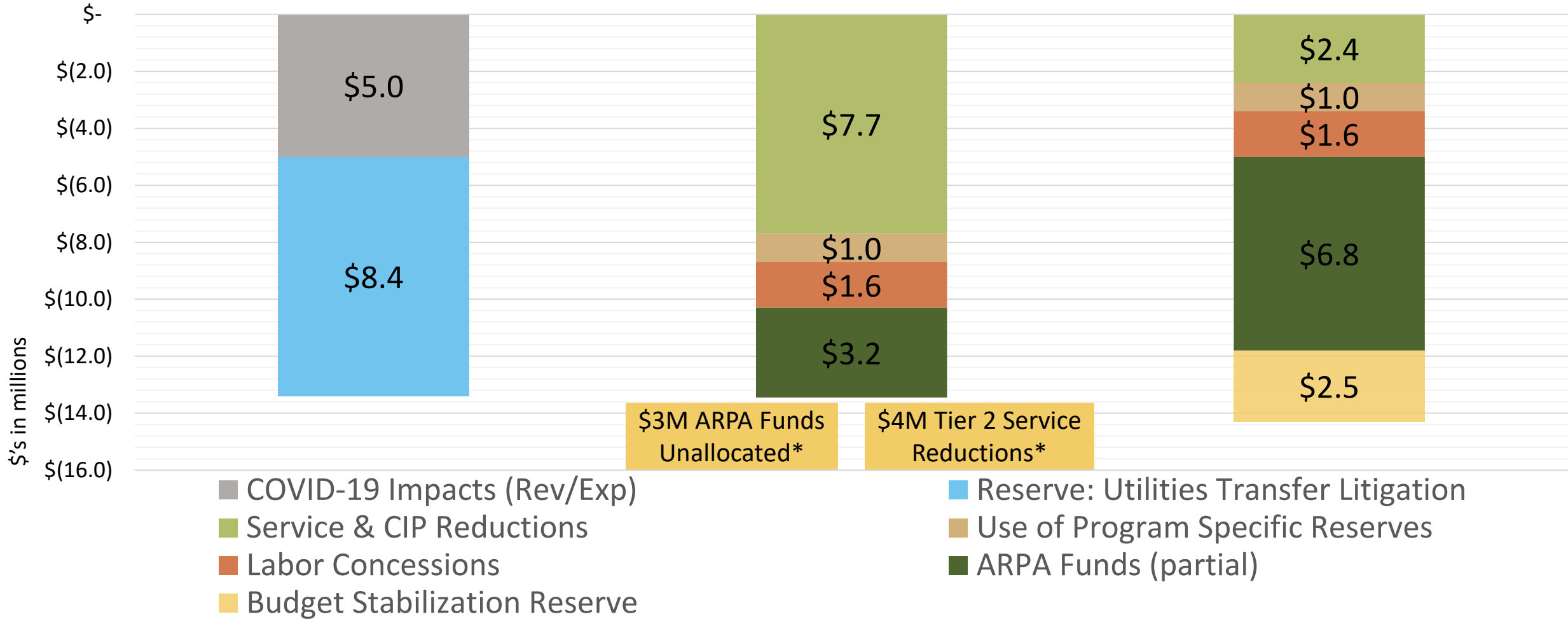
Date	Finance Committee Adjustments to Budget*	FY 2022 GF	Dept
	Beginning Balance - ARPA Reserve	\$ 3,192,580	
11-May	Add Phase 4 Charleston/Arastradero Corridor Project in FY 2023 CIP plan +\$3M; staff to provide options for offset	-	PWD
12-May	Adj gas commodity purchases -\$1.6M		UTL
12-May	Revised ARPA Allocation +\$1.2M over 24 mo. (2-1, Burt No)	600,000	ASD
12-May	NON Bgt Adj: City Council Contingency (2-1, Burt No)	100,000	NON
12-May	NON BSR: reduce by \$2.5M (3-0)	2,500,000	NON
12-May	Allocate \$50k SUMC Funds (Community Health & Safety) towards HSRAP Allocation (3-0)	-	CSD
4-May	JMZ Ticket Pricing Analysis @ \$10 entry	(914,000)	CSD
12-May	CSD Bgt Adj: Art Center Hours/Program/Fees	(208,025)	CSD
12-May	CSD Bgt Adj: Eliminate CSD Admin Support	(152,200)	CSD
12-May	CSD Bgt Adj: Sports and Recreation Staffing	(38,202)	CSD
12-May	CSD Bgt Adj: JMZ Marketing Reduction	(50,000)	CSD
12-May	CSD Bgt Adj: Cubberley Theatre Admin Reduction	(94,123)	CSD
12-May	CSD Bgt Adj: Children's Theatre Operations & Production	(68,224)	CSD
TBD*	CSD Bgt Adj: Teen Services/Use of Think Funds	(55,209)	CSD
12-May	CSD Bgt Adj: Elim Baylands Interpretive Cntr Hrs	(15,321)	CSD
12-May	CSD Bgt Adj: Elim Cubberley Artist Studio Admin	(12,173)	CSD
12-May	Add \$125K to CSD at Staff's Discretion	(125,000)	CSD
11-May	Fire Bgt Adj: Emerg. Incident Brown Out (FS#22)	(709,000)	FIR
12-May	Fire Bgt: Fire Equity Hiring	(50,000)	FIR
11-May	Police Bgt Adj: Reduce Patrol Staffing	(1,008,737)	POL
11-May	Police Bgt Adj: Reduce Crossing Guard Srvcs	(304,310)	POL
11-May	Police Bgt Adj: Reallocate Lieutenant to CMO	(292,903)	POL
11-May	Police Bgt Adj: Reduce Admin Programming	(47,450)	POL
12-May	Library Bgt Adj: Neighborhood Library Closure	(544,918)	LIB
12-May	PDS Bgt Adj: Current Planning Staff	(138,146)	PDS
12-May	CMO Bgt Adj: Federal Lobbyist Contract	(40,000)	CMO
12-May	CLK Bgt Adj: Minutes Transcription Services	(63,000)	CLK
12-May	Establish Council Uncertainty Reserve	(500,000)	CSD
12-May	SRF Bgt Adj: TMA Funding, -\$110k (University Ave. Parking Fund)		OOT
	Remaining:	\$ 961,639	

PROPOSED BUDGET BALANCING STRATEGY

FY 2022 Budget Balancing Strategy

FY 2022 Budget Gap

Finance Committee Strategy



* Tier 2 and additional ARPA funds intended for Council / Finance Committee to use to restore reductions in proposed balancing strategy and/or available to address economic and labor uncertainties.

FINANCE COMMITTEE INFORMATION FOR COUNCIL DISCUSSION

- 1) Propose lowering the level of the Budget Stabilization Reserve (BSR) by \$2.5 million, below the 18.5 percent target to between 16.6 percent and 17.4 percent of estimated FY 2022 expense levels;
- 2) Propose a one-year solution where the City will continue to face gaps in FY 2023 if revenues do not grow faster than expenses;
- 3) Assume a 50-50 split of the receipt and appropriation of American Rescue Plan Act (ARPA) funding of \$13.7 million over a 24-month period;
- 4) Consider a moderate increase in the Electric Utility Rate in FY 2022;
- 5) Request the City Council or their representatives to engage with the school board on cost sharing for services such as, but not limited to: Crossing Guards, Children's Theatre Outreach, Safe Routes to School;
- 6) Assume the \$1.6 million in labor concessions in the General Fund are achieved; and
- 7) Recommend up to \$1.0 million for the City Council to increase the Uncertainty Reserve, replenish the Budget Stabilization Reserve, and/or allocate towards service restoration.