

**FY 2023
BUDGET WRAP-UP**

**PROPOSED OPERATING AND
CAPITAL BUDGETS &
MUNICIPAL FEE SCHEDULE**

Finance Committee, Item #1

May 24, 2022

www.cityofpaloalto.org/budget

BUDGET WRAP OVERVIEW

- Review Actions by the Finance Committee thus far:
 - Adjustments tentatively approved to date (section 1 in staff report)
 - Items placed in the Parking Lot for further discussion (section 2 in staff report)
 - Recommended additional adjustments (section 3 in staff report)
- Review additional information provided as requested and/or at staff's behest
 - Review Fiscal Sustainability Survey results (included in section 4 in staff report)

ACTION: Finance Committee to make a final recommendation to Council for adoption of FY 2023 budgets as recommended to be amended

COMMITTEE TENTATIVELY APPROVED ADJUSTMENTS

Department	Description	General Fund Cost	All Funds Cost
Committee Tentatively Approved Adjustments			
Office of Transportation	University Avenue Parking Attendant Program (valet) (one-time reduction)	-	(290,000)
City Manager's Office	National Citizen Survey (NCS) (ongoing addition, additional new funding in FY 2024)	-	-
Utilities	S/CAP Utilities Department Management Staffing (1.0 FTE ongoing addition, 5/11 at-places)	-	276,000
COMMITTEE TENTATIVELY APPROVED ADJUSTMENTS TOTAL		\$ -	(\$14,000)

CURRENT STATUS OF PARKING LOT

Department	Description	General Fund Cost	All Funds Cost
Parking Lot			
Community Services	Youth Community Services (YCS) Youth Connectedness Initiative (YCI)	50,000	50,000
Community Services	United Nations Association Film Festival (UNAFF)	10,000	10,000
Planning & Development Services	Downtown Housing Plan Grant Recognition and General Fund Support	(150,000)	(150,000)
PARKING LOT TOTAL		(\$90,000)	(\$90,000)

ADJUSTMENTS RECOMMENDED FOR CONSIDERATION

Department	Description	General Fund Cost	All Funds Cost
Additional Adjustments Staff Recommends			
Utilities	Water Rate & Corresponding Adj. (align w/ Committee 4/19)	(87,000)	3,176,000
Utilities	Fiber CPI Revenue Adjustment (align w/ Committee 4/19)	-	96,000
Various - CIP	FY 2022 Reappropriations to FY 2023 (as of May 2022)	-	25,454,000
Utilities - CIP	Substation Physical Security Project (EL-16003)	-	2,200,000
Community Srvc - CIP	Ramos Park (PG-14000, offset by reduction from admin proj)	-	300,000
Community Srvc - CIP	Performing Arts Seating Lucie Stern (AC-18000, \$700k total)	-	50,000
Administrative Srvc	Barron Park Alley (Cyprus Lane) (Attachment E, step 1 of 3)	18,000	18,000
Non-Departmental	General Fund Transfer to the Public Art Fund (technical adj)	14,000	14,000
ADDITIONAL ADJUSTMENTS TOTAL		(\$55,000)	\$31,294,000

ADDITIONAL ADJUSTMENTS FOR CONSIDERATION

Long-Range Financial Plan for all major funds (Attachment A)

- New GFOA budget award requirement to include budget forecast (2 years) for major funds (General Fund, Electric Fund, and Wastewater Treatment Fund)

Utilities additional staffing, rate adjustment, and realignment of budget estimates

- Water Rate adjustments due to 15.9% commodity rate increase
- Fiber revenue realignment for rate schedule increases (4.2% CPI) and technical correction

CIP reappropriations (Attachment B) and project adjustments

- Substation Physical Security Project (EL-16003) to install security walls, perimeter lighting and cameras at all nine Electric Substations
- Performing Arts Seating Replacement Lucie Stern (AC-18000) to add funding for ADA design work; seating replacement to occur in FY 2024 (+\$650,000)

FISCAL SUSTAINABILITY SURVEY RESULTS

Summary Results Feb 15 - May 17

Total responses: 433

Highest ranked priorities (8 areas listed in total):

- Maintaining basic services
- Repairing streets/roads
- Investment in community-owned assets
- Adding public safety services such as police, fire, and emergency medical
- Funding affordable housing and homeless services

Feedback demonstrates resident interest and responsiveness to mailed information





FISCAL SUSTAINABILITY: COMMENTS/SUGGESTIONS

recreation services community
traffic safety animal shelter
affordable housing road maintenance
traffic congestion home
alternative transportation options
library hours electric grid reliability
employees pension cost parking
bicycle infrastructure fiber
services level utilities services
human services
airplane noise

Community comments varied, some of the most frequent comments included:

- Improvements to City infrastructure (85 comments, of which 44 related to Lucie Stern)
- Prioritizing traffic enforcement, code enforcement, and general policing (29 comments)
- Comments for and against spending on sustainability and climate action (22 comments)
- Comments for and against affordable housing and homeless services (6 comments)

ADDITIONAL INFORMATION & HIGHLIGHTS

-  Barron Park Alley (Cypress Lane) cost estimate and strategy to explore ownership, 3 step project
-  Plan for Lucie Stern Theater seating replacement
- City Auditor's Office Key Performance Measures
- Overall plan, status, and next steps for the Bike and Pedestrian Project
- Cumulative investments in Grade Separation Project, \$4.6 million FY17 - FY22

- Overview and staffing requests for Sustainability/Climate Action Plan (S/CAP)
- Top software expenditures in IT Department (Attachment F)
- Pension and OPEB contributions; rates assumed and potential impact from inflation
 - Updated OPEB valuation report to be presented on June 7, 2022
- Website document retention system, and search functionality



**Budget adjustment included in
recommended changes**

RECOMMENDED ACTION

Review the current budget adjustments to the Fiscal Year 2023 Proposed Operating and Capital Budgets and Municipal Fee Schedule in alignment with the work completed by the Committee on May 10 and 11, 2022; & review additional information provided either at staff's behest or as requested by the Committee.

DRAFT MOTION:

Recommend the City Council:

1. Adoption of the FY 2023 Operating and Capital Budgets and Municipal Fee Schedule, amended by:
 - a. Tentatively approved items (slide 3)
 - b. *[insert reference or adjustments on slides 4 & 5, or other changes as desired]*
2. Approve the FY 2023-2027 Capital Improvement Plan, amended by
 - a. *Actions outlined in this report and approved in the wrap-up discussion.*