

# FY 2021-2022 PROPOSED OPERATING AND CAPITAL BUDGETS

May 3, 2021

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

# OVERVIEW

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- Proposed budget balancing strategy that addresses the community's immediate service needs, while positioning to restore services and adapt as recovery takes shape
- 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
- Advance public discussions on how to most effectively resource services that have the greatest impact on the community

# MULTIYEAR IMPACTS OF THE PANDEMIC

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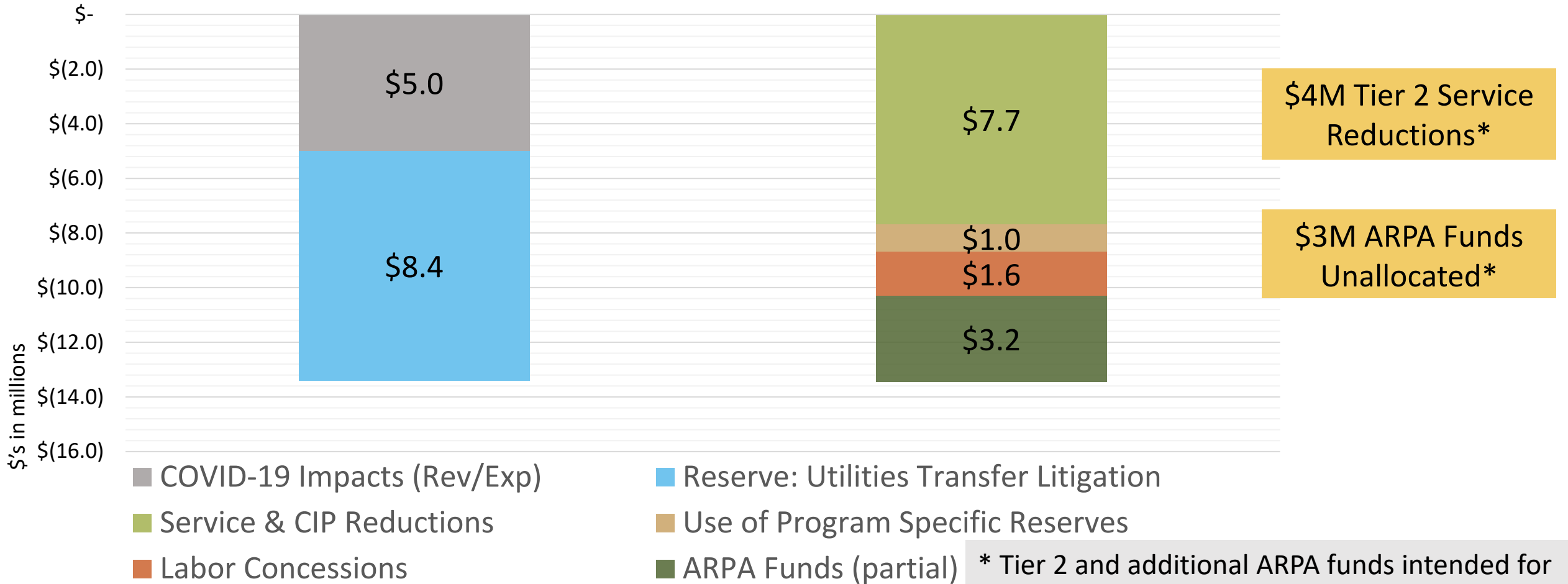


- The past year has been filled with uncertainty and challenges
  - City of Palo Alto took swift, decisive, and difficult action to balance an approximately \$40 million decline in FY 2021 revenues (particularly sales and hotel taxes)
  - Significant efforts have been underway and accomplished as the organization and community adapt to rapid changes
- This Proposed Budget begins the next phase of a conversation on how best to deliver services through the allocation of constrained resources
  - Balancing actions reflect extraordinary service and CIP reductions in this current reality of reduced resources
  - Need to ensure the City ends fiscally solvent for FY 2022

# PROPOSED BUDGET BALANCING STRATEGY

## FY 2022 Budget Gap

## FY 2022 Budget Balancing Strategy



\$4M Tier 2 Service Reductions\*

\$3M ARPA Funds Unallocated\*

\* 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.

# BUDGET CONVERSATIONS & NEXT STEPS

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## May 4, 6, 11-12, 17

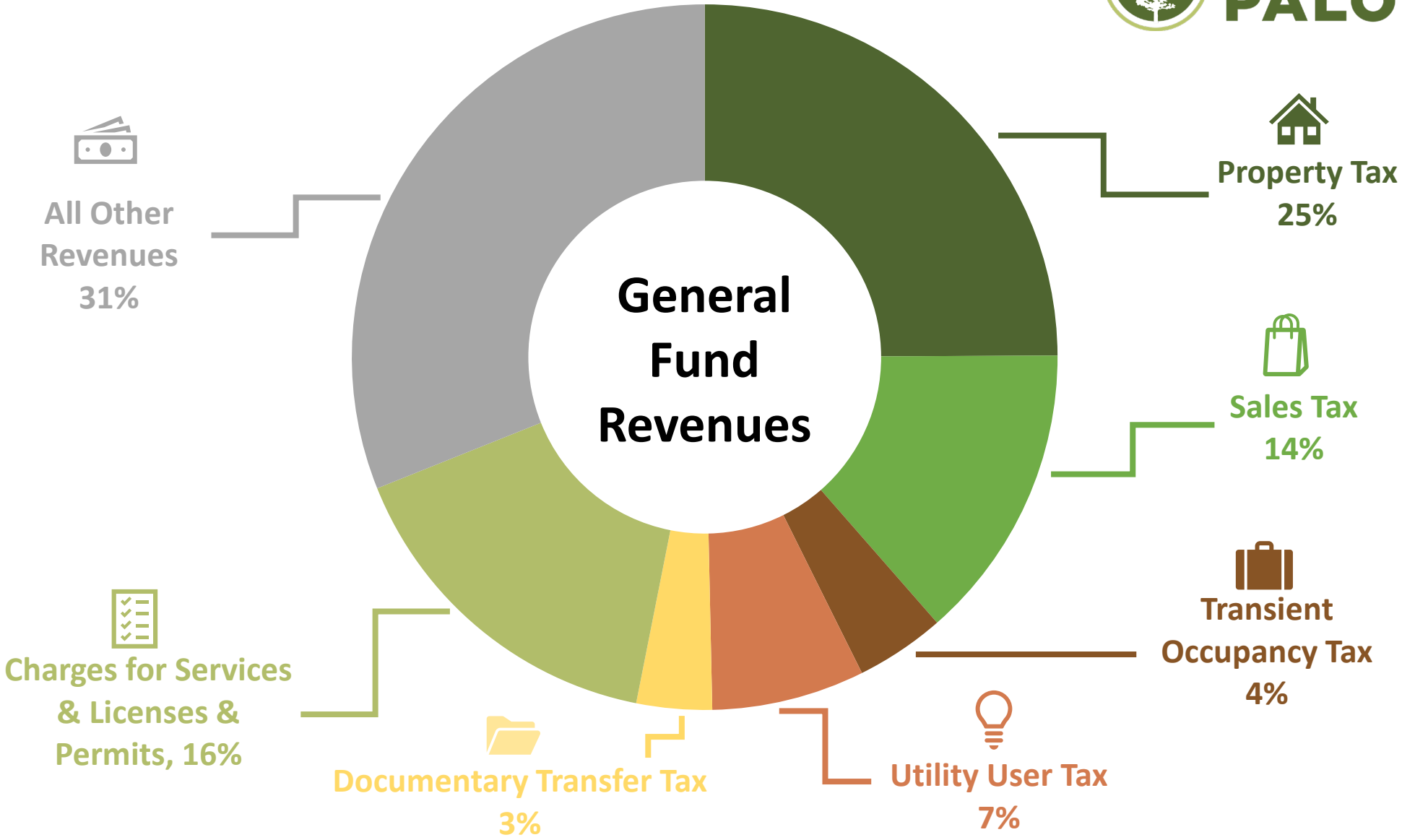
- Finance Committee will review specific City service area balancing actions and discussion of services that will be reduced / maintained
- Council will have time to review the progress of the hearings on May 17th, and provide guidance for May 25 budget deliberations
- A public budget townhall will be held on May 6th

## May 25

- Finance Committee will be presented a final, revised balancing strategy, based on the input from the various May budget meetings
- Committee final adjustments and recommend Council budget adoption on June 21

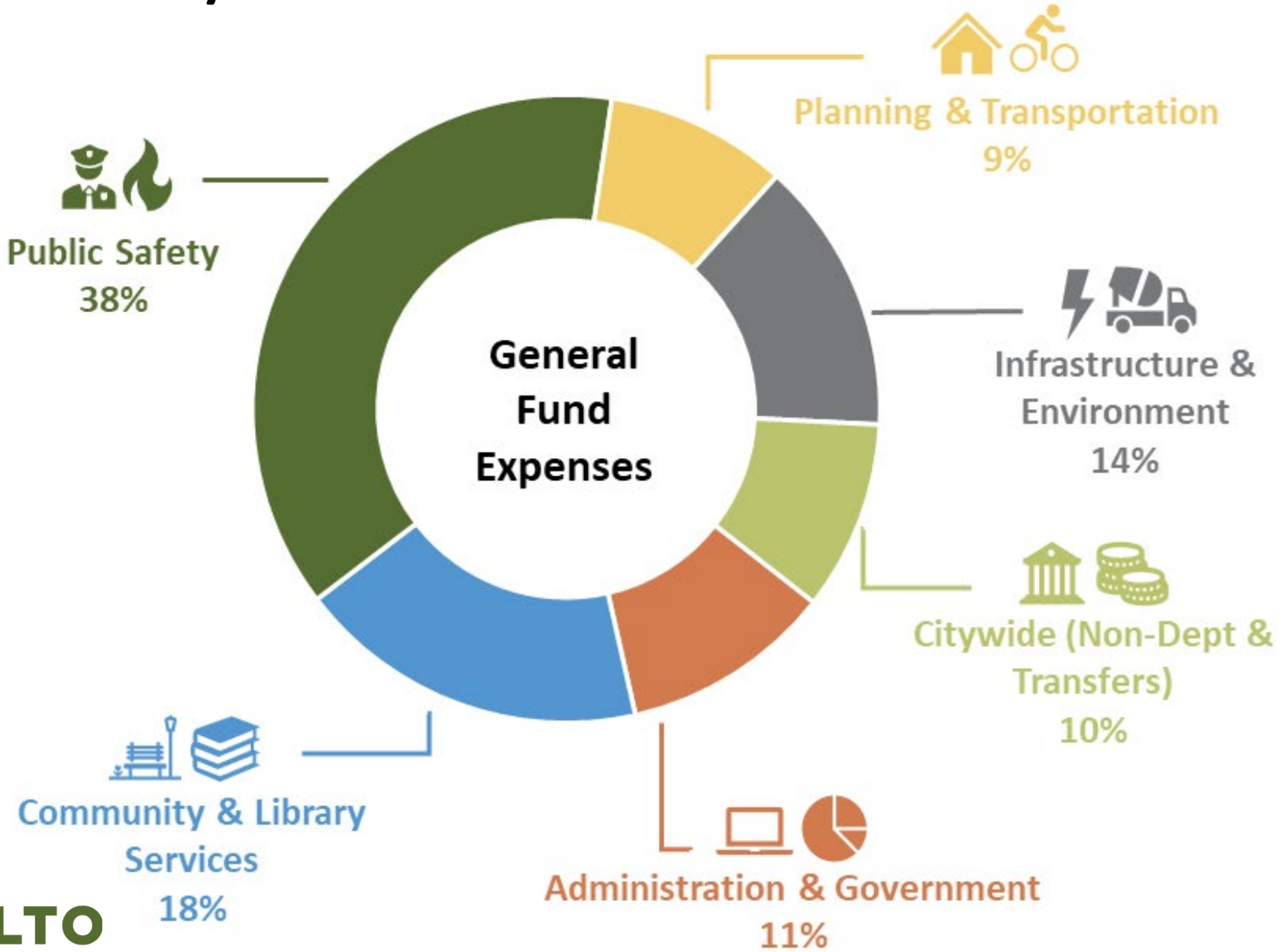


# GENERAL FUND SOURCES





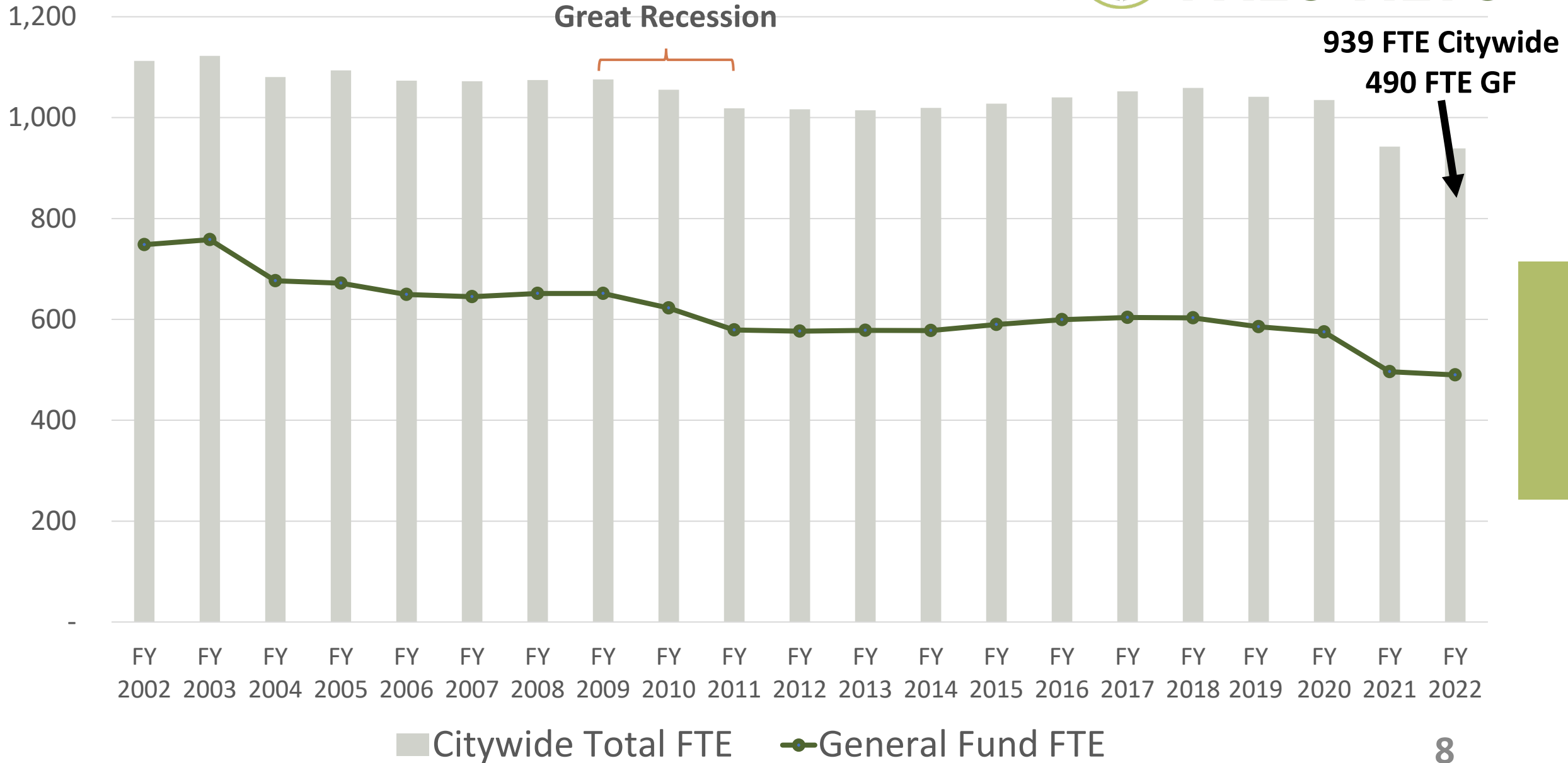
# OUR CITY AT WORK / GENERAL FUND USES



# HISTORICAL FULL-TIME STAFFING COMPARISON



CITY OF  
**PALO ALTO**





# CITYWIDE STRATEGIES

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- Transfer to the Capital Fund a 67.7% reduction from pre-pandemic levels (\$9.7 million Proposed Budget, a \$2.4 million additional reduction)
- Potential labor concessions for the City's represented groups which totals \$2.5 million Citywide and \$1.6 million in the General Fund.
- Additional City's Pension & Other Post-Employment Benefits (OPEB) contributions assuming a 6.2 percent discount rate
- Continuing a hiring freeze and freezing all nonessential travel, eliminating current vacancies, and service reductions such as reduced walk-in office hours.

# ARPA \$'s & TIER 2 ADDITIONAL REDUCTIONS

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- The balancing strategy uses one-time Federal funding (\$6.25 million, 50% of the \$12.5 million expected) to mitigate additional service reductions
  - \$3.2 million set aside for use to restore reductions in the proposed balancing strategy and/or available to address other uncertainties
- "Tier 2" service reductions outlined are not in the proposed budget balancing strategy. Available as alternative proposals in the event that the City faces:
  - Additional / more severe economic uncertainties,
  - Not reach agreement with labor
  - Council choose to not use the ARPA funds to balance the budget
  - Alternatives to the current proposed service reductions
  - Restore Budget Stabilization Reserve to target level of 18.5% (currently at 17.4%)

# OPERATING BUDGET SERVICE AREA IMPACTS

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## Neighborhood Community & Library Services

- Reduce operating hours and programming at Art Center, Cubberley Artist Studio Program (CASP), and Baylands Interpretive Center
- Reduce staff support for Cubberley and Children's Theatre operations and productions
- Decrease marketing funding for Enjoy! Catalogue and Junior Museum and Zoo (JMZ)
- Increase fees to increase cost recovery levels & recognize revenue to offset existing teen services
- Restoration of a Foothills Supervising Ranger
- Close Downtown, Children's, and College Terrace Library branches offering
  - Up to 75% of the Children's Library collection will be moved to nearby Rinconada Library
  - Customers can pick up holds at Rinconada and Mitchell Park Libraries, or at Holds Machines planned to be installed at Downtown and College Terrace Libraries

# OPERATING BUDGET SERVICE AREA IMPACTS

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## Public Safety

- Further reduce patrol staffing, elimination of specialized units and reduce investigations
- Brownout flexible staffing model at Fire Station No. 2 where the station is staffed without mandatory backfill & adaptation to fire alarm responses
- Reduce Crossing Guard services 50% maintaining services only at high traffic intersections that are part of common routes to schools
- System maintenance for the railroad crossing intrusion detection system

## Planning & Transportation

- Delays in development review due to a reduction of current planning resulting in longer timelines and delays in permit issuance
- Reduced bicycle program and increased response time to transportation related 311 notifications due to reduction of traffic data services
- Implementing license plate recognition for efficiencies in parking enforcement and initiating a paid parking program to increase revenues

# OPERATING BUDGET SERVICE AREA IMPACTS

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## Infrastructure & Environment

- Reduced facilities maintenance and traffic control maintenance and repairs.
- Maintain minimal rate increases for the next year

## Internal Services/Appointees

- Reductions in these areas result in continuing increasing timeframes for assistance and review in areas such as recruitments, procurements, and risk management.
- Technology solutions will be constrained to only essential contracts and systems and to support equipment needs

# GENERAL FUND TIER 2 POTENTIAL REDUCTIONS

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- Some examples of more severe reductions outlined in Tier 2:
  - full closure of facilities and/or elimination of programs (e.g. neighborhood libraries, fire station, and Children’s Theatre)
  - Additional public safety personnel
  - long-range planning staff
  - in-house sidewalk repair/maintenance
  - park and open space maintenance
  - reductions to human services contracts and grants, and
  - further reductions of citywide administrative support, human resources, and more



# OTHER FUNDS

Additional actions included in the Proposed Budget address non-General Fund activities including but not limited to:

- Parking Funds
- Community Development Block Grant Funds
- Stanford University Medical Fund (SUMC)
- Enterprise Funds, proposed rate changes to the right

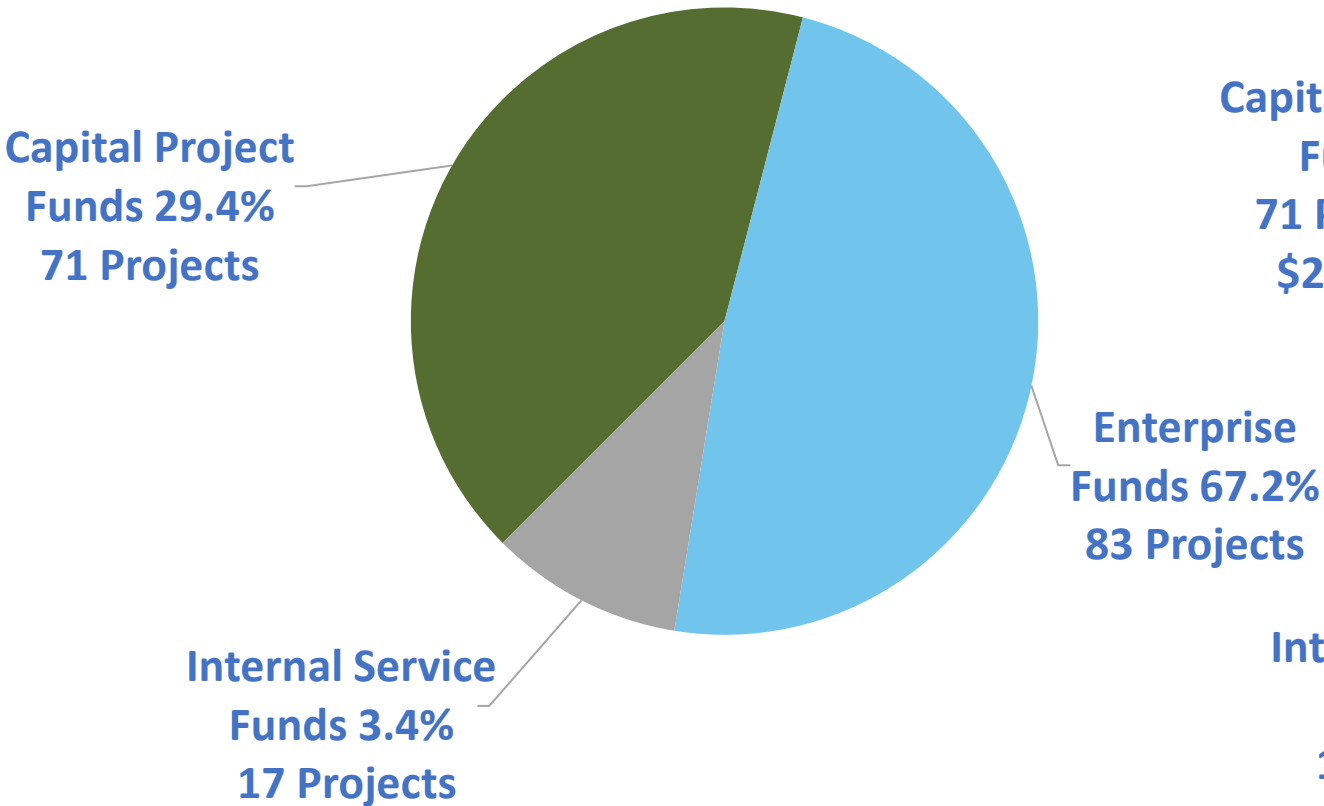
	<b>FY 2021 Adopted</b>	<b>Current Balancing Strategy Rate Change (as of 4/6/21)</b>
<b>Electric</b>	0%	0%
<b>Gas</b>	2%	3%
<b>Water</b>	0%	0%
<b>Wastewater</b>	0%	3%
<b>Fiber</b>	2.5%	2%
<b>Refuse</b>	0%	0%
<b>Storm Drain</b>	2.5%	2%
<b>Total</b>	<b>2.4%</b>	<b>0.1%</b>

Total monthly bill is estimated to increase \$4.50 per month, or 1.4% to \$326.41 per month.

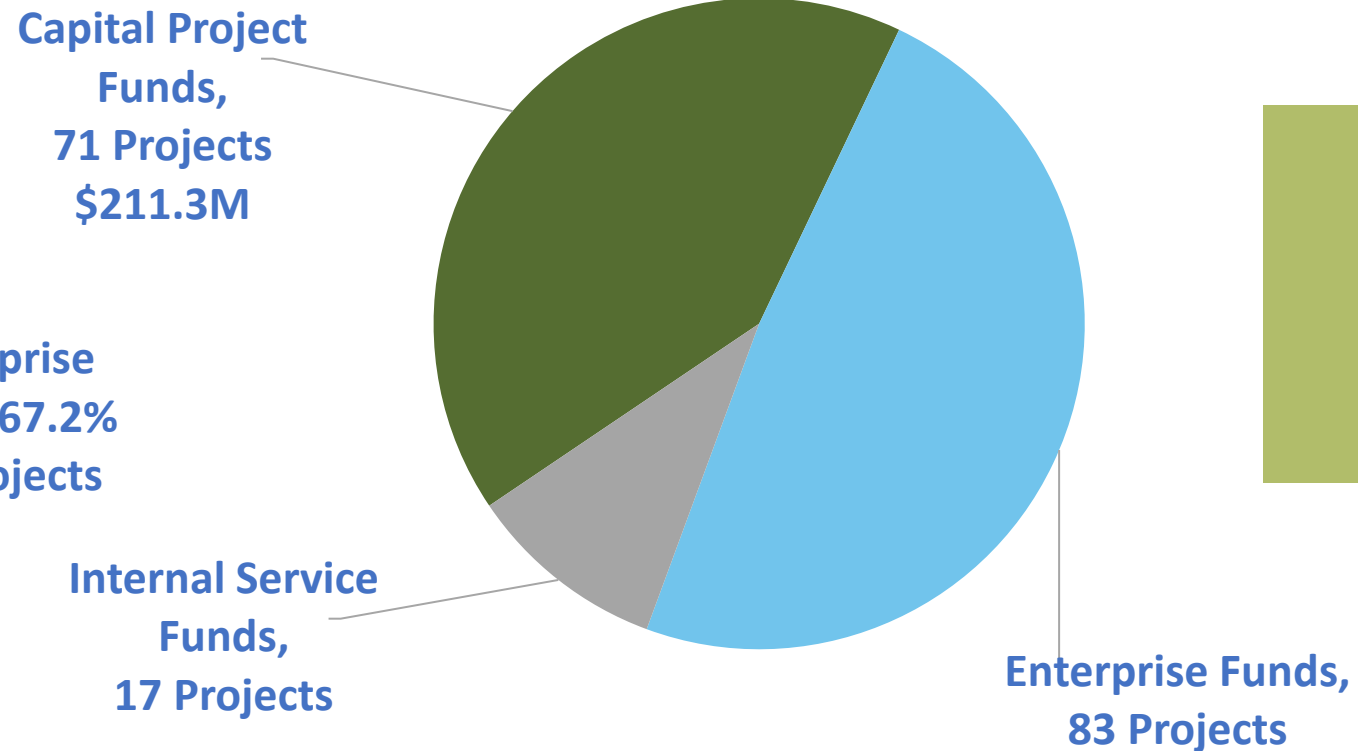
# CAPITAL IMPROVEMENT PROGRAM (CIP) – OVERVIEW 5-YR PLAN



**2022-2026 CIP PLANNED PROJECTS BY  
FUND TYPE (171 PROJECTS)**

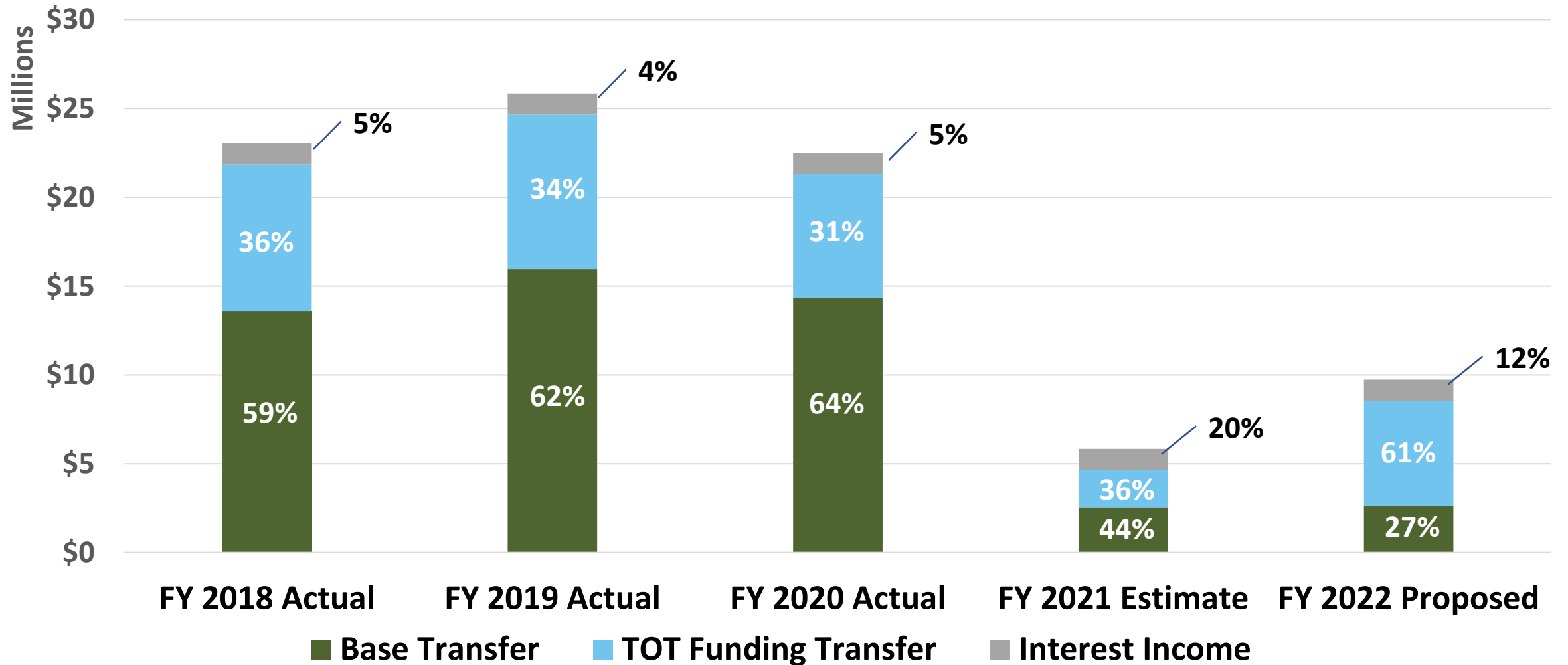


**2022-2026 CIP PLANNED FUNDING  
BY FUND TYPE (\$726.8 MILLION)**

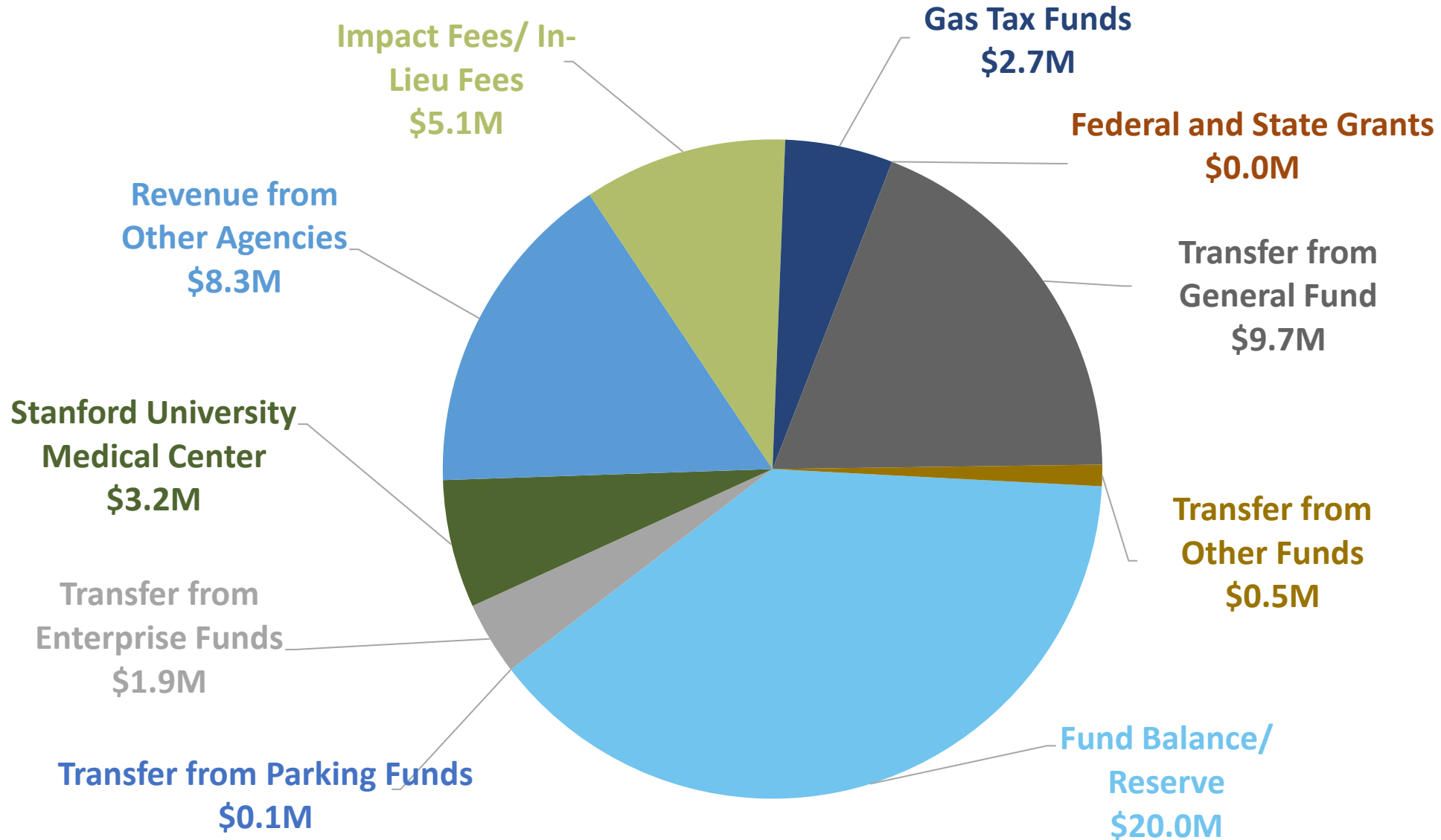


- \$772M CIP plan in FY 2021-2025 decreased to \$727 M in CIP plan FY 2022-2026
- FY 2021 Capital Budget of \$300 M decreased to \$153 M in FY 2022

# CIP – GENERAL FUND INVESTMENT IN CAPITAL IMPROVEMENT FUND



# 2022 CAPITAL IMPRVT FUND REVENUES BY SOURCE: \$51.5 MILLION



# JOIN THE BUDGET CONVERSATION



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 6:00 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](http://www.cityofpaloalto.org/budget)



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