

June 12, 2018

Fiscal Year 2018-19 Proposed Budget

Public Hearing

Presenters: Dan Rich, City Manager

Patty J. Kong, Finance and Administrative Services Director

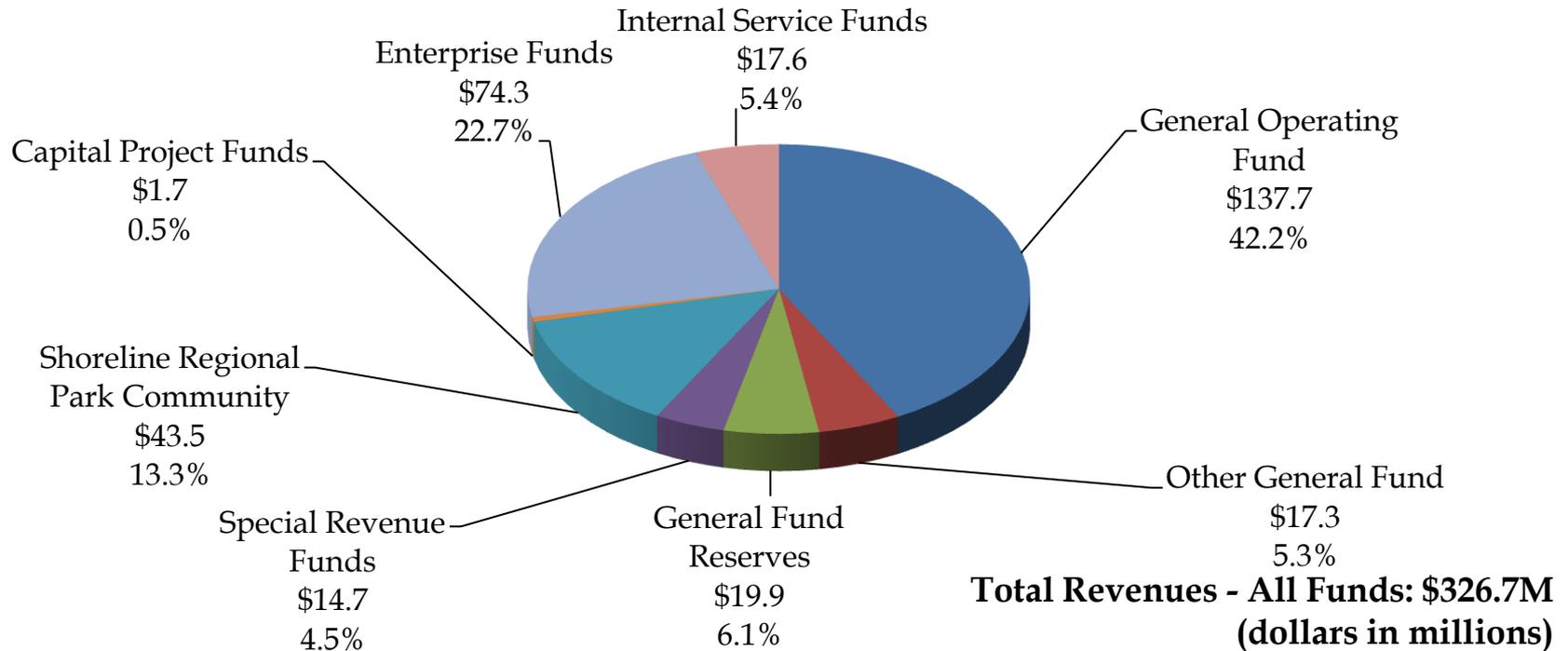


Actions to Date

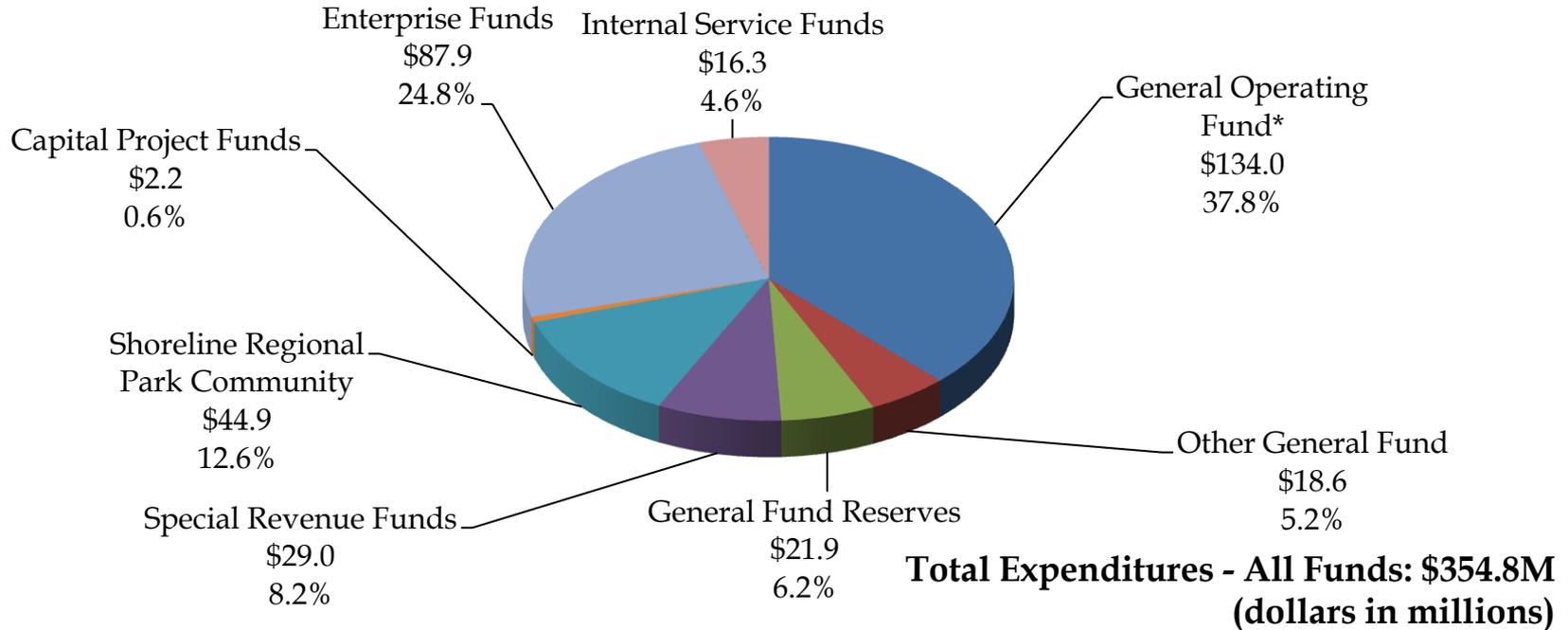
- February 13: Midyear Budget Status Report and GOF Preliminary Fiscal Year 2018-19 Forecast
- March 20: Preliminary CIP Study Session
- April 24: Public Hearing for CDBG/HOME Funding and Action Plan Adoption
- May 1: Proposed Fiscal Year 2018-19 CIP Study Session
Fiscal Year 2018-19 Narrative Budget Report
Study Session



FY 2018-19 Proposed Revenues – All Funds



FY 2018-19 Proposed Expenditures – All Funds



* GOF is net of \$2.3 million projected budget savings

General Operating Fund Budget

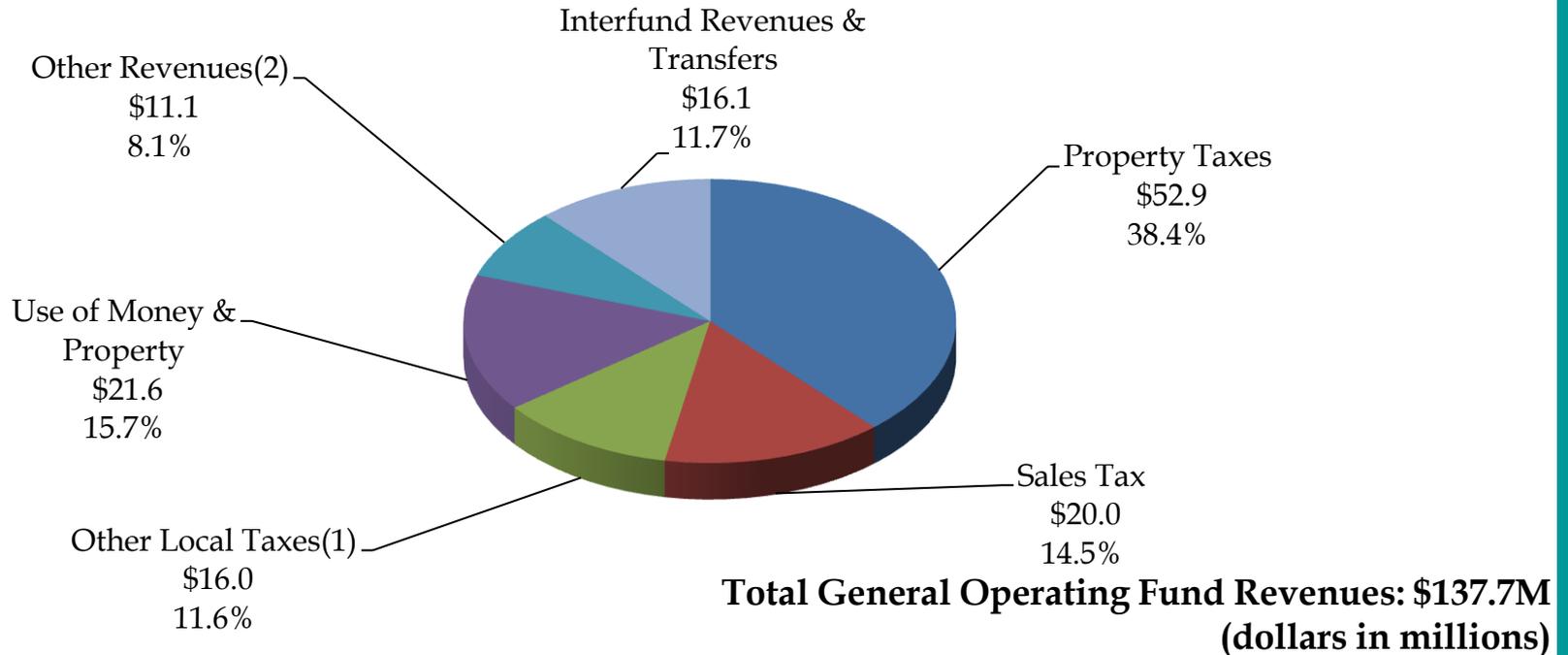
	2016-17 <u>Audited</u>	2017-18 <u>Adopted</u>	2017-18 <u>Estimated</u>	2018-19 <u>Proposed</u>
Revenues	\$ 126,689	128,022	134,388	137,688
Expenditures ⁽¹⁾	<u>(104,436)</u>	<u>(117,687)</u>	<u>(115,976)</u>	<u>(124,997)</u>
Operating Balance	22,253	10,335	18,412	12,691
Transfer to General Non-Op Fund	(15,556)	-0-	-0-	-0-
Transfer to General Fund Reserve	-0-	-0-	-0-	(1,000)
Transfer to Transportation Reserve	-0-	-0-	-0-	(2,000)
Transfer to Capital Imp Reserve	-0-	-0-	-0-	(2,000)
Transfer to SPAR	(2,000)	(2,000)	(2,000)	-0-
CalPERS Contribution	(2,000)	(4,000)	(4,000)	(4,000)
OPEB Contribution	(2,000)	(2,000)	(2,000)	-0-
Reserve ⁽²⁾	<u>(697)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Ending Balance	\$ <u>-0-</u>	<u>2,335</u>	<u>10,412</u>	<u>3,691</u>

(1) FY 2017-18 Adopted and FY 2018-19 Proposed expenditures include projected budget savings of \$2.3 M.

(2) Change in assets, liabilities and reserve for encumbrances, grants, and donations.

(dollars in thousands)

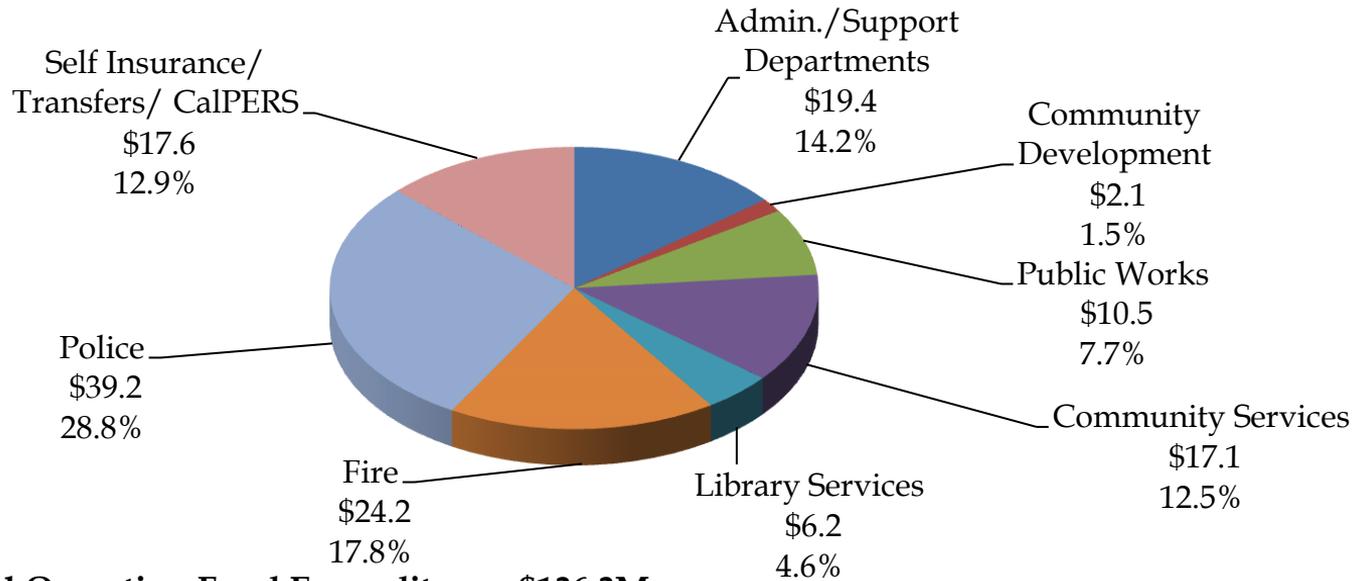
FY 2018-19 General Operating Fund Revenues



¹ Other Local Taxes is comprised of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

² Other Revenues is comprised of Licenses, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, and Miscellaneous.

FY 2018-19 General Operating Fund Expenditures



**Total General Operating Fund Expenditures: \$136.3M
(dollars in millions)**

¹ Admin./Support Departments include: City Council, City Clerk, City Attorney, City Manager, IT, and FASD.

Note: Does not include the \$2.3 million budget savings, but does include the transfers of \$1.0 M to the GF Reserve, \$2.0 M to the new Transportation Reserve, \$2.0 M to the Capital Improvement Reserve, and \$4.0 M toward the CalPERS Liability.

Estimated FY 2017-18 GF Carryover and Proposed Allocations

Estimated Available Carryover Balance	\$ 10,412
Remaining Available Balance from FY 2016-17	2,027
Recommended Allocations:	
Limited-Period Expenditures	(4,124)
General Fund Reserve	(1,800)
Transportation Reserve	(2,000)
Compensated Absences Reserve	(1,100)
Capital Improvement Reserve ⁽¹⁾	(1,415)
CalPERS	<u>(2,000)</u>
Total Recommended Allocations	<u>(12,439)</u>
Estimated Remaining Balance Available	\$ <u>-0-</u>

(1) Recommend any balance remaining up to \$3.0 million be allocated to the CIP Reserve.

(dollars in thousands)

FY 2018-19 GOF Proposed Budget

Major Non-Discretionary Increases:

- Minimum Wage Impact One-Half-Year \$ 200,000
- City Utility Cost Reduction (80,000)
- Gas and Electricity Cost 73,000
- Information Technology Costs 66,400
- Janitorial Costs 32,400
- CalPERS Replacement Benefit 31,500

Total Non-Discretionary Increases: \$338,800



FY 2018-19 GOF Proposed Budget

Major Discretionary Expenditures

- Major items are:
- Positions (5.8 FTE) \$ 798,600
- CSD Succession Plan 242,400
- Contract Services 183,000
- Rental Housing Dispute Program (110,000)
- Employee Programs/Benefits 85,000
- Personal Protective Equipment (PPE) 37,200

Total Discretionary Expenditures: \$1.2 million



FY 2018-19 GOF Proposed Budget

Major Limited-Period Expenditures (excluding rebudgeted items)

• Positions (12.45 FTE)	\$ 2,205,300
• Firefighter Recruit Academy	450,000
• Hourly Wages	295,500
• Contract Services	281,100
• Programs	233,800
• Citywide Succession Planning	160,000
• November 2018 Election	100,000
• Regional Bike Route	75,000
• Labor Negotiations	50,000
• Nonprofit Agency Funding	49,600
• Regional Airplane Noise Round Table	25,000

Total Limited Period Expenditures: Net \$4.1 million



GF Changes from the Narrative Budget Included in the Proposed Budget

Limited Period Changes:

- Communications Training Supervisor Position 161,200
- Analyst I/II – Envir. Sustainability Position (0.5) 94,000
- City Council Team Building Facilitator 5,000
- Furniture for Committee Room 5,000
- Membership to N.O.I.S.E 1,600

Transfer/Contribution Changes:

- Contribution to CalPERS 2,000,000
- Transfer to Capital Improvement Reserve (2,000,000)



Non-GF Changes from the Narrative Budget Included in the Proposed Budget

- Shorebreeze Apartments Projects (Housing Impact, LP) \$121,000
- Administrative Aide – Reduced Funding (Solid Waste, LP) (26,000)
- Rebudget items (various funds, LP)



Narrative Budget Follow-up Not Included in the Proposed Budget

- Employee Appreciation One-Time Bonus Option \$280,000
- Fire Department Antique Apparatus (additional) \$20,000
- Plaza Conference Room Tables \$5,000



Changes from the Narrative Budget Not Included in the Proposed Budget

- City Council Actions:
 - Palo Alto Housing NOFA predevelopment funds - \$1.7 M (BMR)
 - Plaza Activation – \$105,200 (\$32,700 GOF and \$72,500 GNOF LP)
- Proposed by Staff:
 - Environmental Sustainability – additional \$131,000 (GNOF LP)
 - Excess Liability Insurance – \$99,800 (Liability Fund)
 - Recycled Water Cost for Shoreline Golf Links – \$30,000 (SGL;
Reduces GOF revenue \$15,000)



Additional Recommendations Not Included in the Proposed Budget

- Nonprofit Agency Rebudgets \$192,327
- Silicon Valley Animal Control Authority (GOF) \$84,000



Tentative General Operating Fund Budget

FY 2018-19 Operating Balance	\$ 3,691
Shoreline Golf Links	(15)
Plaza Activation	(33)
SVACA	<u>(84)</u>
FY 2018-19 Updated Operating Balance	\$ 3,559



Other Funds

- Development Services
 - Development activity projected to remain strong.
 - A total of 5.5 FTE are proposed (2.5 FTE LP)
 - Projected FY18-19 balance available of \$6.3 M.
- Shoreline Golf Links
 - Impacted by competition of neighboring courses and weather conditions
 - Recycled water
- Shoreline Regional Park Community
 - Property taxes projected to increase
 - Proposed Employee-Staffed Ranger Program
 - Capital Improvement Projects \$13.5 M
 - Anticipated debt service for potential future infrastructure needs.
 - Reserves of \$16.0 M (includes new Sea Level Rise)



Proposed Utility Rates

- Water
 - 1.0 percent increase for average cost of water and meter rates
 - 22.0 percent increase for recycled water (full cost recovery phase in over three years)
- Wastewater
 - 8.0 percent overall rate increase
 - Recommendation to issue debt for the City's major capital projects
- Solid Waste Management
 - 5.0 percent increase for carts only (new food scraps collection program)
 - New debt reserve recommended



FY 2018-19 Fee Recommendations

- Majority of fees recommended with inflationary increases.
- New or modified fees
 - Zero Net Energy
 - Sidewalk Cafe
 - CC&R Amendment Review
 - Development Review Permits
 - Gatekeeper
 - Rental Housing Impact
 - Recreation Swim Day Pass
 - Security Deposits
 - Standardization
 - CSD Building Rentals
 - Shoreline Golf Links Fees
 - HazMat Fee
 - Fire Inspection
 - Library Fees
 - Utility Rates



FY 2018-19 Capital Projects Summary

• Total Non-Discretionary Projects (33)	\$ 13,938
• Total Discretionary Projects (28)	38,475
• Total Amendments to Existing Projects (7)	<u>2,682</u>
• Total CIP	\$ <u>55,095</u>

(dollars in thousands)



Next Steps

- June 19: Public Hearings for Proposition 218 Utility Rates, Fiscal Year 2018-19 CIP and Budget Adoption



Public Input and Council Direction

- Proposed Operating Budget
 - Narrative Budget Follow Up (see page 6)
 - New Items Proposed by Staff (see page 8)
- Other Funds
- Utility Rates
- Fee Modifications

