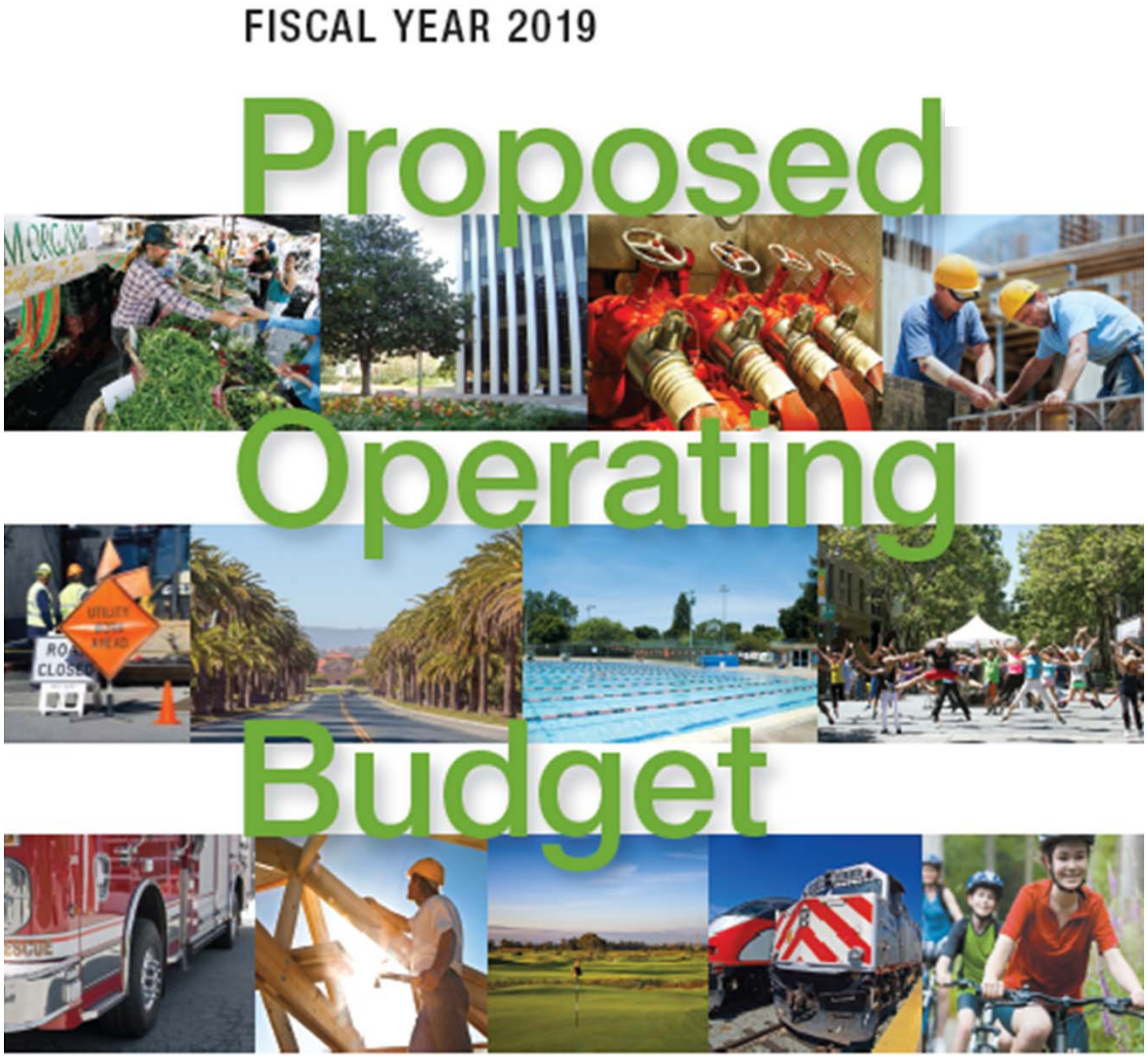
Presentations from the

June 18, 2018

City Council Meeting



FISCAL YEAR 2019

Operating and Capital Budget Adoption

&

Municipal Fee Schedule

June 18, 2018

CITY OF PALO ALTO

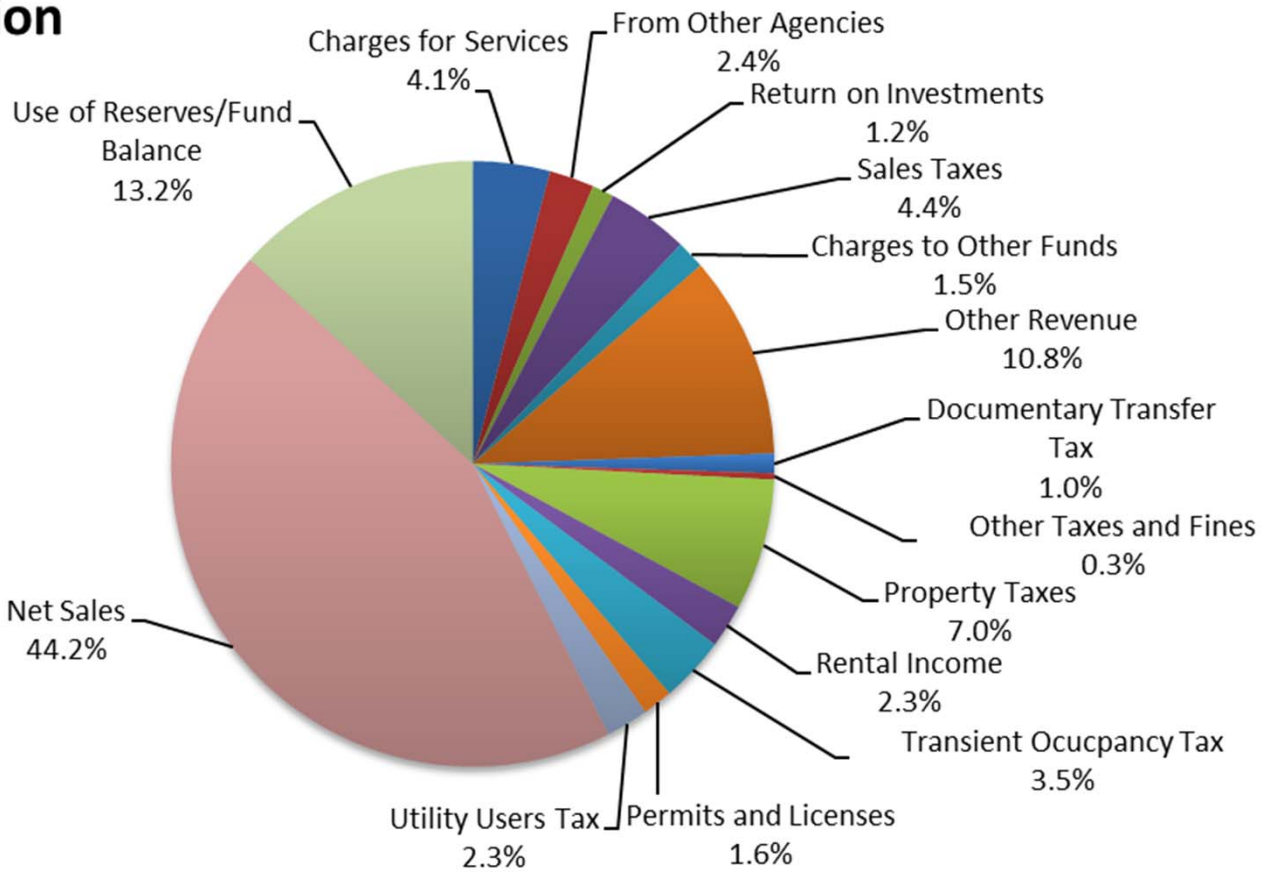
Overview

- Operating Budget
  - Citywide Funds
  - Internal Service Funds
  - General Fund
  - Special Revenue Funds
  - Enterprise Funds
- Capital Budget
- Summary

CITY OF PALO ALTO

FY 2019 Citywide Revenues

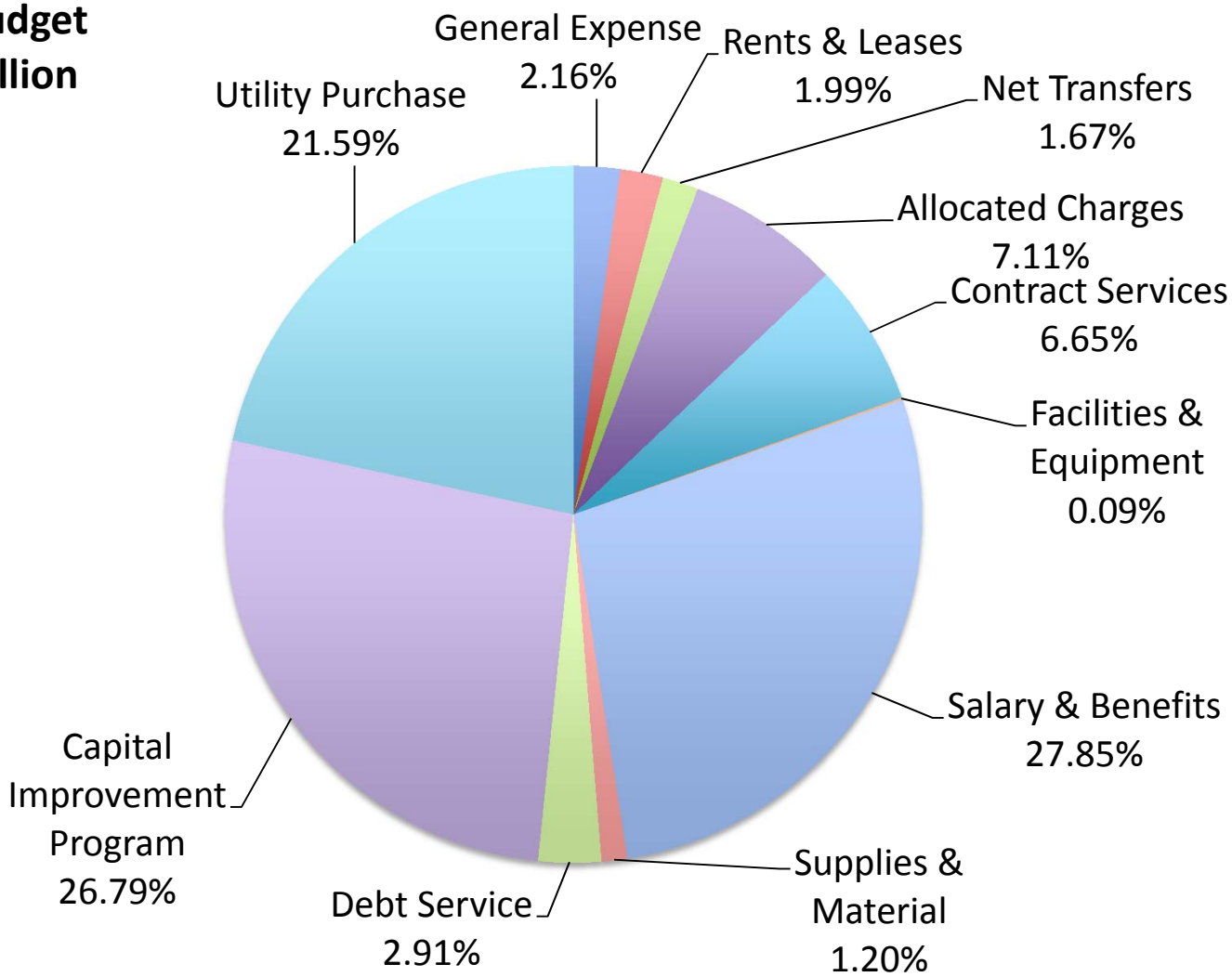
FY 2019 Budget
$711.2 Million



CITY OF PALO ALTO

FY 2019 Citywide Expenses

FY 2019 Budget
$711.2 Million



CITY OF PALO ALTO

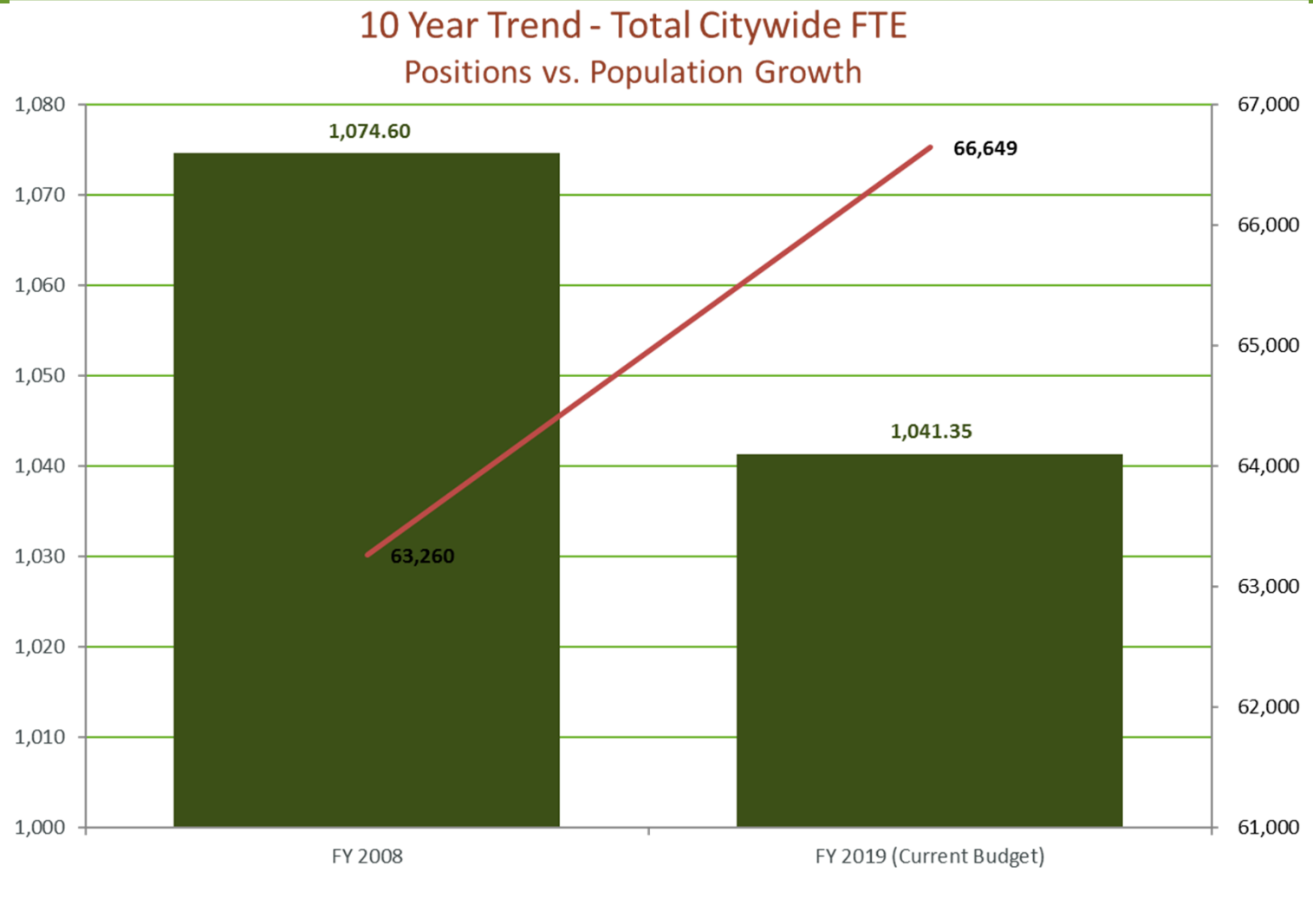
FY 2019 Citywide Full Time Staffing

	GF	ENT	Other*	Total
FY 2018 Adopted Budget	602.92	357.86	98.17	1,058.95
FY 2018 Approved adjustments	(11.00)	-	-	(11.00)
FY 2018 Revised Budget	*591.92*	*357.86*	*98.17*	*1,047.95*
FY 2019 Changes	(6.60)	-	-	(6.60)
FY 2019 Reallocations	(0.29)	-	0.29	-
FY 2019 Changes	**(6.89)**	**-**	**0.29**	**(6.60)**
FY 2019 Proposed Budget	**585.03**	**357.86**	**98.46**	**1,041.35**

* Other Funds include the Capital Improvement, Internal Service, and Special Revenue Funds.

CITY OF PALO ALTO

Historical Staffing Comparison



CITY OF PALO ALTO

Average Salary & Benefit Changes

(compared to FY 2018 Adopted Budget)

Expenses Category	GENERAL FUND FY 2019 Budget	GENERAL FUND $ Change	GENERAL FUND % Change	ALL FUNDS FY 2019 Budget	ALL FUNDS $ Change	ALL FUNDS % Change
Salary	74,640	449	0.6%	129,752	1,693	1.3%
Pension	24,570	1,248	5.4%	39,426	1,718	4.6%
Healthcare	12,543	13	0.1%	22,131	14	0.1%
Retiree Health	8,790	(1,018)	-10.4%	13,800	(727)	-5.0%
Other Benefits	4,861	(910)	-15.8%	7,574	(1,349)	-15.1%
Total	**$125,404**	**$ (218)**	**-0.2%**	**$212,683**	**$ 1,349**	**0.6%**

Reduced $1.4 M

CITY OF PALO ALTO

Internal Service Funds

CITY OF PALO ALTO

Internal Service Fund Allocated Charges

(compared to FY 2018 Adopted Budget)

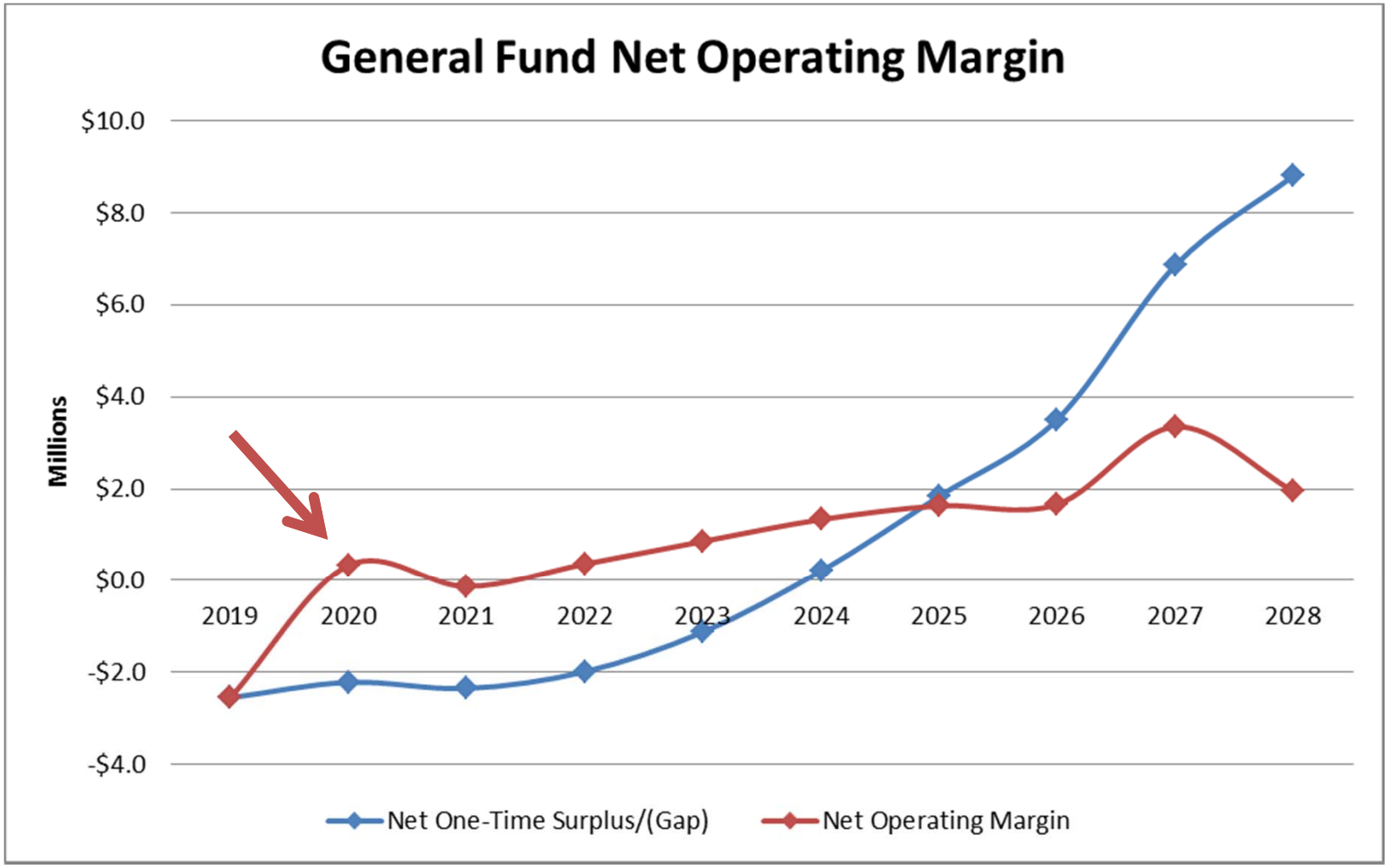
Fund	GENERAL FUND FY 2018 Adopted	GENERAL FUND FY 2019 Proposed	GENERAL FUND % Change	ALL FUNDS FY 2018 Adopted	ALL FUNDS FY 2019 Proposed	ALL FUNDS % Change
General Benefits Fund	350	358	2.3%	600	616	2.7%
General Liability Fund	973	1,079	10.9%	1,775	1,977	11.4%
Print & Mail Fund	974	1,056	8.4%	1,453	1,566	7.8%
Retiree Healthcare Fnd	9,808	8,790	-10.4%	14,527	13,800	-5.0%
Technology Fund	6,036	7,145	18.4%	13,736	14,570	6.1%
Vehicle Fund	5,020	5,085	1.3%	8,886	9,014	1.4%
Workers' Comp Fund	3,559	2,560	-28.1%	5,225	3,764	-28.0%
Total	**$ 26,720**	**$ 26,073**	**-2.4%**	**$46,202**	**$45,307**	**-1.9%**

CITY OF PALO ALTO

General Fund

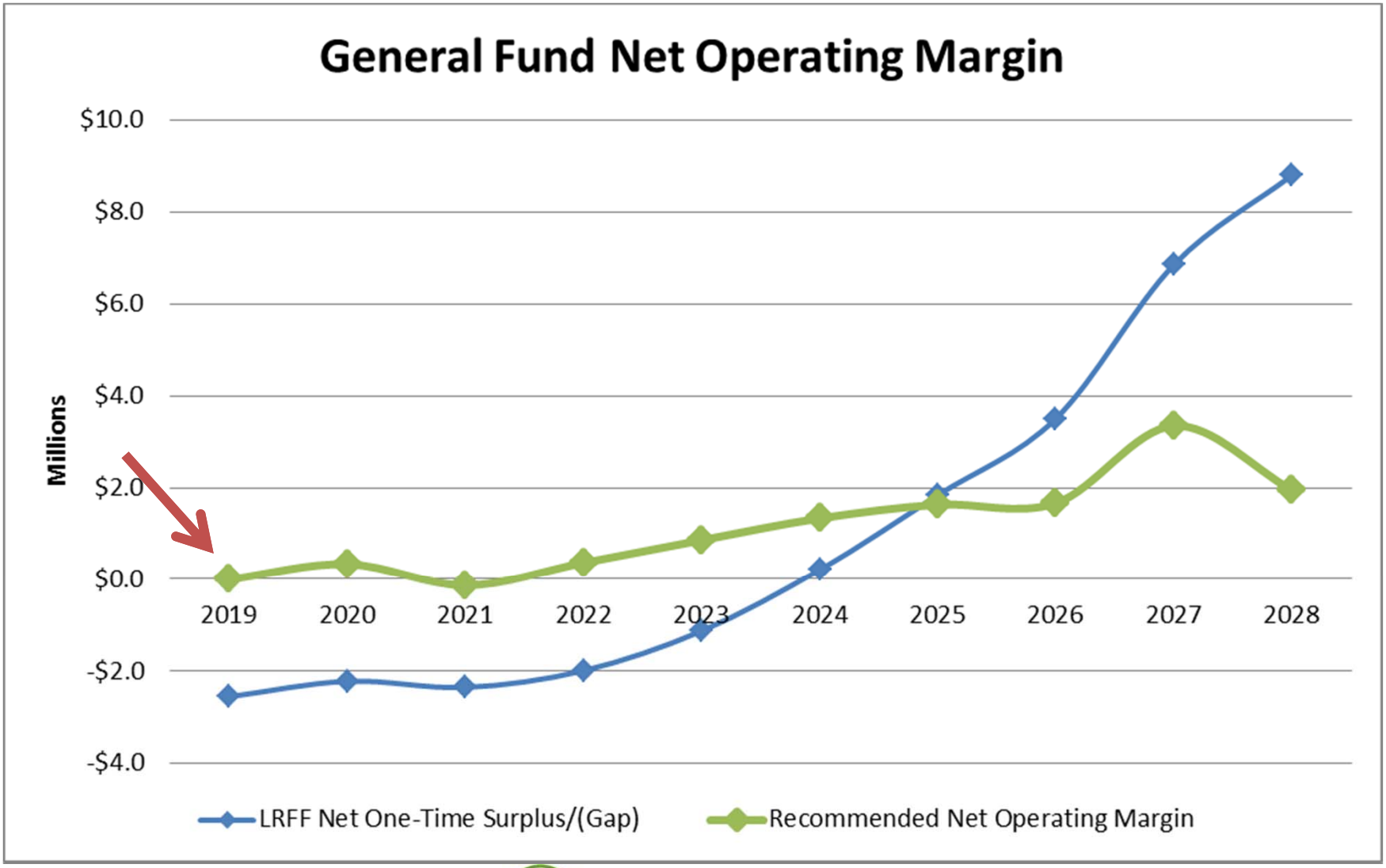
CITY OF PALO ALTO

FY 2019-2028 General Fund LRFF



CITY OF PALO ALTO

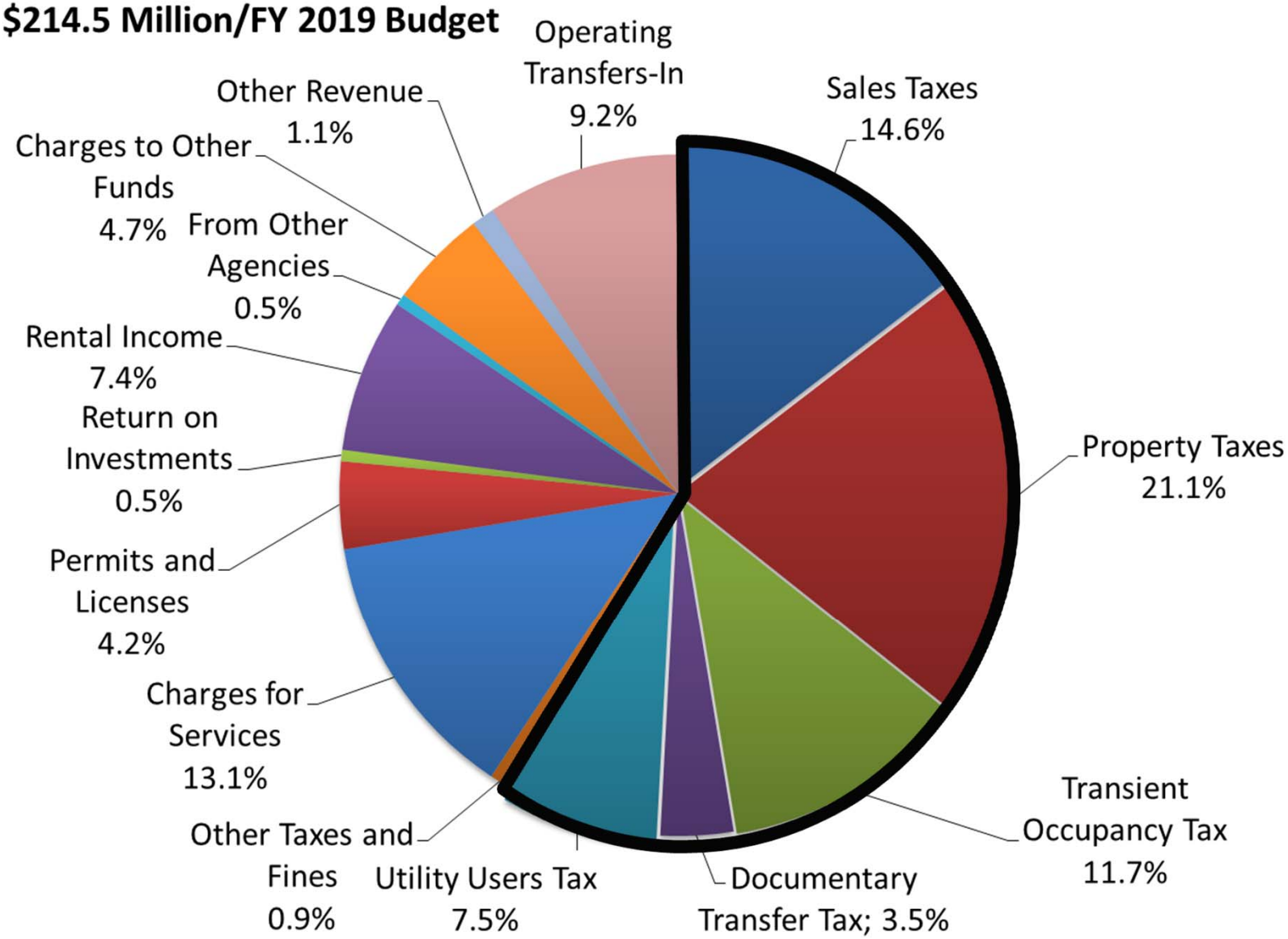
FY 2019-2028 General Fund Recommended



CITY OF PALO ALTO

FY 2019 General Fund Revenues

$214.5 Million/FY 2019 Budget



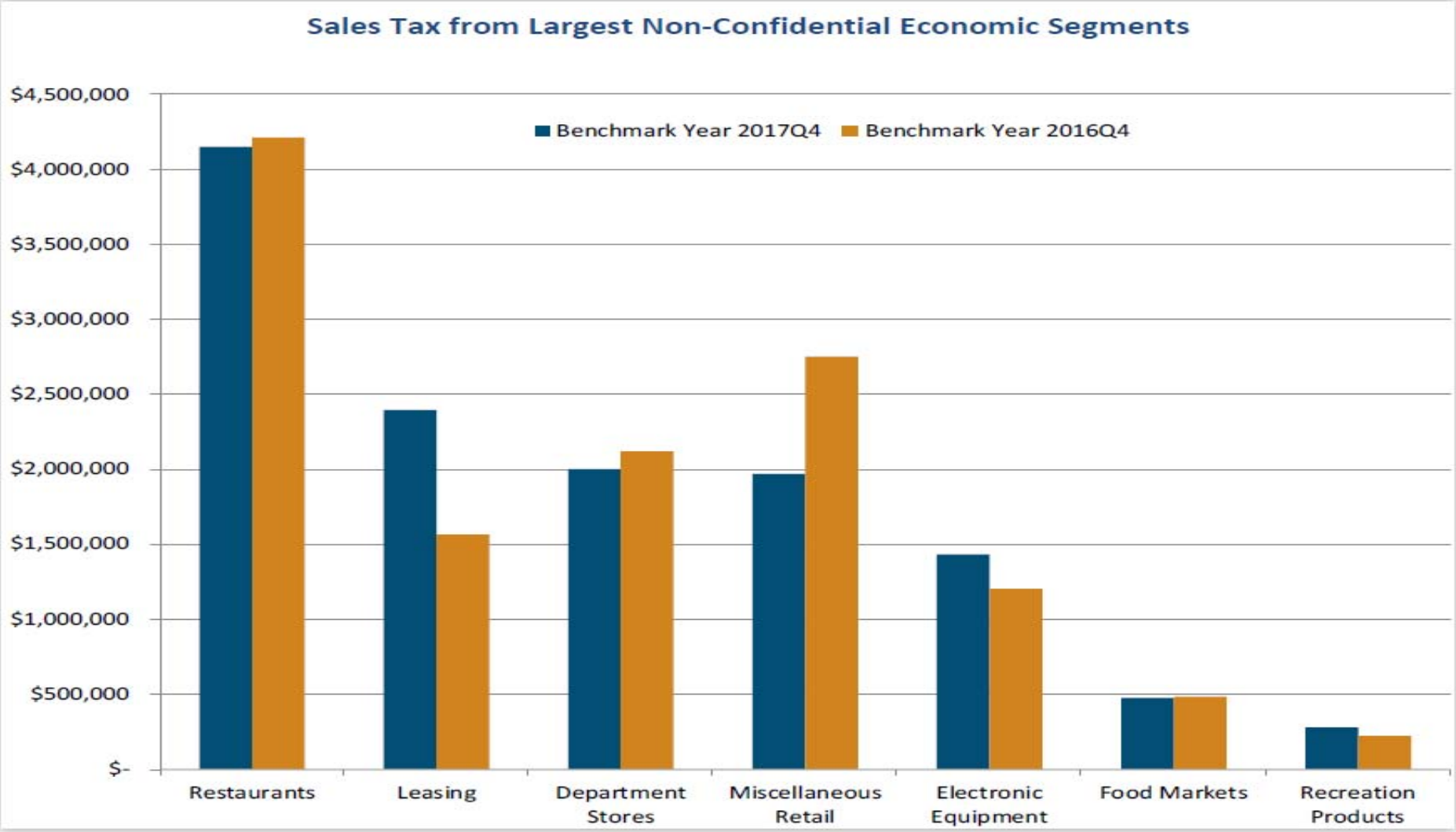
Secured Property Tax

	Residental			Commercial		
	City Share	Total Tax	% Share	City Share	Total Tax	% Share
Average	**$ 1,145**	$14,250	8.0%	**$ 8,877**	$110,350	8.0%
Median	**$ 809**	$10,051	8.0%	**$ 1,030**	$ 12,982	7.9%

Above excludes unsecure, airplane, supplemental, and in-lieu vehicle license property taxes plus home owner's property tax exemption and county's administrative fee

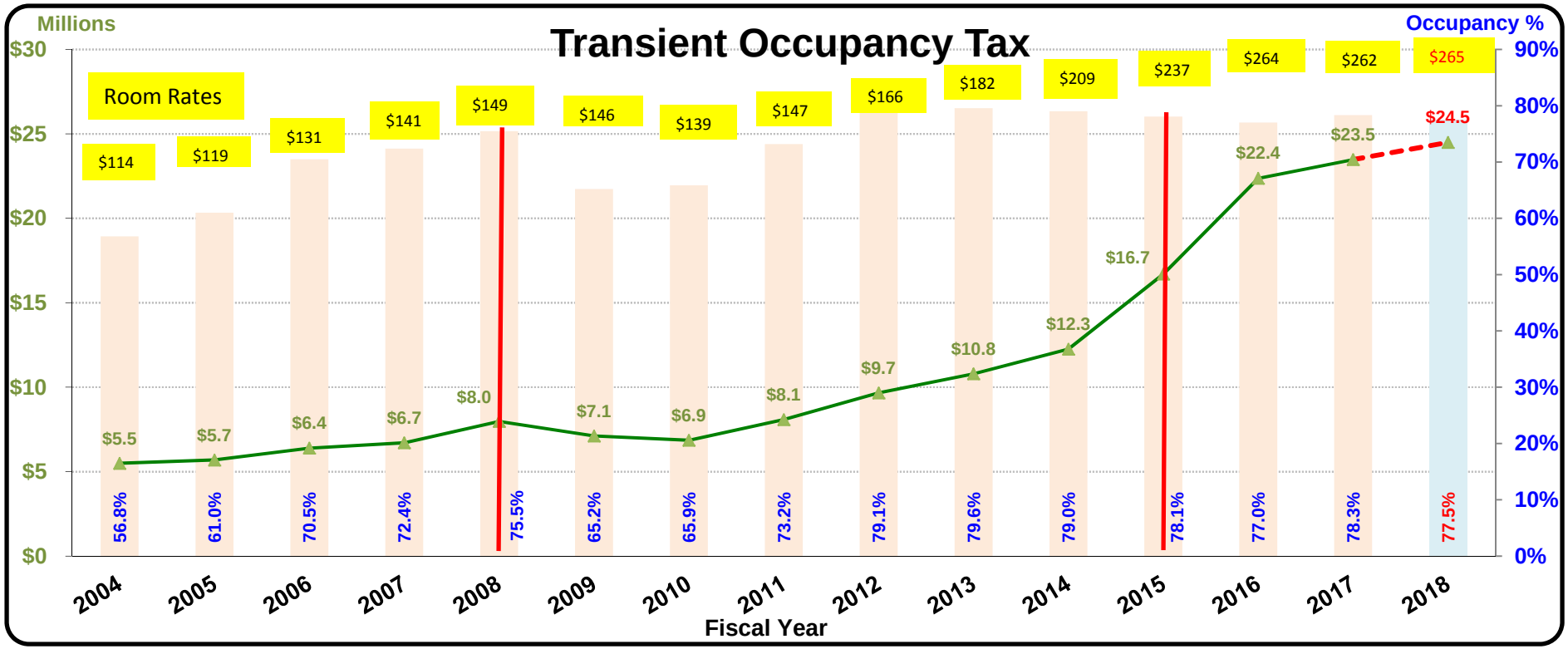
CITY OF PALO ALTO

Sales Tax by Economic Segment



CITY OF PALO ALTO

Transient Occupancy Tax



Notes:

FY 2018 Occupancy % & Avg. Room Rate are as of Feb. 2018

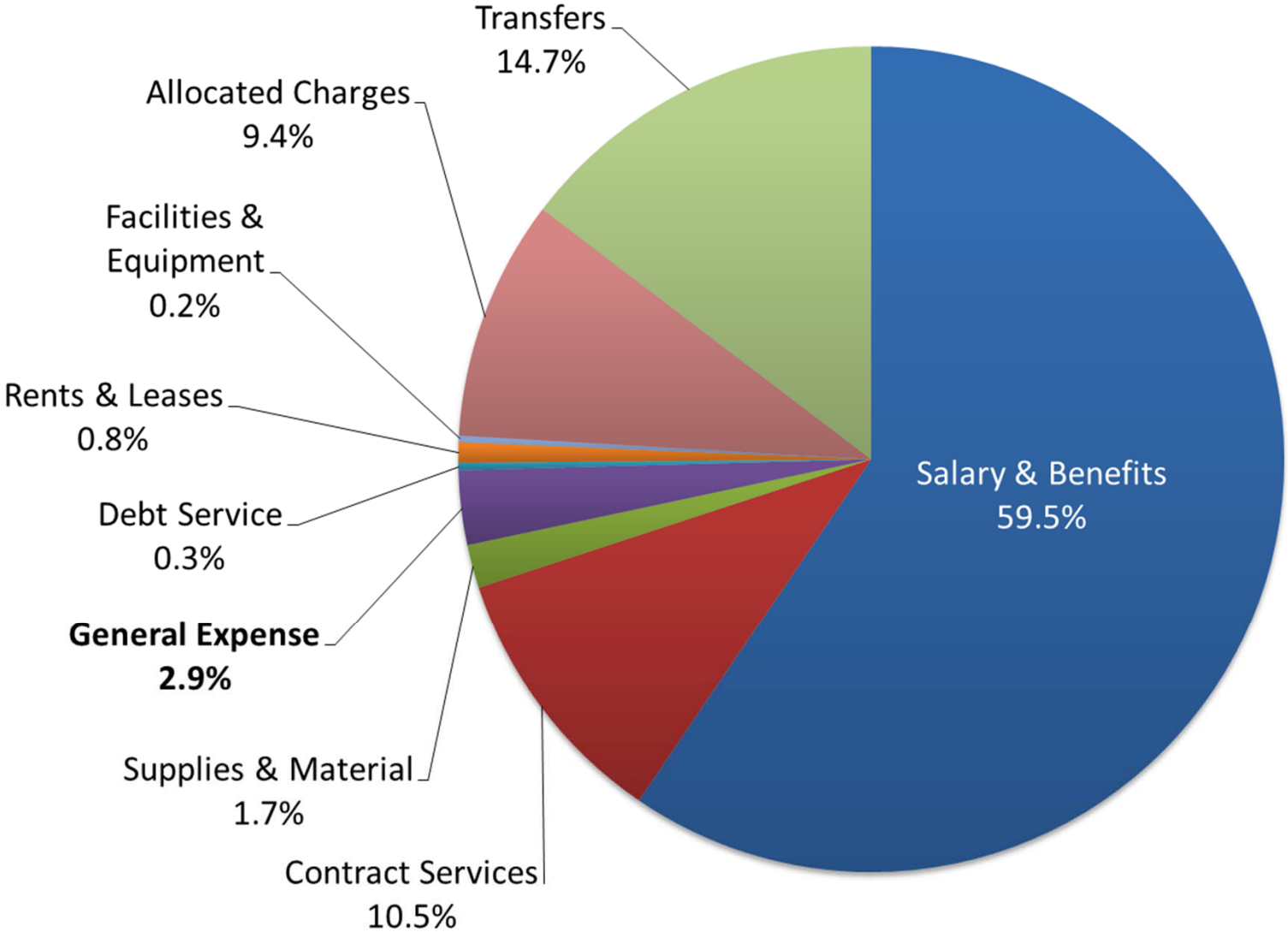
Jan. 2008 TOT Rate went from 10% to 12%

Jan. 2015, TOT Rate went from 12% to 14%

CITY OF PALO ALTO

FY 2019 General Fund Expenses

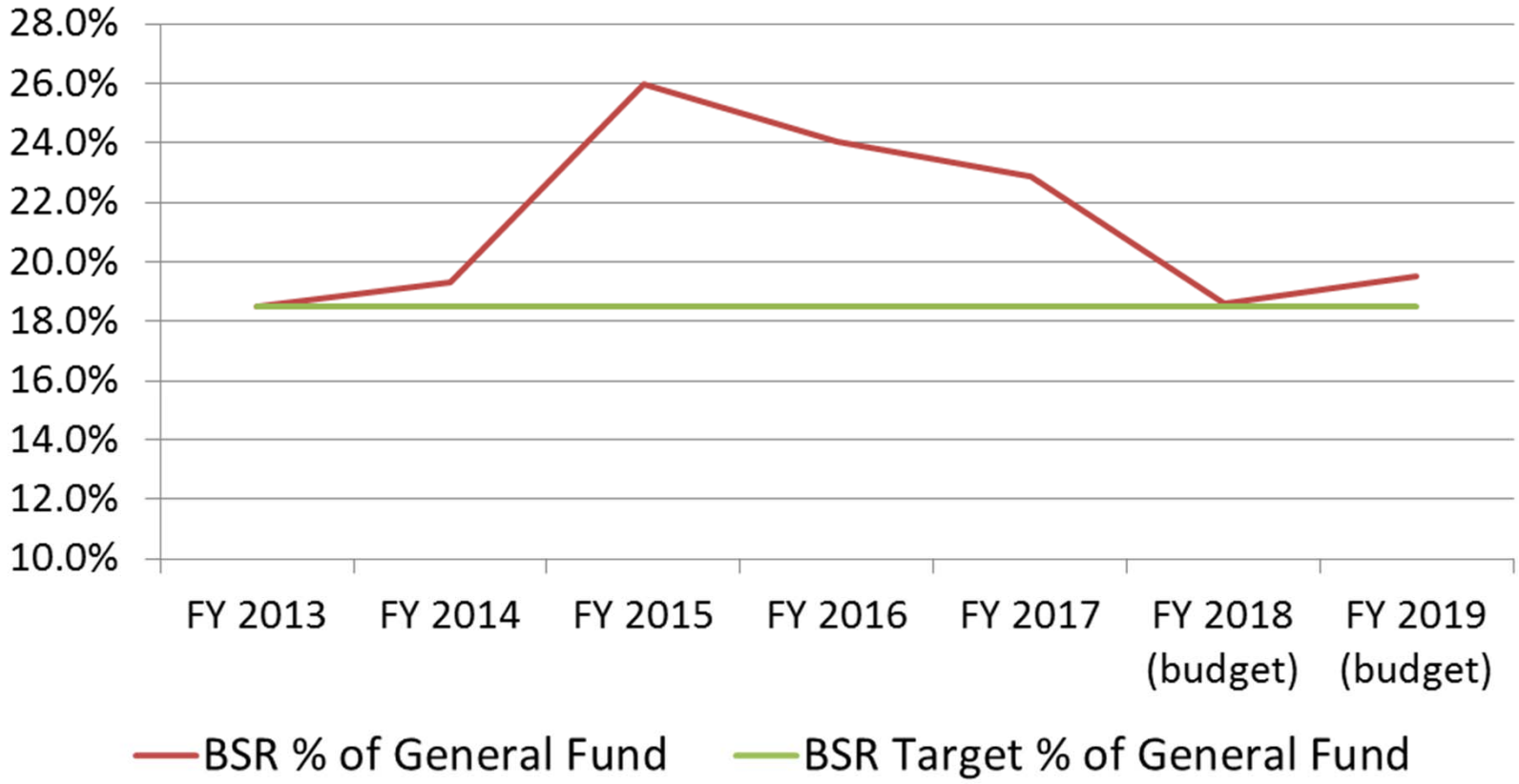
$210.7 Million/FY 2019 Budget



General Fund Budget Stabilization Reserve (BSR)

General Fund BSR at 19.5% or $41 million

<u>ABOVE</u> target level of 18.5%



CITY OF PALO ALTO

General Fund – Balancing

- Structurally balances both FY 2019 and FY 2020
  - Expense reductions of $2.3 million recommended by City Manager
  - Additional "$4.0 million reduction" recommended by Finance Committee
- Net reduction of 17.60 full-time equivalent positions from FY 2018 levels
  - Council approved Fire Services Deployment Changes (-11.00)
  - Recommended net reduction of 6.6 position
- Additional Contribution to irrevocable Section 115 Pension Trust Fund

  (+$1.2 million General Fund, +$2.0 million all funds, $7.6 million total to date)
- Aside from the Finance Committee recommended reduction, maintain existing service levels with targeted enhancements ie. implementation of new camera system, re-opening of renovated Golf Course

CITY OF PALO ALTO

Special Revenue Funds

CITY OF PALO ALTO

Special Revenue Funds - Major Initiatives

Federal & State Revenue Funds

- Community Development Block Grant Funding of approx. $578,000

Street Improvement Funds

- New legislation passed: SB 1 raising revenues up to $1.2 million annually

Parking Funds

- Focus on scaling the ecosystem of parking & transportation programs
  - Implementation of a new permit system
- Continue $480,000 for the Transportation Management Association (TMA)
- Continue valet service downtown ($290,000) until new garage opens

Stanford University Medical Center (Development Agreement)

- $14.7 M investment anticipated in FY2019-2023 Capital Improvement Plan

CITY OF PALO ALTO

Enterprise Funds

CITY OF PALO ALTO

FY 2019 Residential Utility Rate Changes

Total residential monthly bill is estimated to increase $11.02 per month, or 3.9% to $293.50 per month.

Rates were approved by the City Council on June 11, 2018.

Utility Service	Adopted Rate Change
Electric	4.9%
Gas	4.2%
Wastewater	11.0%
Water Utility	2.8%
Refuse	0.0%
Storm Drain	2.9%
User Tax	3.7%
Total	**3.9%**

CITY OF PALO ALTO

Capital Improvement Plan & Capital Budget

CITY OF PALO ALTO

Capital Budget Macro to Micro (illustrative only)

5 Year Capital Improvement Plan $746.9 M

FY 2019 BUDGET $221.1M

FY 2020 Plan

FY 2021 Plan

FY 2022 Plan

FY 2023 Plan

General Capital Fund

$331.8 M

FY 2019 BUDGET $133.2M

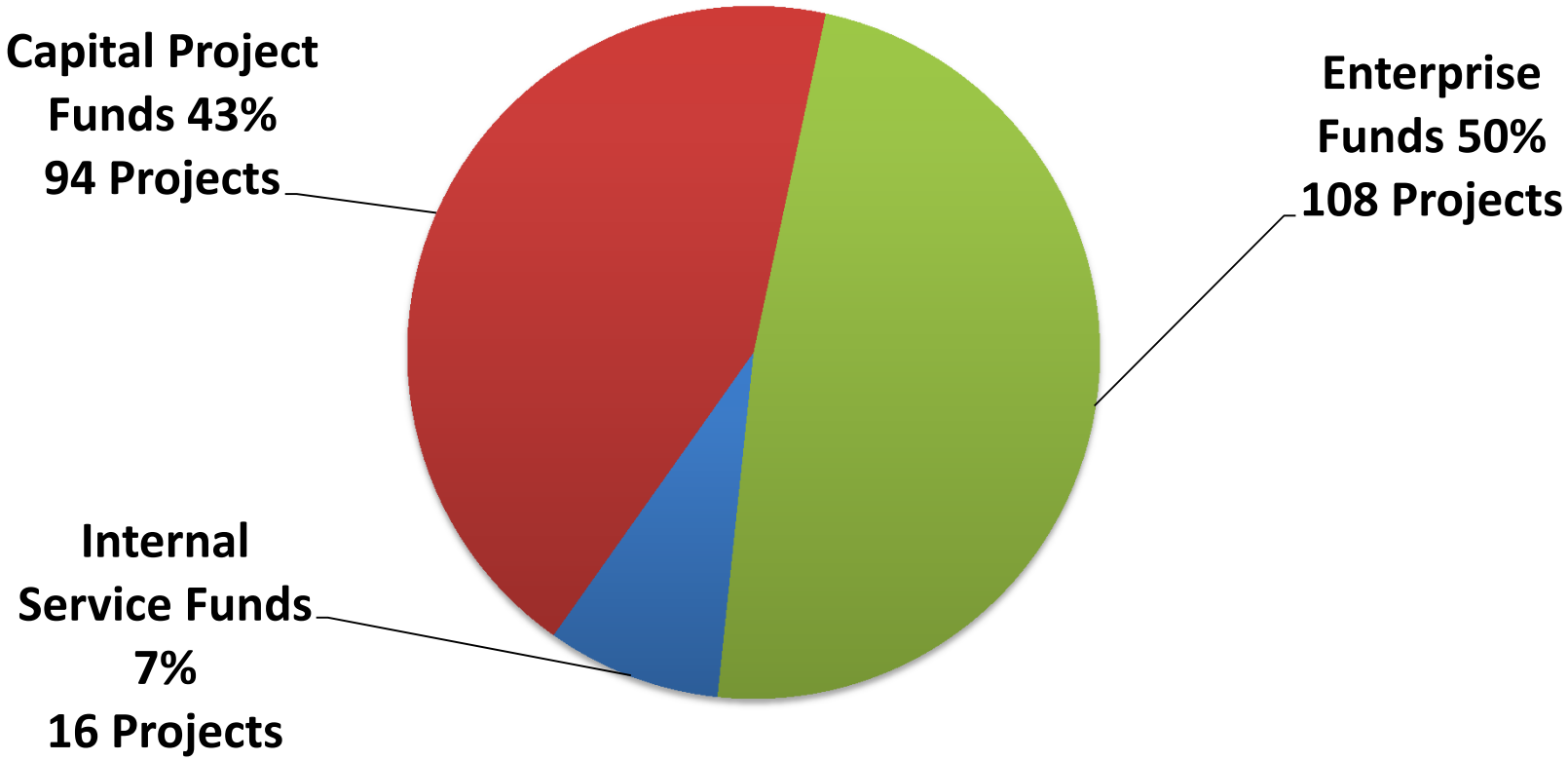
2014 Council Infrastructure Plan $261 M

FY 2019 BUDGET $88.9 M

CITY OF PALO ALTO

FY 2019-2023 Capital Improvement Plan = $746.9 M

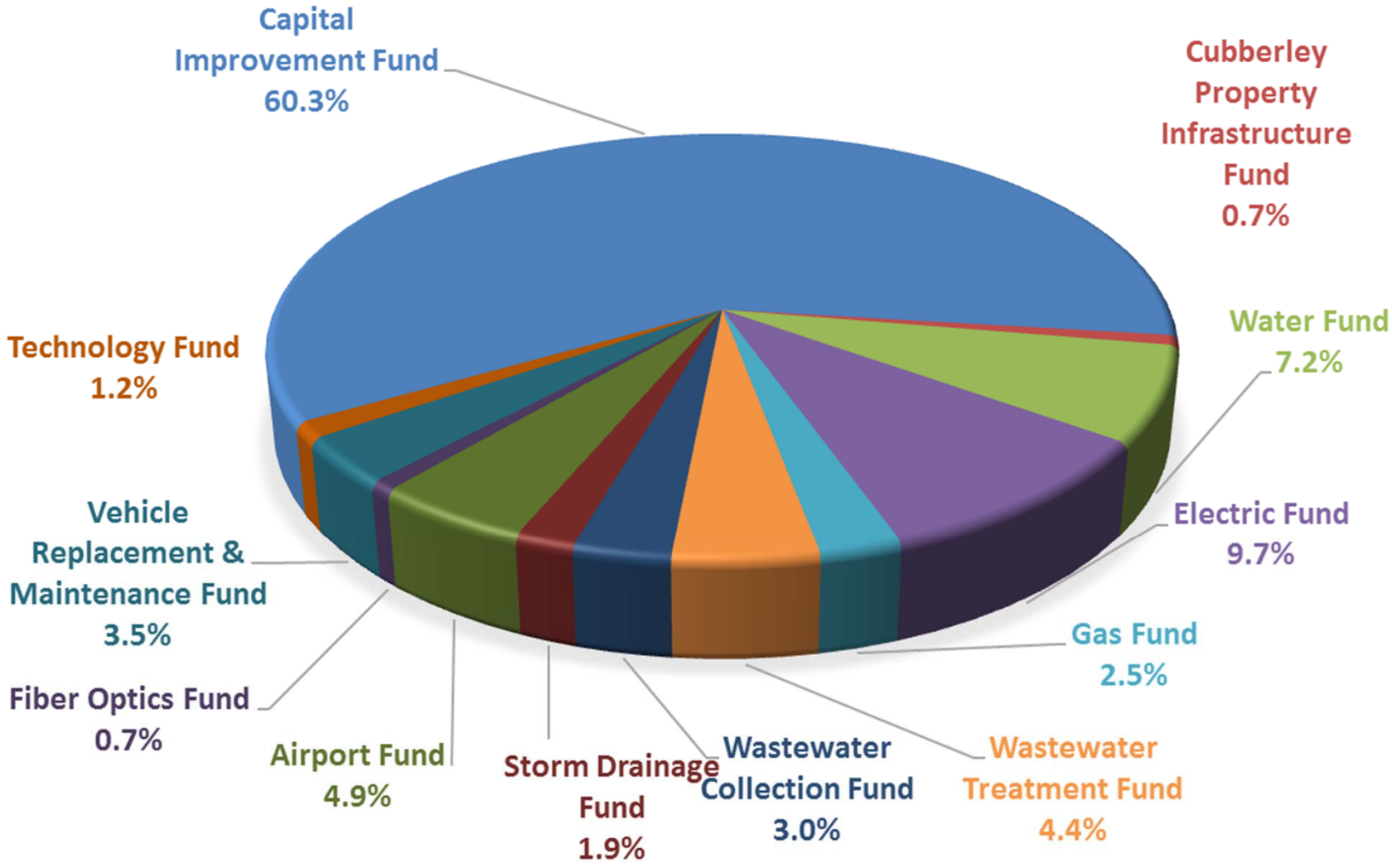
218 Projects by Fund Type



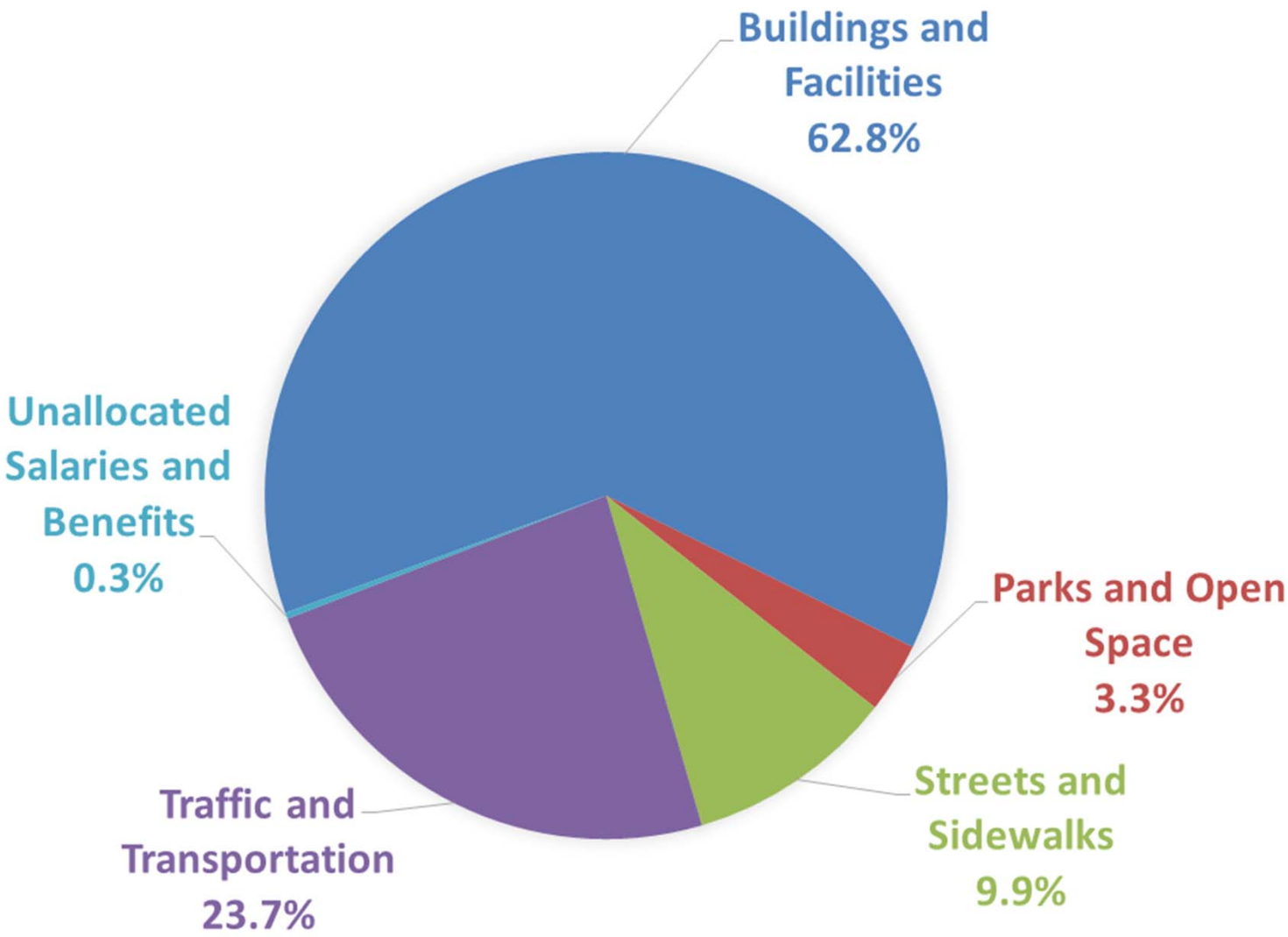
CITY OF PALO ALTO

FY 2019 Capital Budget = $221.1 Million

2019 Capital Budget Expenditures by Fund - $221.1 Million



FY 2019 General Fund Capital Budget = $133.2 M



2014 Council Infrastructure Plan Projects (9 projects)

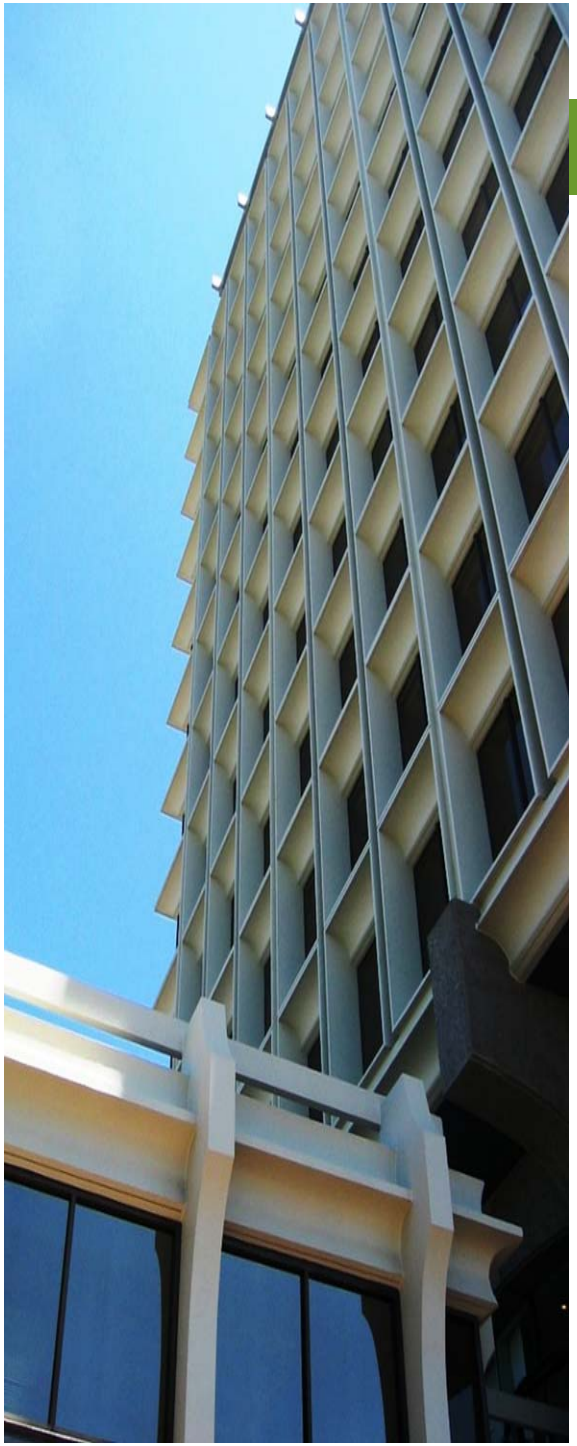
FY 2019 Budget = $88.9 M

Capital Improvement Plan = $261 M

(includes prior year expenses & contingency funding, salaries & benefits subject to change)

CITY OF PALO ALTO

Summary



Looking Forward

Near-Term

- 2014 Council Infrastructure Plan cost escalation
- New CIPs: JMZ Phase II, Animal Shelter
- Transportation initiatives
- Potential labor agreements
- Housing
- Retain & attract a competitive workforce
- Master Plans (Parks & Cubberley)
- Grade Separation
- Unfunded Actuarial Liability for Pension and Retiree Healthcare Trusts
- City owned assets operated by non-profit organizations
- Potential recession

Longer-Term

CITY OF PALO ALTO

Finance Committee Chair Comments

CITY OF PALO ALTO

Finance Committee Motion

Staff and the Finance Committee Recommend that the City Council:

1. Adopt the Fiscal Year 2019 Budget Appropriation Ordinance (Attachment A), which includes:

   a) City Manager's Fiscal Year 2019 Proposed Operating and Capital Budgets, previously distributed at the April 30th City Council meeting (Attachment A, Exhibit 1);

   b) Amendments to the City Manager's Fiscal Year 2019 Proposed Operating Budget (Attachment A, Exhibit 2);

   c) Amendments to the City Manager's Fiscal Year 2019 Proposed Capital Budget (Attachment A, Exhibit 3);

   d) Fiscal Year 2019 Proposed Municipal Fee Changes (Attachment A, Exhibit 4);

   e) Fiscal Year 2019 City Table of Organization (Attachment A, Exhibit 5).

CITY OF PALO ALTO

Finance Committee Motion

Staff and the Finance Committee Recommend that the City Council:

2. Accept the June 30, 2017 actuarial valuation of Palo Alto's Retiree Healthcare Plan and approve full funding of the annual Actuarially Determined Contributions (ADC) for Fiscal Years 2019 and 2020

3. Approve Amending Salary Schedules for:

   a) Management and Professional Group (MGMT) (Attachment B)

   b) Service Employees International Union – Hourly (SEHL) (Attachment C)

4. Provide direction to staff on Finance Committee requested referrals for additional staff work.

CITY OF PALO ALTO

Finance Committee Referrals to Staff - #4

a) Return to the Finance Committee with a work plan and timeline to discuss the $4.0 million in structural reductions in the General Fund and the impacts of the reduction in expenses when the City Council returns from break, including a discussion of optimizing library hours. Also include discussion regarding the implications of closing the pension gap, at a commensurate 50% level to the General Fund, accounting for rising costs in non-general funds, specifically Enterprise and Other Funds.

b) Return to Finance Committee with a discussion of the municipal fees discussed during this agenda item. Examples include but are not limited to the review of activities the City currently regulates and evaluate if it is necessary to continue to regulate such activities and review special events fees and policies.

c) Return to the Finance Committee by August 2018 to discuss the Gas Fund strategy for Capital Improvement Project criteria.

CITY OF PALO ALTO

Finance Committee Chair Comments

CITY OF PALO ALTO