Fiscal Year 2017 Proposed Budget

City Council

June 13, 2016
Overview

- Current Status
- Finance Committee Changes
  - General Fund
  - All Funds
- Looking Forward
FY 2017 Revised Citywide Expenses

- Capital Improvement Program: 27%
- Net Transfers: 2%
- Utility Purchase: 23%
- Debt Service: 3%
- General Expense: 3%
- Rents & Leases: 2%
- Allocated Charges: 7%
- Contract Services: 6%
- Facilities & Equipment: <1%
- Salary & Benefits: 26%
- Supplies & Material: 1%

Total: $642.4 million
FY 2017 Revised General Fund Expenses

- Salary & Benefits, $116.4 million, 60%
- Transfer to Infrastructure, $18.5 million, 9%
- Allocated Charges, $16.8 million, 9%
- Contract Services, $17.5 million, 9%
- Debt Service, $0.4 million, <1%
- Facilities & Equipment, $0.5 million, <1%
- General Expense, $13.5 million, 7%
- Operating Transfers-Out, $4.9 million, 2%
- Rents & Leases, $1.5 million, 1%

Total: $194.1 million
FY 2017 Revised General Fund Revenues

- Property Taxes: 20%
- Charges for Services: 13%
- Operating Transfers-In: 10%
- Transient Occupancy Tax: 12%
- Sales Taxes: 15%
- Rental Income: 8%
- Utility Users Tax: 6%
- Charges to Other Funds: 6%
- Documentary Transfer Tax: 3%
- From Other Agencies: <1%
- Other Revenue: 1%
- Other Taxes & Fines: 1%
- Return on Investments: <1%

Total: $195.1 million
## Citywide Position Changes

<table>
<thead>
<tr>
<th></th>
<th>GF</th>
<th>ENT</th>
<th>Other*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2016 Adopted Budget</strong></td>
<td>599.31</td>
<td>351.09</td>
<td>89.70</td>
<td>1,040.10</td>
</tr>
<tr>
<td><strong>FY 2016 Approved Adjustments</strong></td>
<td>1.40</td>
<td>-</td>
<td>0.60</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>FY 2016 Modified Budget</strong></td>
<td>600.71</td>
<td>351.09</td>
<td>90.30</td>
<td>1,042.10</td>
</tr>
<tr>
<td><strong>FY 2017 Reallocations</strong></td>
<td>0.38</td>
<td>(1.48)</td>
<td>1.10</td>
<td>-</td>
</tr>
<tr>
<td><strong>FY 2017 Net Additions</strong></td>
<td>2.85</td>
<td>4.00</td>
<td>3.15</td>
<td>10.00</td>
</tr>
<tr>
<td><strong>Subtotal of 2017 Changes</strong></td>
<td>3.23</td>
<td>2.52</td>
<td>4.25</td>
<td>10.00</td>
</tr>
<tr>
<td><strong>FY 2017 Proposed Budget</strong></td>
<td>603.94</td>
<td>353.61</td>
<td>94.55</td>
<td>1,052.10</td>
</tr>
<tr>
<td><em>Anticipated Fire Department Reductions</em></td>
<td>(2.00)</td>
<td>-</td>
<td>-</td>
<td>(2.00)</td>
</tr>
<tr>
<td><em>Revised Subtotal FY 2017 Changes</em></td>
<td>1.23</td>
<td>2.52</td>
<td>4.25</td>
<td>8.00</td>
</tr>
</tbody>
</table>

*Other Funds are Internal Service, Special Revenue, and the Capital Funds

** A reduction of funding equivalent to 2.0 FTE is recommended in the Fire Department and the positions will be identified later.
# FY 2017 Revised Proposed Budget

## GENERAL FUND: Finance Committee Changes

<table>
<thead>
<tr>
<th>Adjustments</th>
<th>Revenue</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017 City Manager Proposed Budget (April 2016)</td>
<td>$193,127</td>
<td>$198,072</td>
</tr>
<tr>
<td>Planning &amp; Transportation Contingency</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Two new RPPs Operation &amp; Maintenance</td>
<td>155</td>
<td></td>
</tr>
<tr>
<td>Tree Trimming Contract (10 year cycle)</td>
<td>170</td>
<td></td>
</tr>
<tr>
<td>2.0 Position Funding Reduction Fire Dept</td>
<td>(151)</td>
<td>(454)</td>
</tr>
<tr>
<td>General Fund CIP schedule adjustment</td>
<td></td>
<td>(4,327)</td>
</tr>
<tr>
<td>Revised General Fund Tax Revenue</td>
<td></td>
<td>2,102</td>
</tr>
<tr>
<td><strong>FY 2017 Proposed Budget (REVISED)</strong></td>
<td><strong>$195,078</strong></td>
<td><strong>$194,116</strong></td>
</tr>
</tbody>
</table>
Revised FY 2017 General Fund Revenue Estimates +$2.1 million
($’s in ‘000)

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>FY 2017 Proposed (Original)</th>
<th>FY 2017 Proposed (Revised)</th>
<th>$ Change (Original vs Revised)</th>
<th>% Growth (from FY 2016 Adopted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$37,853</td>
<td>$38,953</td>
<td>$1,100</td>
<td>11.1%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$28,668</td>
<td>$29,150</td>
<td>$482</td>
<td>5.5%</td>
</tr>
<tr>
<td>Utility Users Tax</td>
<td>$11,209</td>
<td>$12,379</td>
<td>$1,170</td>
<td>10.7%</td>
</tr>
<tr>
<td>Documentary Tax</td>
<td>$7,532</td>
<td>$6,747</td>
<td>($785)</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>$840</td>
<td>$975</td>
<td>$135</td>
<td>18.4%</td>
</tr>
</tbody>
</table>
Revised FY 2017
Budget Stabilization Reserve

BSR Balance (as of FY 2016 Mid-Year) $36,970
  FY 2016 Year End Revenue versus Expense 3,611
  Projection*

BSR Projected Balance (as of June 30, 2016) 40,581
  FY 2017 City Manager Proposed Operating Budget (4,944)
  Recommended Adjustments 3,946
  Revised General Fund Revenue Estimate 2,031

BSR Revised Projected FY 2017 Balance $41,614
  approximately 21.4%

* This does not include the additional $1.2 million outlined in the 3rd Quarter Financial Report, this additional funding may be used for eminent capital projects.
Potential FY 2017/2018 Variables
Budget Stabilization Reserve

BSR Revised Projected FY 2017 Balance $41,614
Revised FY 2016 Year End Rev. vs Expense 1,270
(June 2016, 3rd Quarter Financial Report)
Reverse Capital Project Schedule Adjustment (4,327)

BSR Revised Projected FY 2017 Balance $38,557
approximately 19.4%
Revised FY 2017 Proposed Budget

OTHER FUNDS: Finance Committee Changes

- *Electric Fund*: Facility Relocation for Caltrain Modernization Project; + FY 2017 $150,000; +5 Year CIP $2.7 million

- *Capital Improvement Fund*: Art in Public Spaces recalculation (-$156,000)

- *Capital Improvement Fund*: Project schedule adjustments, not “shovel ready”
  - Rinconada Park Improvements
  - Municipal Services Center A, B, & C Roof Replacement
  - Ramos Park Improvements

- *Various Funds*: Capital reappropriations $21.7 million
### Revised FY 2017-2021 CIP Five Year Plan
($’s in millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017-2021 City Manager Proposed CIP Plan</td>
<td>$639.5</td>
</tr>
<tr>
<td>- New Project: Facility Relocation for Caltrain Modernization Project</td>
<td>2.7</td>
</tr>
<tr>
<td>- Revised Project: Art in Public Spaces (General CIP)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>- Project reappropriations from FY 2016 to FY 2017 (various funds)</td>
<td>21.7</td>
</tr>
<tr>
<td>- Three project schedule adjustments (General CIP)</td>
<td>0</td>
</tr>
<tr>
<td>FY 2017-2021 City Manager Proposed CIP Plan (REVISED)</td>
<td>$663.7</td>
</tr>
<tr>
<td>General Capital Improvement Fund (43.8%)</td>
<td>approx. $290.8</td>
</tr>
</tbody>
</table>

City of Palo Alto
FY 2017 Proposed Budget
General Capital Improvement Fund

- Buildings and Facilities: 44%
- Parks and Open Space: 20%
- Streets and Sidewalks: 15%
- Traffic & Transportation: 18%
- Unallocated Salaries & Benefits: 3%

Total: $68.2 million
FY 2017 Utility Rate Changes

<table>
<thead>
<tr>
<th>Utility Service</th>
<th>Proposed Rate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>11%</td>
</tr>
<tr>
<td>Gas</td>
<td>8%</td>
</tr>
<tr>
<td>Wastewater</td>
<td>9%</td>
</tr>
<tr>
<td>Water Utility</td>
<td>6%</td>
</tr>
<tr>
<td>Refuse</td>
<td>9%</td>
</tr>
<tr>
<td>Storm Drain</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Increase the average residential bill by about 8%, for a total increase of about $22.42 per month.
Costs/Revenues – Potential Issues

Year 1
- Transportation costs to mitigate traffic issues
- Fire Services Contract with Stanford University
- Animal Shelter Service Delivery
- Golf Course Reconfiguration & Renovation
- Potential acquisition of the downtown Palo Alto Post Office
- Trackwatch
- Junior Museum and Zoo
- Cubberley Community Center Master Plan
- Unfunded Actuarial Liability of $450.6 million for Pension and Retiree Healthcare Trusts ($300.7 million General Fund)

Year 10
- Cadillac Healthcare Federal Excise Tax (FY 2020)

City of Palo Alto
Looking Forward

- Balance expectations with funding
- Ensure we are a competitive employer of choice
- Address FY 2018 structural imbalance between General Fund revenues and expenses
  - Return to Finance Committee fall 2016 outlining potential budget balancing options
- Rising Pension and healthcare costs
- Unfunded liability