Unprecedented time in our City’s history

City Manager releases proposed budgets every April in accordance to the City’s Charter
  • Proposed Operating Budget
  • Proposed Capital Budget along with a five-year Capital Improvement Plan

Baseline budgets reflect FY 2020-2021 estimates prior to the public health emergency, and serve as a benchmark from which to continue conversations in May and June

Proposed budget release starts intensive two-month process ahead
FY 2021 PROPOSED BUDGET SOURCES OF FUNDS
$818.9 M

- Use of Reserves/Fund Balance: 7.7%
- Charges for Services: 3.9%
- Charges to Other Funds: 1.5%
- Documentary Transfer Tax: 1.0%
- From Other Agencies: 3.1%
- Net Sales: 42.5%
- Other Revenue: 17.8%
- Other Taxes and Fines: 0.3%
- Permits and Licenses: 1.6%
- Property Taxes: 7.0%
- Rental Income: 2.1%
- Sales Taxes: 4.6%
- Return on Investments: 1.2%
- Transient Occupancy Tax: 3.6%
- Utility Users Tax: 2.1%
- Other Taxes and Fines: 0.3%
FY 2021 PROPOSED BUDGET USES OF FUNDS
$818.9 M

- Capital Improvement Program: 31.0%
- Utility Purchase: 20.04%
- Salary & Benefits: 27.52%
- Supplies & Material: 1.00%
- Net Transfers: 1.31%
- Allocated Charges: 6.73%
- Contract Services: 5.95%
- Debt Service: 2.49%
- Facilities & Equipment: 0.06%
- General Expense: 2.17%
- Rents & Leases: 1.68%
New budget approaches to contain and reduce costs are necessary to bridge the gap created by a steep economic downturn and support our recovery

- Estimating $20 million impact to current FY 2019-2020 General Fund budget

- Anticipating $20-30 million impact to FY 2020-2021 General Fund Operating Budget (reflects scenario A & B only)
  - *Scenario A:* Disaster recovery (such as flood, fire, earthquake)
  - *Scenario B:* Shelter in-Place through this spring, followed by an economic recession
  - *Scenario C:* Phased shelter in-place through winter, followed by an economic recession

NEW!
<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>21.9%</td>
</tr>
<tr>
<td>Rental Income</td>
<td>6.6%</td>
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<tr>
<td>Utility Users Tax</td>
<td>7.3%</td>
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<tr>
<td>Transient Occupancy Tax</td>
<td>12.3%</td>
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<tr>
<td>Sales Taxes</td>
<td>15.6%</td>
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<td>Other Revenue</td>
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<td>Charges to Other Funds</td>
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<tr>
<td>From Other Agencies</td>
<td>0.2%</td>
</tr>
<tr>
<td>Operating Transfers-In</td>
<td>8.8%</td>
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<tr>
<td>FY 2021 GENERAL FUND SOURCES $241.5 M</td>
<td></td>
</tr>
</tbody>
</table>
FY 2020-2021 PROPOSED BASELINE BUDGETS

- Council adopted budget principles continue to guide our work.

- Recommending Budget and Fiscal Recovery Priorities to help guide our work and evolve through these uncertain times.

1. Support economic recovery through changes to our policies and programs
2. Focus on resiliency over the long term while making service reductions and changes, ensuring that any services eliminated can be restored in future years
3. Seek new ways to conduct our work through efficiencies and a learning environment
4. Apply a broad-based approach to reductions, balancing impacts to the community
5. Use temporary solutions to bridge revenue losses expected in the short term
HISTORICAL FULL-TIME STAFFING COMPARISON

5 Year Trend - Total Citywide FTE Positions

- FY 2017: 1,052.10
- FY 2018: 1,058.95
- FY 2019: 1,041.35
- FY 2020: 1,034.85
- FY 2021: 1,033.85

Total Citywide FTE
FY 2020-2021 PROPOSED OPERATING BUDGET

- Reflects the current service levels approved by the City Council with revenue projections prior to the COVID-19 emergency

- As a balanced budget, the assumptions continue to follow conservative proactive fiscal management across all funds
  - Follow Council adopted Budget Principles

- In addition, the FY 2020 Adopted Budget and the FY 2021 Proposed Budget continues reductions previously approved by the City Council
The City will continue to maintain services and facilities for the community and the region, such as Utilities, Palo Alto Airport, and Wastewater Collection and Treatment Plant.

- Staff is working to explore suspension of rate changes and other budget items reflecting our current public health emergency and economic environment.

- A total of $96.4 million will be allocated towards the capital program for the Enterprise Funds.

- A prioritization of investments will be necessary with the expected reduction in Transient Occupancy Tax receipts and potential reductions in General Fund contributions.
NEXT STEPS

• Continue to maintain essential city services and our public safety response
• Continue business support efforts
• Continue to develop our recovery strategy
• Return with budget modifications in May and June
  • Discuss and choose which scenario to balance the budget with (May 11th)
  • Review the implications of proposed impacts and ground up prioritization (May 12th/13th)
  • Budget final balancing strategy (May 26th)
  • Budget Adoption (June 22nd)

(all dates are tentative)