



DATE: June 12, 2018

CATEGORY: Public Hearing

DEPT.: City Manager's Office/Finance and Administrative Services

TITLE: **Public Hearing for the Fiscal Year 2018-19 Proposed Budget**

RECOMMENDATION

Convene a public hearing, accept public comment, and provide input on the Fiscal Year 2018-19 Proposed Budget (see Attachment 1 to the Council report).

BACKGROUND

The Fiscal Year 2018-19 Proposed Budget has been prepared in accordance with Section 1103 of the City Charter, the State Constitutional limit on the proceeds of taxes, and all applicable regulations. It contains the proposed financial plan for the General Operating Fund (GOF), and all other City funds, as well as the Shoreline Regional Park Community (Shoreline Community), a separate component unit of the City.

The budget process for Fiscal Year 2018-19 started in November 2017, with instructions to departments for preparation of budget requests. A brief summary of the budget development and adoption timeline is as follows:

- **December 15, 2017:** Department budget requests due to the Finance and Administrative Services Department.
- **February 13, 2018:** The Midyear Budget Status Report and GOF Preliminary Forecast for Fiscal Year 2018-19 and Fiscal Years 2017-18 and 2018-19 City Council Goals Work Plan Midcycle Update were presented to the City Council.
- **February 2018:** Department budget meetings with City Manager and Budget Review Team.
- **March 20, 2018:** Study Session for a preliminary review of the Fiscal Year 2018-19 Capital Improvement Program (CIP).

- **April 24, 2018:** Community Development Block Grant (CDBG) public hearing on Fiscal Year 2018-19 funding cycle.
- **May 1, 2018:** Proposed Fiscal Year 2018-19 Capital Improvement Program Study Session and Narrative Budget Report Study Session—General Operating and Other Funds and Reserves, Utility Rate and other fee recommendations, and 10-Year Financial Forecast.
- **June 12, 2018:** Public hearing on the Fiscal Year 2018-19 Proposed Budget, including water, sewer, and trash and recycling rates, and various fees.
- **June 19, 2018:** Adoption of the Proposed Fiscal Year 2018-19 Capital Improvement Program. Proposition 218 public hearing for trash and recycling rates. Public hearing on the Fiscal Year 2018-19 Proposed Budget, including water, sewer, and trash and recycling rates, and various fees, and funding for the Fiscal Year 2018-19 CIP, with adoption scheduled after the public hearing.

Tonight's public hearing provides an opportunity for public input on the Fiscal Year 2018-19 Proposed Budget. Any changes directed by City Council prior to formal adoption will be included in the Adopted Budget, scheduled for a public hearing on June 19, 2018.

ANALYSIS

The Proposed Budget for Fiscal Year 2018-19 **totals \$326.7 million in revenues and \$354.8 million in expenditures**. Expenditures are greater than revenues as some expenditures, such as capital projects, are funded from existing balances. At the May 1, 2018 Narrative Budget Study Session, the City Manager presented the Fiscal Year 2018-19 Budget recommendations. The City Council discussed the recommendations and requested additional information on various items.

The items below have been added/modified by either a straw vote of the City Council at the Narrative Budget Study Session or by staff since the Study Session. These items are included in the Proposed Budget:

City Council Approved:

- Limited-Period Analyst I/II Position (0.50 FTE) for Environmental Sustainability – \$94,000 (GNOF limited-period) (see Attachment 2 for an updated recommendation)

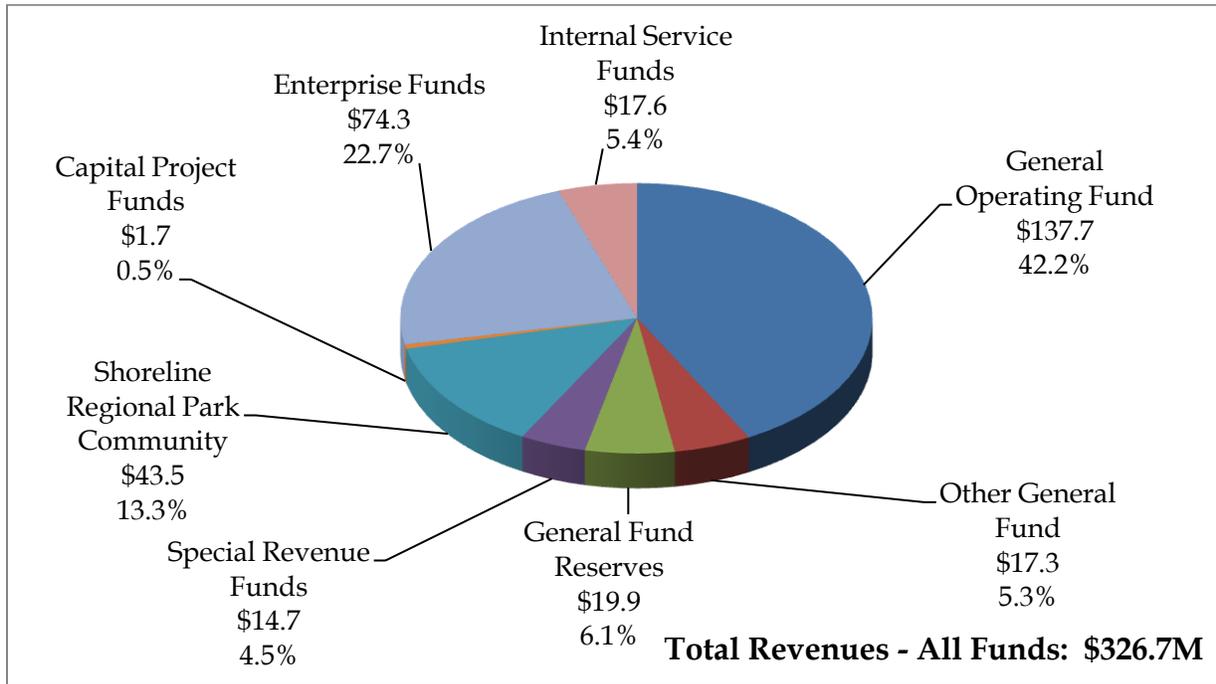
- City Council Team-Building Facilitator – \$5,000 (GNOF limited-period)
- Furniture for Committee Room – \$5,000 (GNOF limited-period)
- Membership to National Organization to Insure a Sound-controlled Environment (N.O.I.S.E.) – \$1,600 (GNOF limited-period)
- Additional lump-sum contribution to CalPERS utilizing \$2.0 million of the \$4.0 million staff originally recommended for the Capital Improvement Reserve.

Proposed by staff:

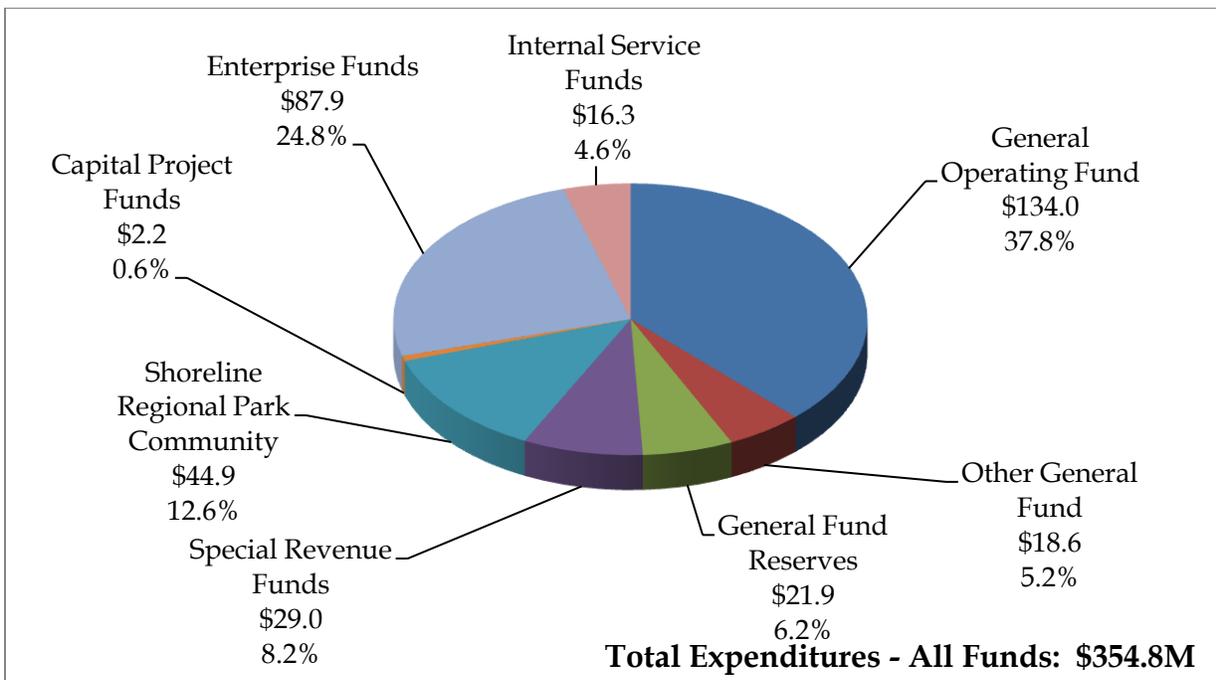
- Communications Training Supervisor – \$161,200 funding increase (\$50,000 contracts to \$211,200 for 1.0 FTE) (GNOF limited period)
- Shorebreeze Apartment Affordable Housing Expansion – \$121,000 (Housing Impact limited period)
- Administrative Aide – Reduced funding \$26,000 (\$180,200 Admin Analyst I/II to \$154,500 Admin Aide) (Solid Waste Management limited period)

Additionally, staff has included updates to, and new rebudget items in, the Proposed Budget (including \$7.3 million of Housing Impact funds for Shorebreeze Apartment Affordable Housing Expansion) and more detailed information can be found on the Major Program Changes section and the proposed Limited-Period list.

**Total Fiscal Year 2018-19 Proposed Revenues – All Funds
(dollars in millions)**



**Total Fiscal Year 2018-19 Proposed Expenditures – All Funds
(dollars in millions)**

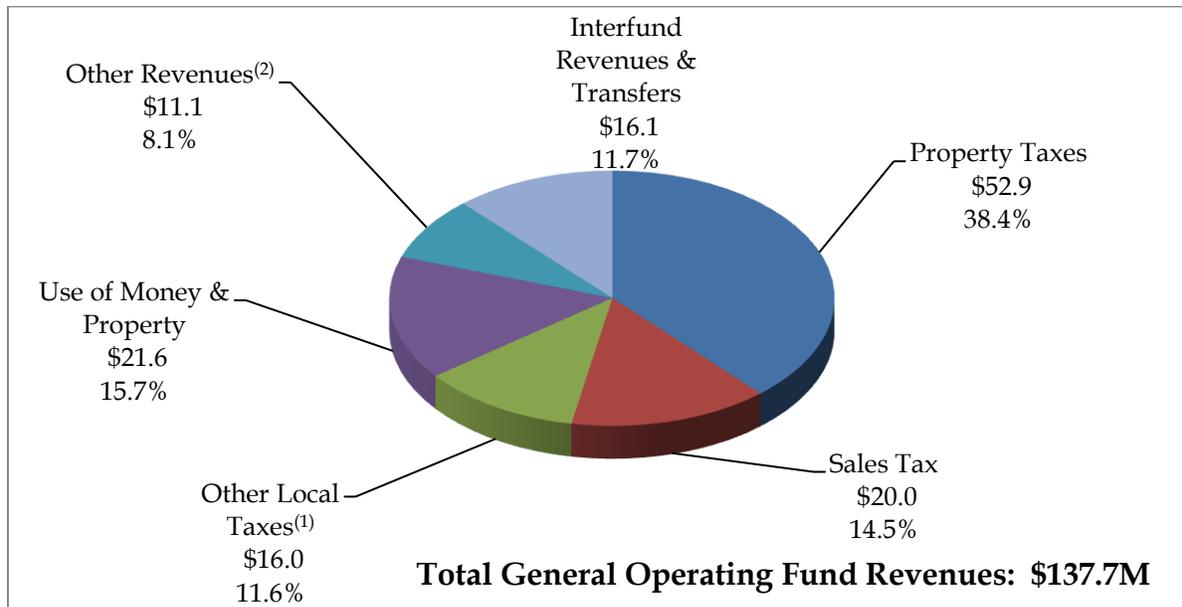


Note: Net of the \$2.3 million budget savings and includes the transfers of \$1.0 million to the GF Reserve, \$2.0 million to the Transportation Reserve, \$2.0 million to the Capital Improvement Reserve, and \$4.0 million toward the CalPERS Liability.

The GOF is the single largest City fund and provides funding for the core services of the City, such as Police, Fire, Parks, Recreation, Library, some Planning and Public Works, as well as Administration. The GOF Proposed Budget includes the recommendations presented at the Narrative Budget Report Study Session, as well as the City Council and staff additions discussed above. An updated summary is as follows (dollars in thousands):

Total Revenues	\$137,688
Total Expenditures	<u>(124,997)</u>
Operating Balance	12,691
Transfer to General Fund Reserve	(1,000)
Transfer to Transportation Reserve	(2,000)
Transfer to Capital Improvement Reserve	(2,000)
Contribution to CalPERS	<u>(4,000)</u>
Ending Balance	\$ <u>3,691</u>

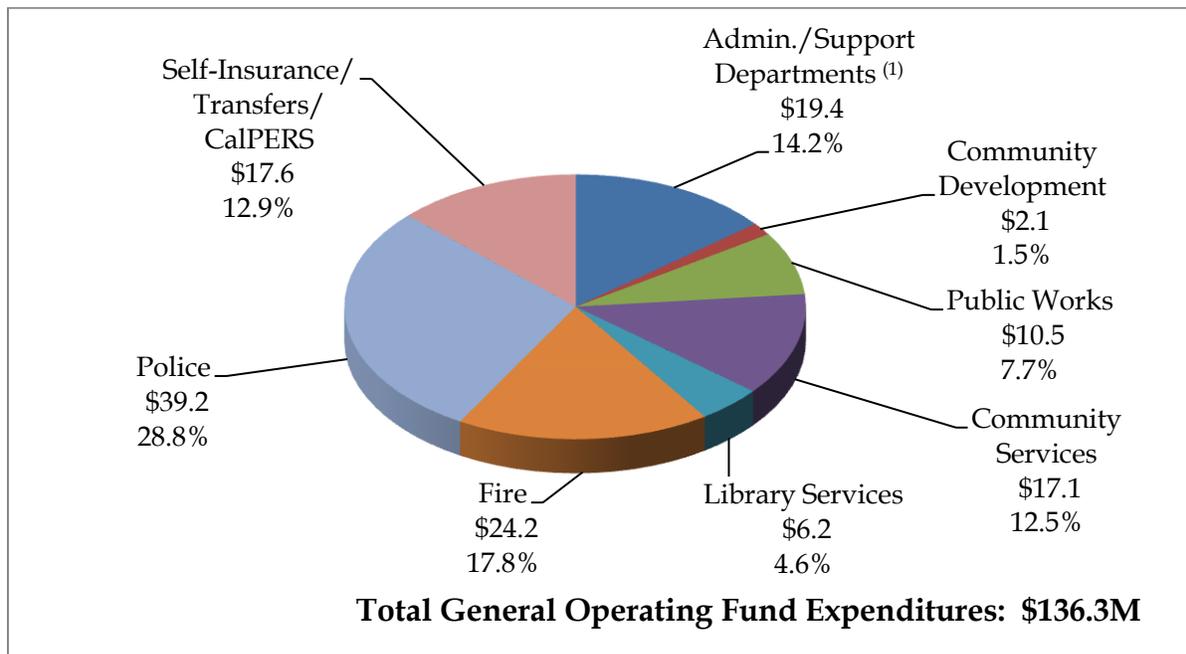
Total Fiscal Year 2018-19 Proposed Revenues – GOF
(dollars in millions)



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 Revenues.

**Total Fiscal Year 2018-19 Proposed Expenditures – GOF
(dollars in millions)**



¹ Admin./Support Departments include: City Council, City Clerk, City Attorney, City Manager, Information Technology, and Finance and Administrative Services.

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

At the Narrative Budget Report Study Session, the City Council requested staff to return with additional information on the following items:

- Employee Appreciation One-Time Bonus—\$280,000 (GNOF, from the current Fiscal Year carryover) (see Attachment 3).
- Fire Department Antique Apparatus—\$20,000 (GNOF limited-period) (see Attachment 4).
- Plaza Conference Room Tables—\$5,000 (GNOF limited-period) (see Attachment 5).

In addition, new items (not included in the Proposed Budget) that have been discussed and actions taken by the City Council subsequent to the May 1, 2018 Narrative Budget Study Session, or are being proposed by staff for City Council consideration, are as follows:

City Council Actions:

- Palo Alto Housing NOFA predevelopment funds – \$1.7 million (BMR).

On May 15, 2018, the City Council discussed the Notice of Funding Availability (NOFA) application for the Palo Alto Housing development at 950 West El Camino Real. At that meeting, the City Council provided direction to staff to include the following recommendations in the Fiscal Year 2018-19 Proposed Budget:

1. Appropriate \$1,400,000 in Below-Market-Rate funds to predevelopment costs and authorize the City Manager to enter into an agreement with Palo Alto Housing for the use of the predevelopment funds.
 2. Appropriate an additional \$300,000 in Below-Market-Rate funds for staff time, environmental, parking, and other special studies for this project.
- Plaza Activation – \$105,200 (\$32,700 GOF and \$72,500 GNOF limited-period)

On May 22, 2018, the City Council discussed the Expanded Programming and Activation for Civic Center Plaza at a Study Session. During the Study Session, the City Council provided direction as to the components and aspects desired. Provides ongoing funding for the first-phase additional programming, including an additional Concert on the Plaza event per month from April to September, the addition of Saturday morning kids music festival once a month from May to July, and 500 hours of Recreation Specialist staffing to book artists for the new events, work with community groups to support the kids music festival, and be one of the lead staff the day of the event. Provides limited-period funding for the first-phase amenities, including the additional matching tables/chairs/umbrellas, as well as the new turf with concrete planters, Adirondack chairs, bike racks, and checkers with chess sets. Also includes limited-period funding for a new sound system to support the additional programming.

Proposed by staff:

- Environmental Sustainability – \$131,000 (GNOF limited-period)

Replaces the 0.5 FTE Analyst I/II (\$94,000) with a 0.5 FTE Administrative Aide (\$75,000) plus funds to hire a consulting firm with expertise in environmental sustainability, municipal operations and organizational best practices (\$150,000) (see Attachment 2).

- Excess Liability Insurance - \$99,800 (Liability Fund)

Increases the budget to fund the anticipated premium for Fiscal Year 2018-19 resulting from the [ACCEL pool losses over the past four years](#).

- Recycled Water Cost for Shoreline Golf Links – \$30,000 (Shoreline Golf Links; Reduces GOF revenue \$15,000)

Increases the budget for recycled water costs due to the proposed recycled water rate increase. Also reduces the balance available to transfer to the GOF.

The above new items are not included in the Fiscal Year 2018-19 Proposed Budget. Any changes to the Fiscal Year 2018-19 Proposed Budget approved by City Council prior to formal adoption will be included in the Adopted Budget, scheduled for a public hearing on June 19, 2018.

FISCAL IMPACT

The Proposed Budget provides a fiscal plan for the City for Fiscal Year 2018-19 with a structurally balanced GOF and projected year-end operating balance of \$3.7 million.

ALTERNATIVES

Council may request modifications to the Fiscal Year 2018-19 Proposed Budget as presented or provide other direction.

PUBLIC NOTICING

Agenda posting, notice of fee modification as required, and notice of the public hearing was published in two newspapers of general circulation.

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- Attachments:
1. [Fiscal Year 2018-19 Proposed Budget](#)
 2. Environmental Sustainability
 3. Employee Appreciation One-Time Bonus
 4. Fire Department Antique Apparatus
 5. Plaza Conference Room Tables