



# FISCAL YEAR 2023-24 BUDGET PUBLIC HEARING

June 13, 2023



# AGENDA

- Budget team
- General Fund pandemic impacts
- City Council Priorities
- Proposed budget and assumptions
- Five-year General Fund forecast
- Capital Improvement Plan
- Budget strategies
- Comments and questions



## BUDGET TEAM

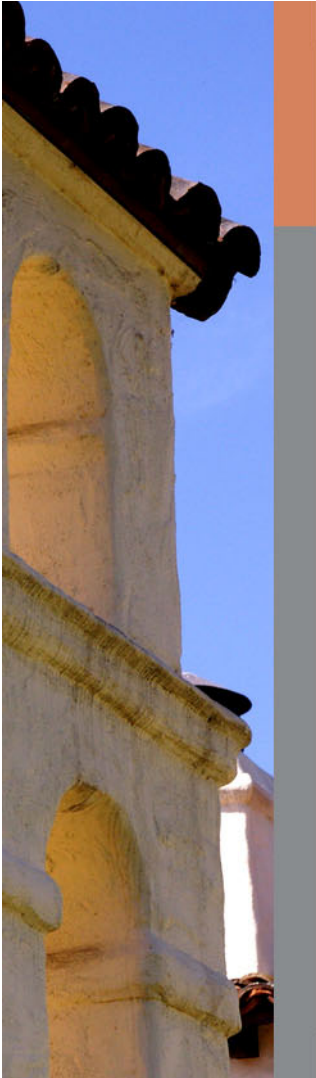
- Stephen Stolte, Assistant City Manager
- Nicole Nagaya, Deputy City Manager
- Brittany Mello, Administrative Services Director
- Marvin Davis, Interim Finance Director
- Rani Singh, Interim Finance and Budget Manager
- Ying Chen, Senior Accountant
- Adrian Patino, Management Analyst II





## BUDGET CONTRIBUTORS

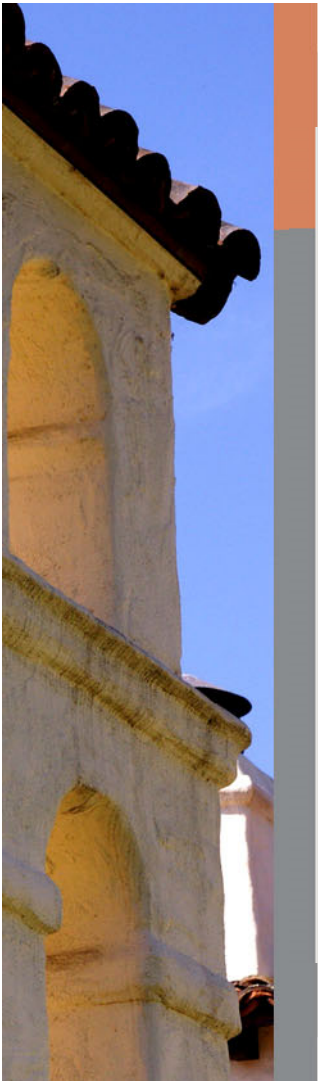
- General Administration
  - Nicole Casados, Judi Herren, Rebecca Lucky
- Administrative Services
  - Sandy Pimentel
- Community Development
  - Deanna Chow, Charles Andrews, Vanh Malathong, Adam Patterson, Eren Romero, Kyle Perata
- Library and Community Services
  - Sean Reinhart, Nick Szegda
- Police
  - David Norris, Tony Dixon, TJ Moffett, Dani O'Connor
- Public Works
  - Eren Romero, Adali Arroyo, Tanisha Werner, Hugh Louch



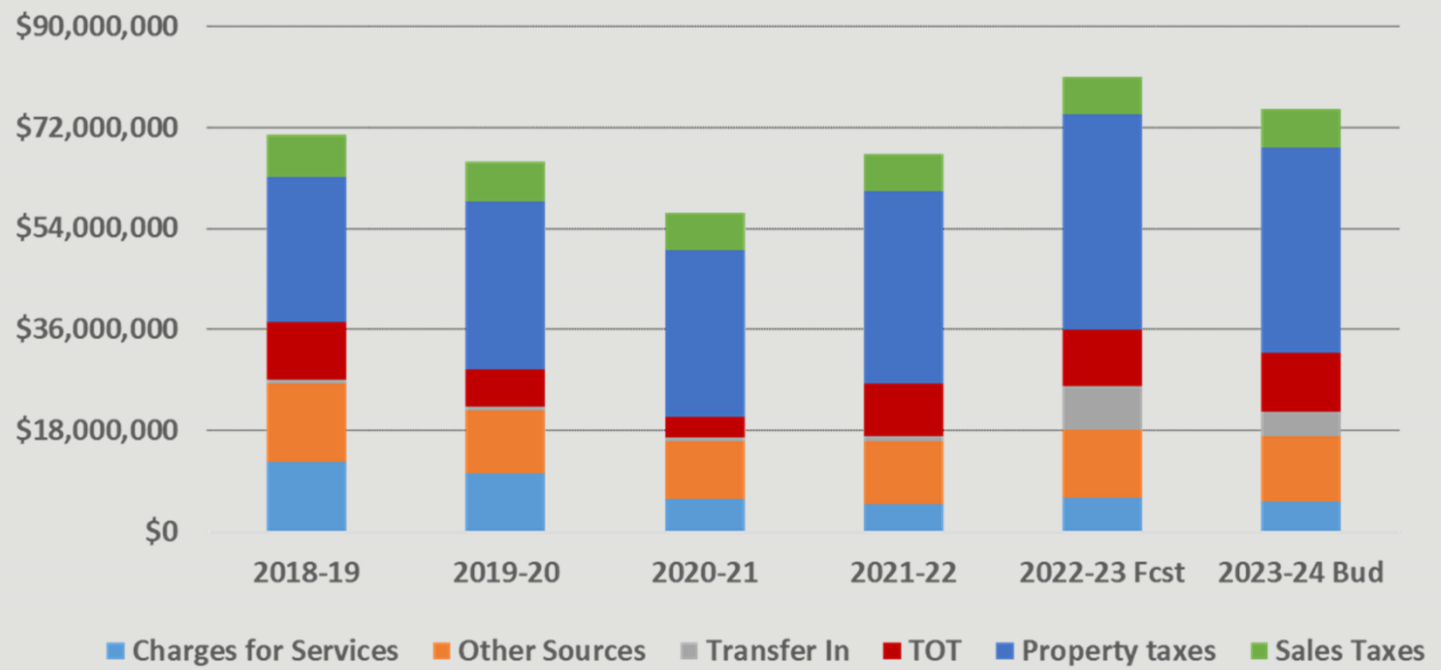
## GENERAL FUND PANDEMIC IMPACTS (FY 2018-19 THRU FY 2023-24)

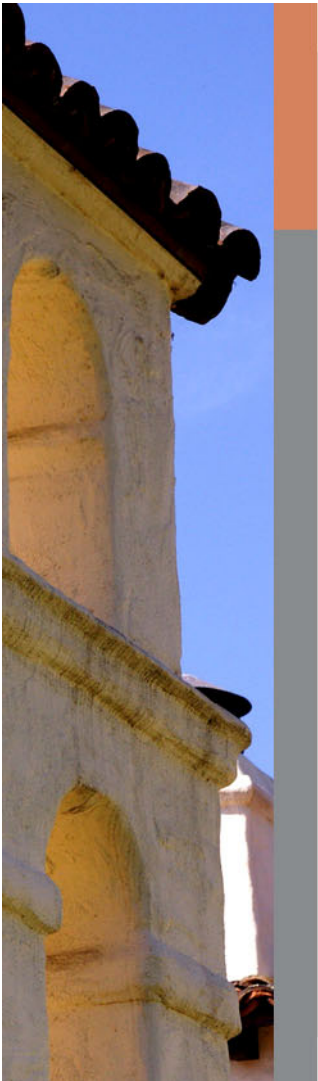


- Estimated revenue losses
  - Transient Occupancy Tax: - \$11.3 million
  - Charges for Services: - \$14.9 million
  - Sales Taxes: - \$8.6 million
  
- Expense changes over pandemic
  - Full-time equivalent (FTE) reduction of 44
  - Rebound from pandemic: FTE growth of 54 by FY 2023-24
  - Budget increase by \$21.2 million or 36% over 5-year period
  - General Fund supports an estimated 84% of City's FTEs

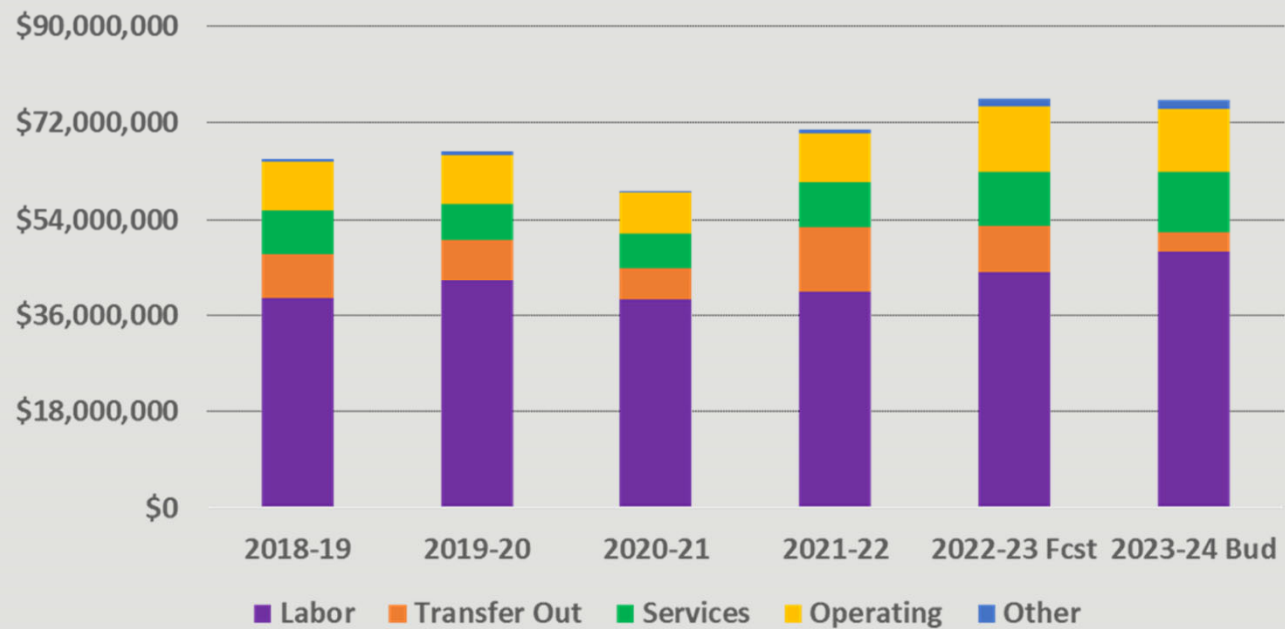


# GENERAL FUND REVENUE TRENDS

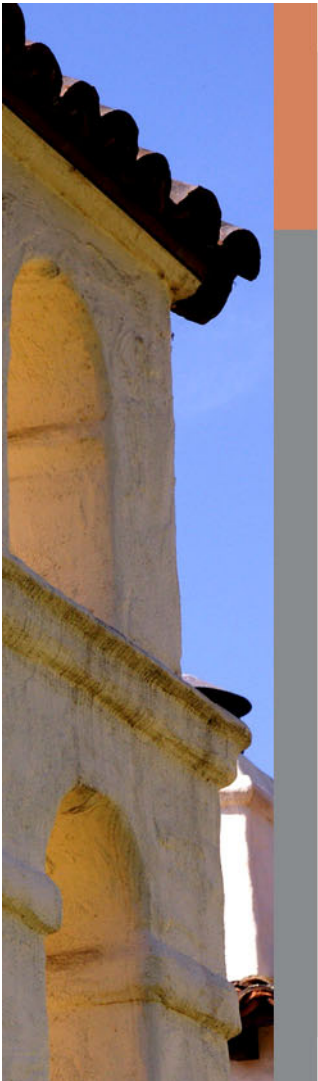




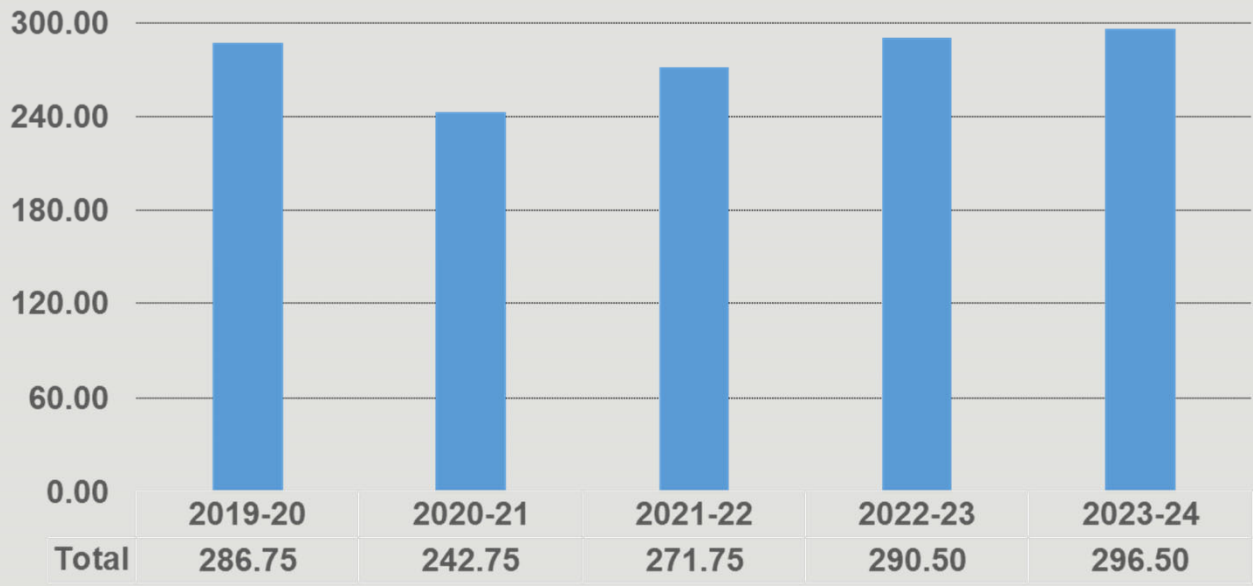
# GENERAL FUND EXPENSE TRENDS



Other: Special Equipment, Community Programs, Misc. Projects



# CITYWIDE STAFFING LEVELS







# CITY COUNCIL PRIORITIES





## CITY COUNCIL PRIORITIES

The City Council held its annual priority and goal setting workshop on March 18, 2023, to provide direction to the city manager on aligning resources and work plans for the next year.

The City Council identified the following priorities:

- Housing
- Emergency Preparedness
- Climate Action Plan
- Activating Downtown
- Safe Streets

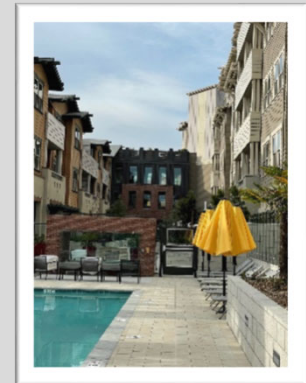


## CITY COUNCIL PRIORITY: HOUSING



Housing is supported by ongoing activities and proposed enhancements:

- Initiate Housing Element programs, such as tenant/landlord education
- Continued outreach and development for 2023-2031 Housing Element components – Safety Element and Environmental Justice
- Multiple residential and mixed-use projects in development pipeline with market rate and below market rate units
- Streamlined permitting process using 24/7 online portal





## CITY COUNCIL PRIORITY: EMERGENCY PREPAREDNESS



Emergency Preparedness is supported by ongoing activities and proposed enhancements:

- Recruitment plan for Emergency Preparedness Coordinator (1 FTE)
- Continued coordination with Menlo Park Fire Protection District
- Partnership with community organizations to strengthen resilience at neighborhood level



## CITY COUNCIL PRIORITY: CLIMATE ACTION PLAN



Climate Action Plan is supported by ongoing activities and proposed enhancements:

- \$4.5 million of State grant funds for communitywide electrification (over two years)
- Robust staffing devoted to sustainability efforts (3 FTEs)
- Continue to electrify City facilities, including Burgess Pool heating equipment, and expand electric vehicle charging for City vehicle fleet
- Zero emissions landscaping equipment program and outreach
- Awarded FEMA BRIC grant to implement SAFER Bay sea level rise protection plan for 2/3 of Menlo Park shoreline
- Support Environmental Quality Commission meetings
- And much more!



## CITY COUNCIL PRIORITY: ACTIVATING DOWNTOWN



Activating Downtown is supported by ongoing activities and proposed enhancements:

- Interim Economic Development Manager starting June 2023 while recruitment plan developed for permanent position
- Implementing the Streetaries outdoor dining program
- Enhanced public outreach promoting businesses and events downtown



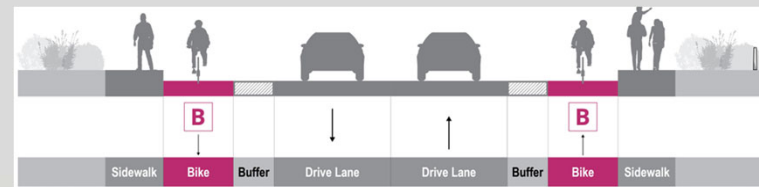


## CITY COUNCIL PRIORITY: SAFE STREETS



Safe Streets is supported by ongoing activities and proposed enhancements:

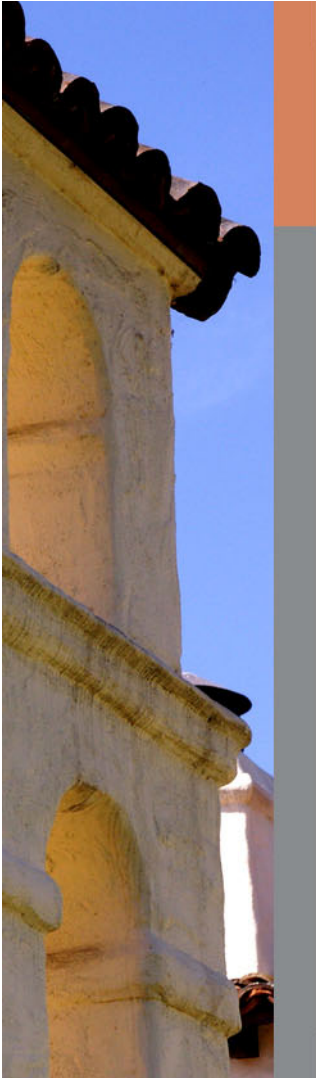
- Completion of the local road safety plan/vision zero action plan to address most significant safety challenges in collaboration with Police
- Ongoing maintenance (current pavement condition index is 76 “good to excellent”) with focus on incorporating safety upgrades into maintenance projects; 5-year resurfacing plan to be developed fall 2023
- Deliver Transportation Master Plan projects with focus on connected, multimodal networks with \$28M for projects in the CIP
- Continue enforcement and education efforts in collaboration with Menlo Park schools, School Resource Officer, safe routes to schools program, and traffic enforcement unit
- Coordination with Complete Streets Commission efforts





# PROPOSED BUDGET

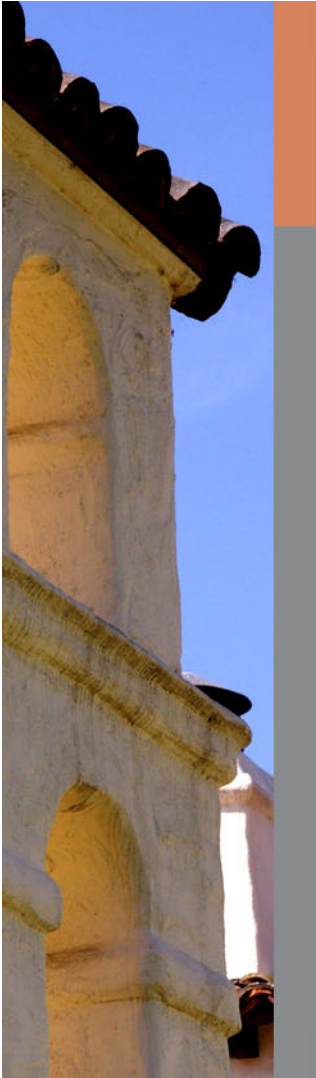




## FY 2023-24 OPERATING BUDGET: REVENUE



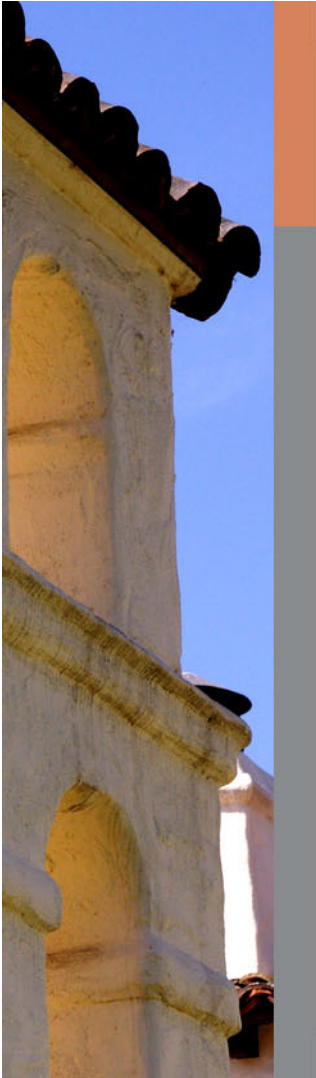
- Key Revenue Assumptions
  - Property taxes, TOT, Sales, other reviewed under 5 year forecast
    - *Vehicle License Fee updated; increased \$1.8 million since June 1*
  - Excludes UUT of \$1.6 million
  - \$1.3 million Meta (Facebook) development agreements in separate Fund 111
  - Non-operating revenues:
    - \$24.4 million for community amenities in Fund 369
    - Measure T Bond Assessments - \$2.4 million



## FY 2023-24 OPERATING BUDGET: EXPENSE



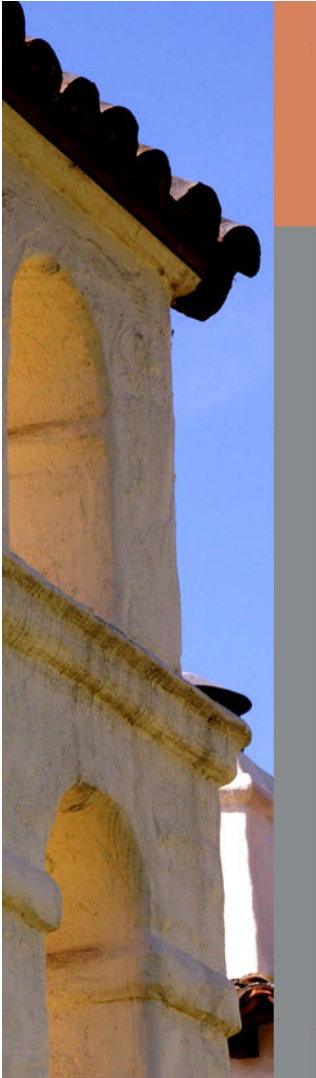
- Key Expense Assumptions
  - 296.5 FTEs, including 6 proposed for Menlo Park Community Campus (MPCC) operations
  - Vacancy rate of 10% equates to 23.85 FTEs, supported by start date analysis
  - \$3 million transfer for Capital Improvement Program (CIP)
  - \$3.7 million in ARPA, must be spent by December 2024
- Non-operating expenses:
  - Measure T Bond Service - \$2.4 million debt service
  - Measure T Bonds - \$8.8 million MPCC, \$3.1 million Willow Oaks, \$0.7M Burgess Park playground
  - Internal Service Fund budgets (allocated by FTEs)



## FY 2023-24 OPERATING BUDGET RESULTS



- The proposed Fiscal Year 2023-24 budget results in a deficit of \$0.96 million
  - Deficit revised based on latest Vehicle License Fee revenue since public workshop
  
- Reserve Levels
  - Non-spendable: \$0.44 million
  - Project related: \$0.54 million
  - Strategic pension: \$2.28 million
  - Emergency Contingency Reserve: \$11.4 million at 15% (meets policy minimum)
  - Economic Stabilization Reserve: \$15.3 million at 20% (meets policy minimum)
  - Unassigned: \$6.3 million



## SERVICE LEVEL ENHANCEMENTS



- Menlo Park Community Campus Operations
  - Annual operating expenses and staffing level restorations and increases - \$1.2 million
  
- Public Safety Technology Enhancements (multi-year programs)
  - Flock Cameras - \$536,400
  - Axon Fleet (In-Car Cameras) - \$403,944
  - Voice Logging Equipment - \$104,120
  
- Community Wellness and Crisis Response Team (CWCRT) –  
Mental health clinician - \$80,000
  
- Equipment for zero emission landscaping ordinance (ZELE) - \$200,000
  
- Electric landscaping equipment rebate program - \$35,000
  
- Diversity, Equity, Inclusion, and Belonging Initiatives - \$51,000

The background is a photograph of a street scene. On the left, there are teal-colored rectangular blocks. A horizontal orange bar with a grey gradient on its left side is overlaid across the middle of the image. The text "DEPARTMENT BUDGETS" is centered in white on this orange bar. The background photo shows a street with a "harvest" sign, a "TABAC" sign, and outdoor seating with wicker chairs.

# DEPARTMENT BUDGETS



# DEPARTMENTAL GENERAL FUND OVERVIEW



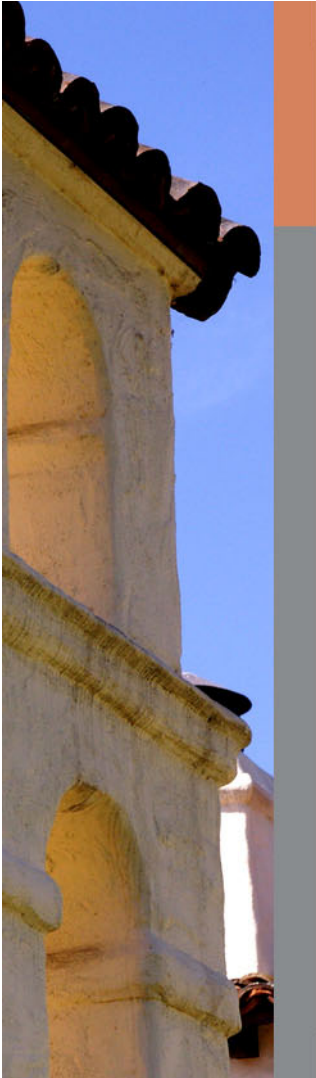
Department	General Fund Expenses	General Fund Revenues	FTEs*
Police	\$23,732,441	\$449,000	69.5
Public Works	\$17,801,801	\$1,282,394	43.61
Library and Community Services	\$13,431,174	\$3,074,500	57.25
Community Development	\$10,958,077	\$4,258,050	33.5
General Administration	\$6,637,385	-	18.36
Administrative Services	\$4,629,137	\$50,000	17.75
Non-Departmental	\$(868,917)	\$66,241,008	0
<b>Total</b>	<b>\$76,321,098</b>	<b>\$75,354,951</b>	<b>239.97</b>

\*includes MPCC SLE



# FIVE-YEAR GENERAL FUND FORECAST



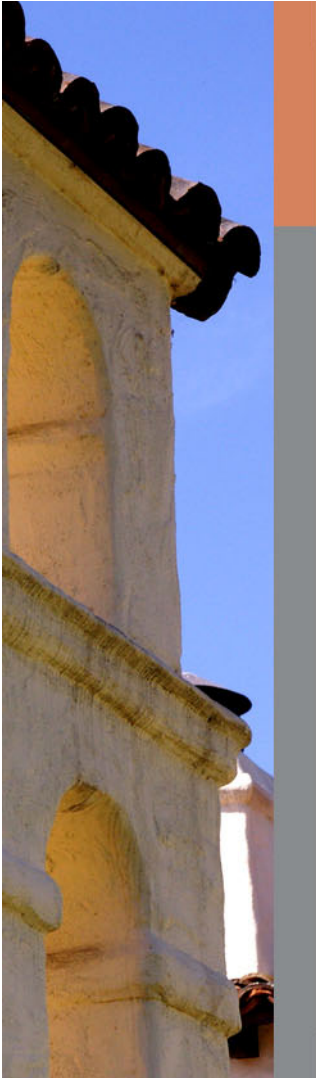


## GENERAL FUND FIVE-YEAR FORECAST



- Revenue assumptions
  - Property Taxes: 4.6% growth (HdL) *updated*
    - *Vehicle License Fee: Updated by \$1.5 million per year*
  - Transient Occupancy Tax: 5% growth (includes citizenM)
  - Sales Tax: 4% growth (MuniServices)
  - Licenses & Permits: 4% growth
  - Excludes \$1.6 million in UUT annually (\$8 million loss over 5-year period)
  
- Additional Information
  - Approximately \$1 million annual use of California Employers' Retiree Benefit Trust (CERBT) for retiree premiums
  - \$3.7 million in ARPA funds

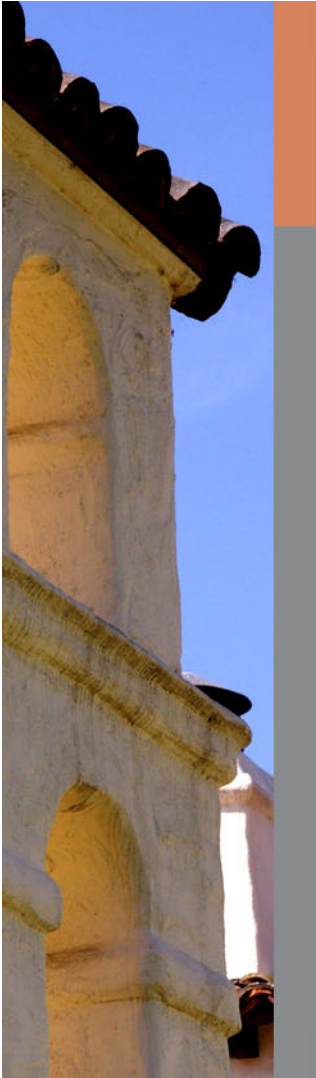




## GENERAL FUND FIVE-YEAR FORECAST



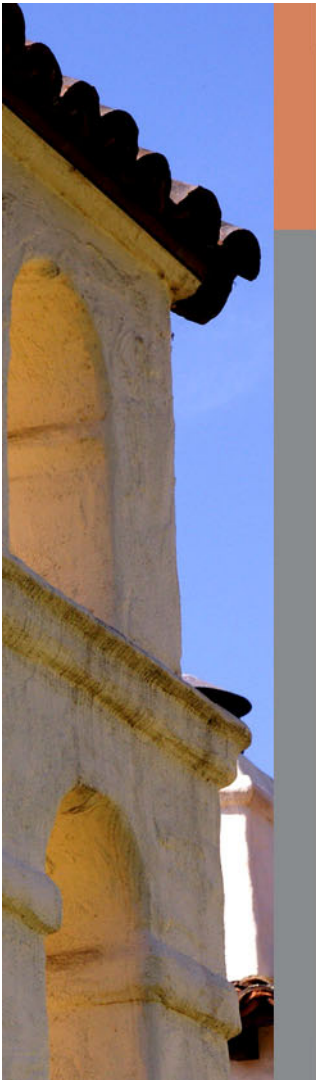
- Expense assumptions
  - 239.97 FTE total full-time equivalents (FTEs)
    - Placeholder wage adjustments *\*subject to labor negotiations*
    - 4% CPI across standard benefits
    - Vacancy rate of 10% (equal to 24.0 FTEs) gradually reduces down to 7% (equal to 16.80 FTEs) by year 4 of forecast
  - Unfunded Accrued Liability (UAL) additional payment, suspended first 2 years, resumes at \$500,000 throughout remainder
  - Reduce transfer for CIP to \$1 million starting FY 2024-25
  - Estimated UUT refund of \$4.5 million in FY 2024-25



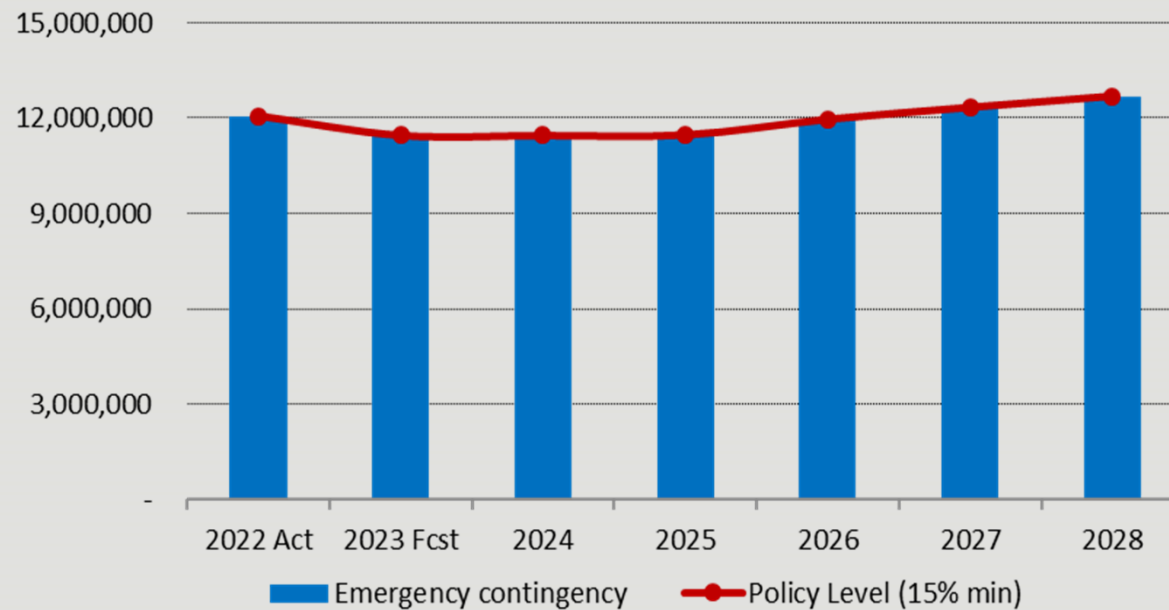
## GENERAL FUND FIVE-YEAR FORECAST



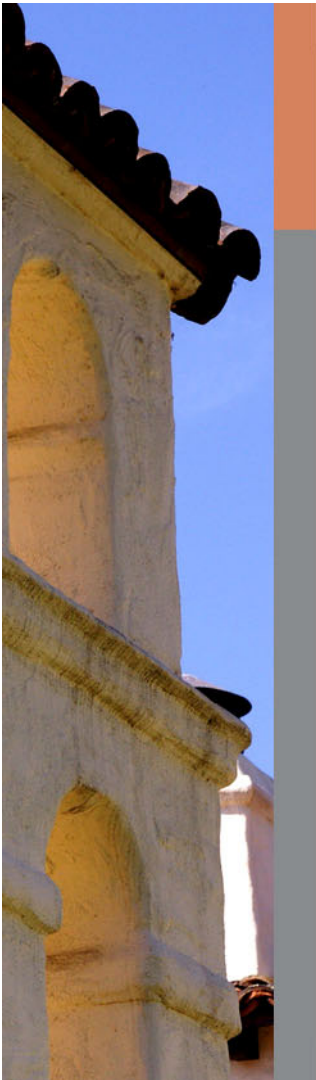
- Surplus/Deficit & Reserve Impacts
  - Total Reserve balance trends downward from \$36.3 million to \$25.1 million over the five-year period
    - Total deficit over five-year period: \$12.2 million
    - Uncertainty surrounding City’s vehicle license fee allocation from the State
  - Emergency Contingency Reserve: Maintained at minimum policy level of 15%
  - Economic Stabilization Reserve: Falls below minimum policy level of 20% beginning in FY 2024-25 due to UUT refund
    - Reaches low of 12% in FY 2027-28
  - Unassigned Fund Balance: Decreases to \$0.25 million beginning in FY 2024-25 to maintain necessary liquidity for cash flow



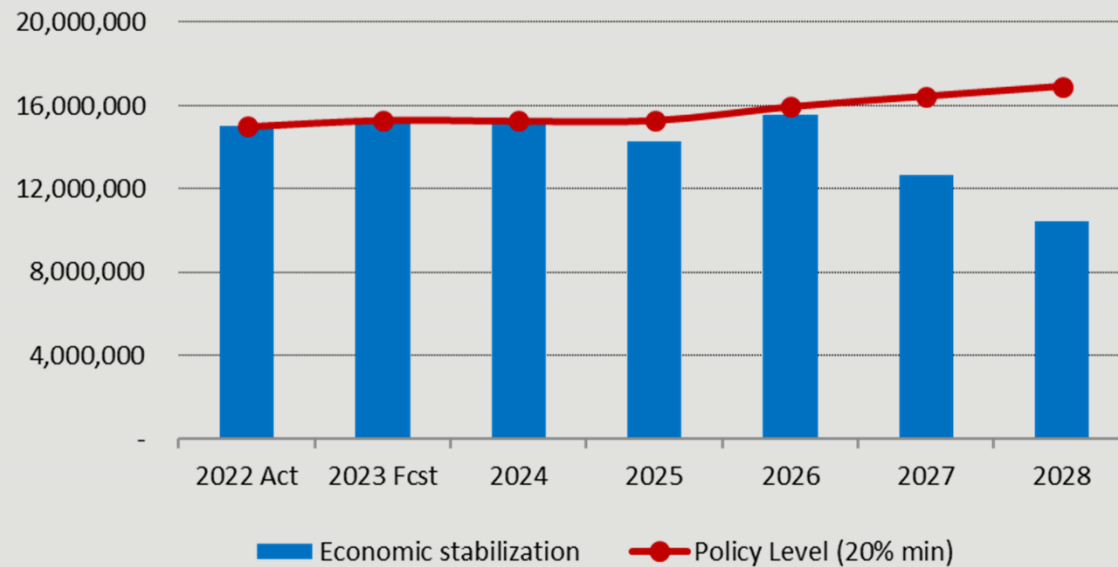
## GENERAL FUND: EMERGENCY CONTINGENCY RESERVE



- The Emergency Contingency Reserve was established by resolution in 2011 and updated in 2014 with a policy goal of maintain 15-20% of the General Fund's annual operating budget
- Use of the reserve is limited to declared emergencies
- The City forecasts that this reserve will be maintained at the minimum policy level



## GENERAL FUND: ECONOMIC STABILIZATION RESERVE



- The Economic Stabilization Reserve was established by resolution in 2011 and updated in 2014 with a policy goal of maintain 20-25% of the General Fund's annual operating budget
- The reserve can be used for severe operational budget deficits or to mitigate effects from unforeseen changes in revenues and/or expenditures
- The forecast uses reserves to cover projected deficits and the reserve trends down to 12% minimum in FY 2027-28; Council may consider alternative strategies to structurally balance



# CAPITAL IMPROVEMENT PROGRAM



## CAPITAL IMPROVEMENT PROGRAM

- 81 funded and carryover projects with 8 new projects
- 27 proposed for new funding in FY 2023-24
- 7 categories
  - Buildings and systems
  - Environment
  - Parks and recreation
  - Stormwater
  - Streets and sidewalks
  - Traffic and transportation
  - Water system
- 13 programmatic categories: Parks (minor), Sports field renovations, traffic signal modifications, etc.





## COMPLETED PROJECTS

- Bayfront Canal and Atherton Channel flood protection and habitat restoration project
- Chilco streetscape and sidewalk installation
- El Camino Real Median Trees Improvements
- Facilities inventory and maintenance plan
- Park pathway repairs at Sharon and Nealon Parks
- Ravenswood Avenue/Laurel Street intersection modifications
- Resurfacing of streets underway
- Sharon Road sidewalks
- Suburban Park/Flood Triangle neighborhood street light replacement and series circuit project
- Water main replacement on Haven Avenue



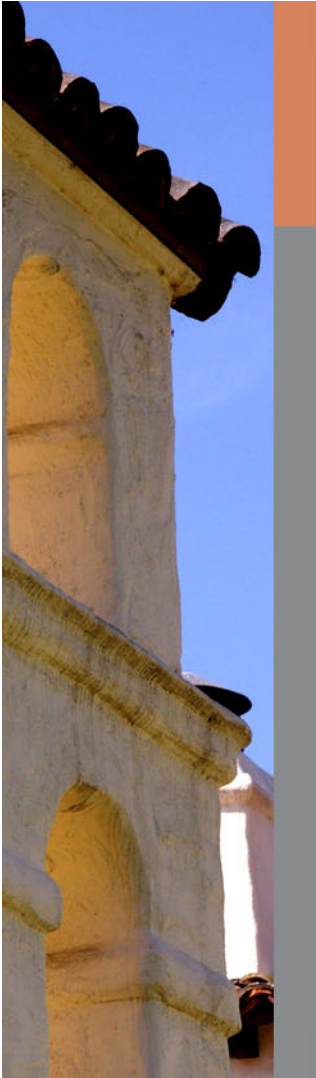
## NEW PROJECTS

- Automated Waterline Blowoffs at Deadend Locations
- Belle Haven Child Development Center Zero Net Energy Retrofit
- Belle Haven Park Improvements
- Burgess Campus Microgrid & Electrification
- Building Exterior Improvements (solar-ready)
- Sharon Heights Pump Station Variable Frequency Drives
- Smart Irrigation Infrastructure Project
- Urban Forest Master Plan





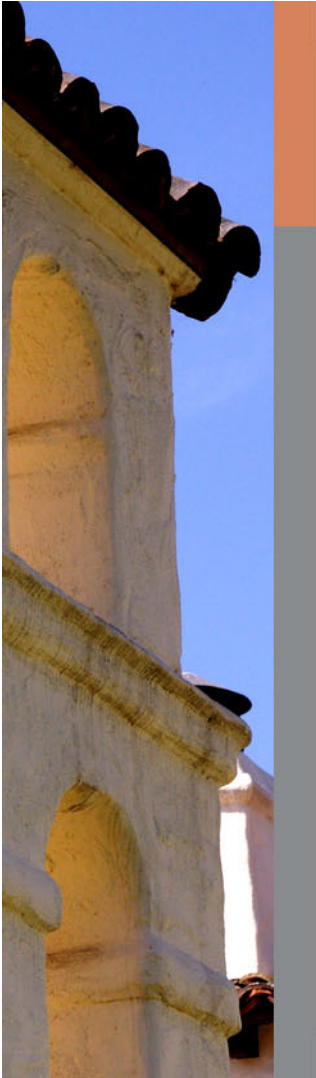
# BUDGET STRATEGIES



## BUDGET STRATEGIES



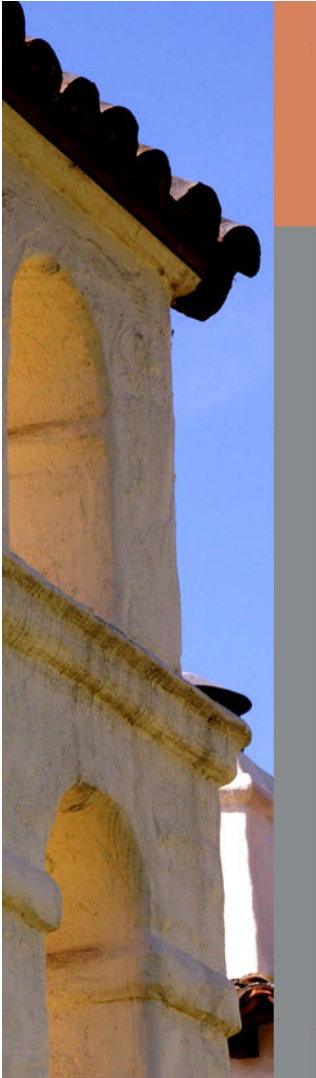
- Staff requests City Council direction on strategies to balance General Fund without depleting reserves
  
- Loss of Utility Users Tax, estimated \$4.5 million refund in fiscal year 2024-25, growing demand for City services, and rising costs all place additional strain on the General Fund
  
- Proposed General Fund budget for FY 2023-24 uses:
  - \$0.96 million reserves
  - \$3.7 million ARPA funds



## BUDGET STRATEGIES



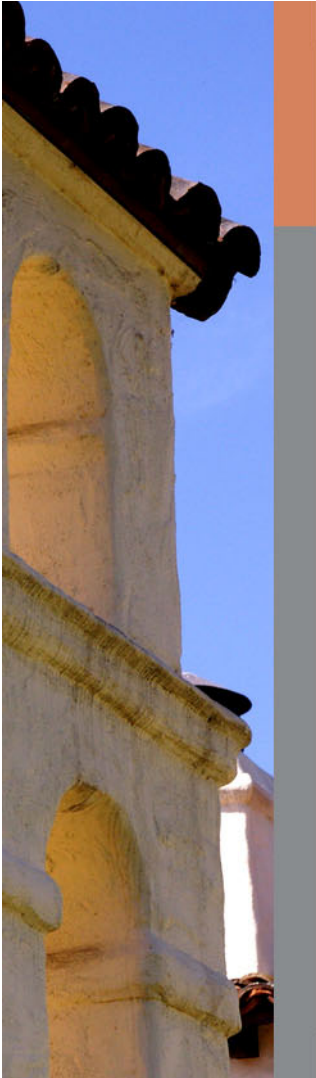
- American Rescue Plan Act (ARPA)
  - \$3.7 million recorded as revenue in proposed FY 2023-24 budget
  - \$880,000 in eligible expenses since 2020
  
- General Fund contribution to the Capital Improvement Program (CIP)
  - FY 2023-24 budget: \$3 million contribution
  - Five-year forecast assumes \$1 million annually after
  - City would need to rely more on restricted funds, grants
  - Potential impact: \$2 million annually; may increase longer-term deferred maintenance costs



## BUDGET STRATEGIES



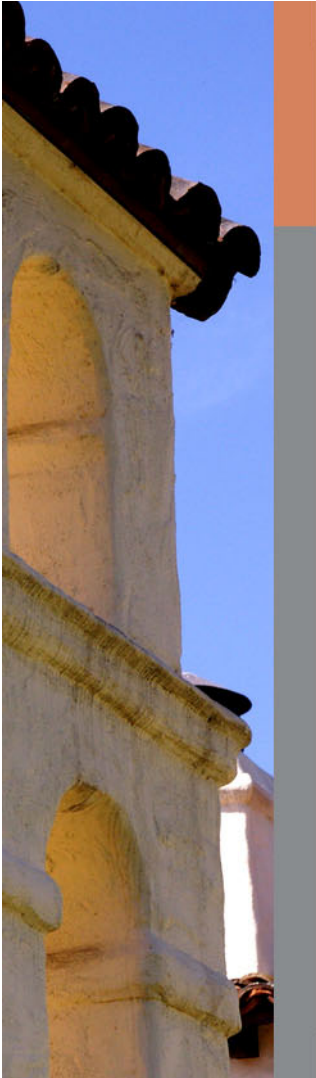
- Additional Unfunded Accrued Liability (UAL) payment
  - FY 2023-24: suspend
  - Five-year forecast suspends for 2 years; \$0.5 million for last 3 years
  - Potential Impact: \$3.5 million over five years; increases amortization schedule
  
- One-time, Bayfront mitigation, Downtown Public Amenity and In-Lieu Community Amenities Funds
  - May be used to maintain General Fund expenditures, capital projects
  - Example: One-Time Developer Payments Fund to maintain service levels and staffing at MPCC
  - Potential Impact: varies – each fund has its own spending goals and restrictions



## BUDGET STRATEGIES



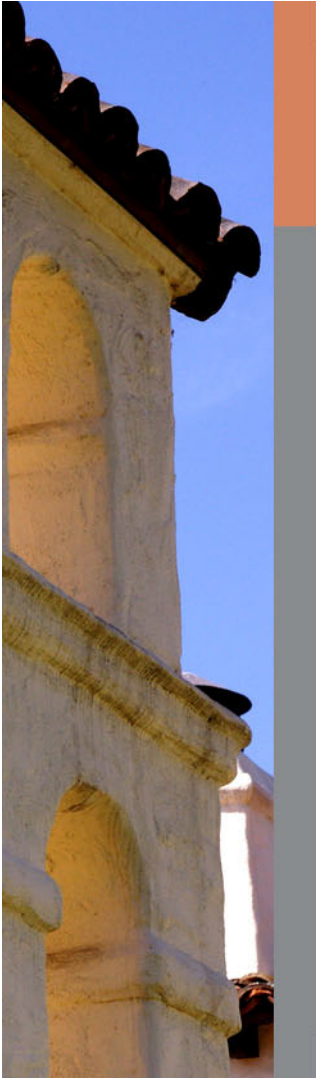
- Adjust master fee schedule
  - Agenda item for 2023
  - Potential impact: 3% CPI increase may result in \$180,000 annually
  
- Potential contract service level reductions
  - Reduced median landscaping; up to 20% reduction, or \$115K savings
  - Reduced weeding and park maintenance; 20% reduction, or about \$90K savings
  - Transportation on-call support contract reduction incorporated into proposed budget; \$34K savings
  - Potential Impact: varies – possible impacts (aesthetics, etc.)



## BUDGET STRATEGIES



- Reserve policies
  - Current reserves:
    - Emergency Contingency Reserve: 15-20%
    - Economic Stabilization Reserve: 20-25%
    - Strategic Pension Funding Reserve
  - Reserves are a component of maintaining the City's AAA bond rating
  - City Council directed staff to research reserve policies of neighboring cities



## BUDGET STRATEGIES



- Potential revenue-generating ballot measures
  - Transient Occupancy Tax (TOT) increase of 1-3.5%: \$0.875 million to \$3 million annually
  - A new Utility Users Tax (UUT) adhering to former tax rate structure: \$1.8 million to \$5.8 million annually
  - Sales Tax increase by 0.25% or 0.50%:
    - Current sales tax: 9.375%
    - Approximately \$2 million to \$4 million annually
  - Business License Tax: additional analysis needed to estimate revisions



# SUMMARY OF BUDGET STRATEGIES

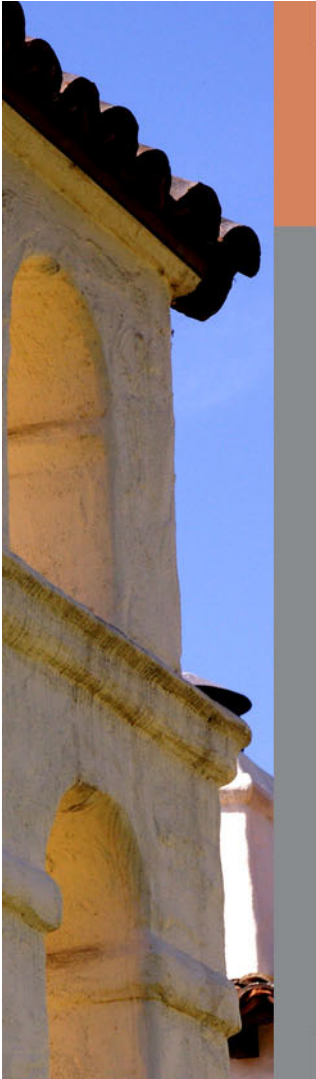
Strategy	Notes	Council Direction
ARPA	\$3.7 million built into proposed budget; must use by Dec. 2024	• FY 2023-24
CIP General Fund contribution	Reduce contribution, rely more on restricted funding and grants	• Starting FY 2024-25
Unfunded Accrued Liability (UAL) contribution	Suspend \$1 million in first two years; reduce to \$500K annually after	• Starting FY 2023-24
One-Time Developer Payments and Amenities Funds	Ex. One-time developer payments towards MPCC operations	• Starting FY 2023-24
Master fee schedule	Update to align with current cost structure (last update was 2015)	• Planned August 2023
Service level reductions	Identify contract services where reductions are possible with minimized impact to residents	• Explore future reductions pending contract terms
Potential revenue-generating measures	TOT, new UUT, Sales Tax, Business License Tax	• Identify top 2 measures at June 27 meeting
Reserve policies	Initial research based on SMC cities	• Research further





# NEXT STEPS





## FISCAL YEAR 2023-24 NEXT STEPS



- Staff will incorporate feedback received from the City Council into the proposed budget for adoption at the June 27 meeting
- Staff will update the General Fund five-year forecast
- Proposed budget available on OpenGov: [menlopark.gov/budget](https://menlopark.gov/budget)



# QUESTIONS, COMMENTS