



# Fiscal Year 2025-26 Budget Public Hearing

June 10, 2025

# Agenda

- Budget team
- Fiscal year 2024-25 budget update
- City Council priorities
- Proposed fiscal year 2025-26 budget
- Five-year General Fund forecast
- Capital Improvement Plan (CIP)
- City workforce vacancies, recruitment and retention trends
- Next steps



# Budget Team

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





# Budget Contributors

- General Administration
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- Administrative Services
  - Anna Peluffo, Danny Daniels
- Community Development
  - Deanna Chow, Vanh Malathong, Adam Patterson, Kyle Perata, Tim Wong
- Library and Community Services
  - Sean Reinhart, Nick Szegda, Ashley Walker
- Police
  - David Norris, Dani O'Connor
- Public Works
  - Azalea Mitch, Eren Romero, Madelinne Godinez





# Economic Overview

# Economic Overview

- Economic trends do not indicate a recession, though uncertainty persists at the federal level
  - Real gross domestic product (GDP) decreased at an annual rate of 0.2% in the first quarter of 2025 down from 2.4% in the fourth quarter of 2024
    - Primarily reflects an overall slowing of consumer spending
  - California's GDP grew at a 6% compound annual rate in 2024, faster than the U.S.
  - Federal Reserve not expected to decrease rates until later in the year
    - Higher interest rates will restrain growth
    - Prices in the California housing market continue to rise despite higher rates
  - U.S. labor markets remain strong
  - Potential risk factors include trade policy, fiscal policy, geopolitical events





# Fiscal Year 2024-25 General Fund Budget Update

# Fiscal Year 2024-25 General Fund Year-End Projection



- Fiscal year 2024-25 is projected to have a surplus of approximately \$3.0 million
  - Result of higher revenues of \$77.5 million (\$1.4 million above budget) and lower expenditures of \$74.4 million (\$2.2 million below budget)
  - The City Council may consider using the projected surplus for a one-time transfer to the General CIP Fund for capital projects, a contribution to the strategic pension reserve, or a combination of transfers







# City Council Priorities

# City Council Priorities



During the annual priority-setting workshop on March 22, the City Council identified the following priorities:

- Climate action - mitigation, adaptation and resilience
  - Expanding the State-funded communitywide electrification initiative
  - Implementing the Environmental Justice Element by partnering with community-based organizations
  - Waiving fees, providing credits and vouchers for eligible projects
- Downtown vibrancy (*new*)
  - Recruit for full-time Economic Development Manager
  - Providing a full range of support to businesses in Menlo Park
  - Processing Streetary applications, use of public streets, and more
- Emergency and disaster preparedness
  - Coordinating with community-based and volunteer organizations
  - Training and exercises for City staff, including roles in the Emergency Operations Center
  - Acquiring essential supplies to sustain long-term disaster response and recovery efforts by the City





# City Council Priorities

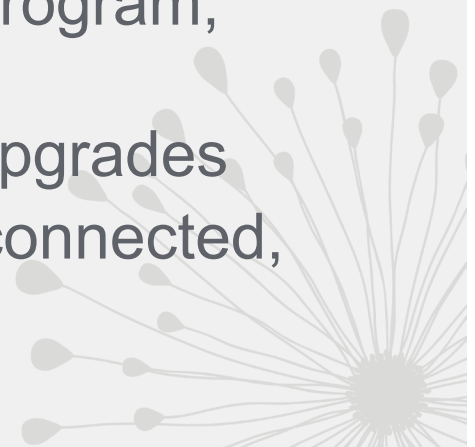


## ■ Housing

- Implementing the 2023-2031 Housing Element
- Finalizing the anti-displacement strategy
- Preparing a nexus and feasibility study to update the Below Market Rate (BMR) Program

## ■ Safe routes

- Enforcement and education efforts in collaboration with Menlo Park schools, school resource officer, Safe Routes to Schools program, traffic enforcement unit
- Improving roadways with a focus on incorporating safety upgrades
- Delivering on the Vision Zero Action Plan with a focus on connected, multimodal networks





# Proposed Fiscal Year 2025-26 Budget



# Proposed Fiscal Year 2025-26 Budget

- Proposed budget includes revenues and expenditures across all funds

Fund Types	Description
General Fund	City's primary operating fund, reserve policy, unrestricted revenue sources
Special Revenue Funds	Revenues restricted to a specific purpose
Capital Project Funds	Revenues restricted to acquire or construct capital facilities
Enterprise Funds	Revenues from charges to users for services provided; similar to a private business
Internal Service Funds	Tracks good or services provided to other departments for reimbursement and allocates overhead and shared items.
Debt Service Funds	Revenues collected to pay for debt payments
Fiduciary Fund	City acts as fiduciary on behalf of other

# Proposed Fiscal Year 2025-26 Budget



- The City has over 55 funds with a proposed expenditure budget of \$207.9 million
  - General Fund: \$78.3 million
  - All other funds: \$49.7 million
  - Capital Improvement Program (CIP):
    - \$19.5 million new funding
    - \$60.4 million in estimated carry-over funding
- The proposed fiscal year 2025-26 budget includes General Fund expenditures of \$78.3 million and revenues of \$78.5 million, with a surplus of \$0.2 million





# Fiscal year 2025-26 Operating Budget: Revenue



The proposed budget anticipates revenues of \$78.6 million compared to \$76.1 million in the fiscal year 2024-25 amended budget

## Key revenue assumptions:

- Total Property Taxes of \$38.4 million
  - Property Tax in Lieu of Vehicle License Fee (VLF): Anticipated shortfall of \$4.3 million
- Transient Occupancy Tax (TOT): \$15.5 million
  - Increase of \$1.9 million from the prior fiscal year driven by higher tax rate from success of Measure CC in November 2024
- Sales Tax: \$6.5 million
  - Growth of 2% from the prior fiscal year



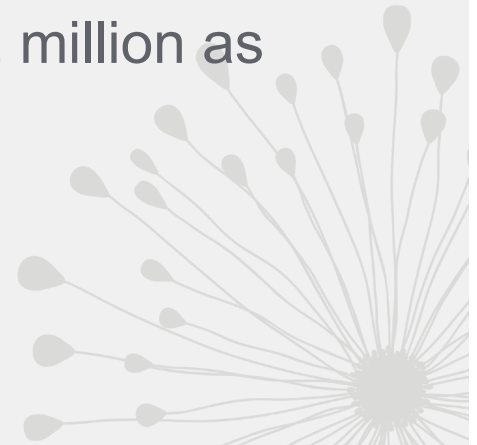
# Fiscal year 2025-26 Operating Budget: Expenditure



The proposed General Fund budget anticipates expenditures of \$78.3 million compared to \$76.6 million in the fiscal year 2024-25 amended budget

## Key expenditure assumptions:

- Personnel
  - 296 full-time equivalent positions (FTEs)
    - Includes service level enhancement of 3 additional FTEs for non-sworn police personnel
  - General Fund supports an estimated 84% of City staff
  - Vacancy and turnover rate of 13%
- Transfer to General Capital Improvement Fund increased to \$4.862 million as directed by City Council following May 13 study session
- Additional CalPERS unfunded accrued liability (UAL) payment of \$1 million is needed to match the 15-year amortization schedule





# Fiscal year 2025-26 Operating Budget: Reserves



- Projected reserve levels
  - Strategic pension: \$0.66 million
  - Emergency Contingency Reserve: \$11.8 million at 15% (meets policy minimum)
  - Economic Stabilization Reserve: \$15.7 million at 20% (meets policy minimum)



# Service Level Enhancements

Service level enhancements are intended to restore and/or improve services provided to the community

The proposed budget includes a total of \$0.38 million for:

- 2.0 FTEs for two Parking Enforcement Officers
- 1.0 FTE for a Police Records Specialist
- 2 mobile closed-circuit television (CCTV) cameras
  - Partially supported by the Bayfront Mitigation Fund

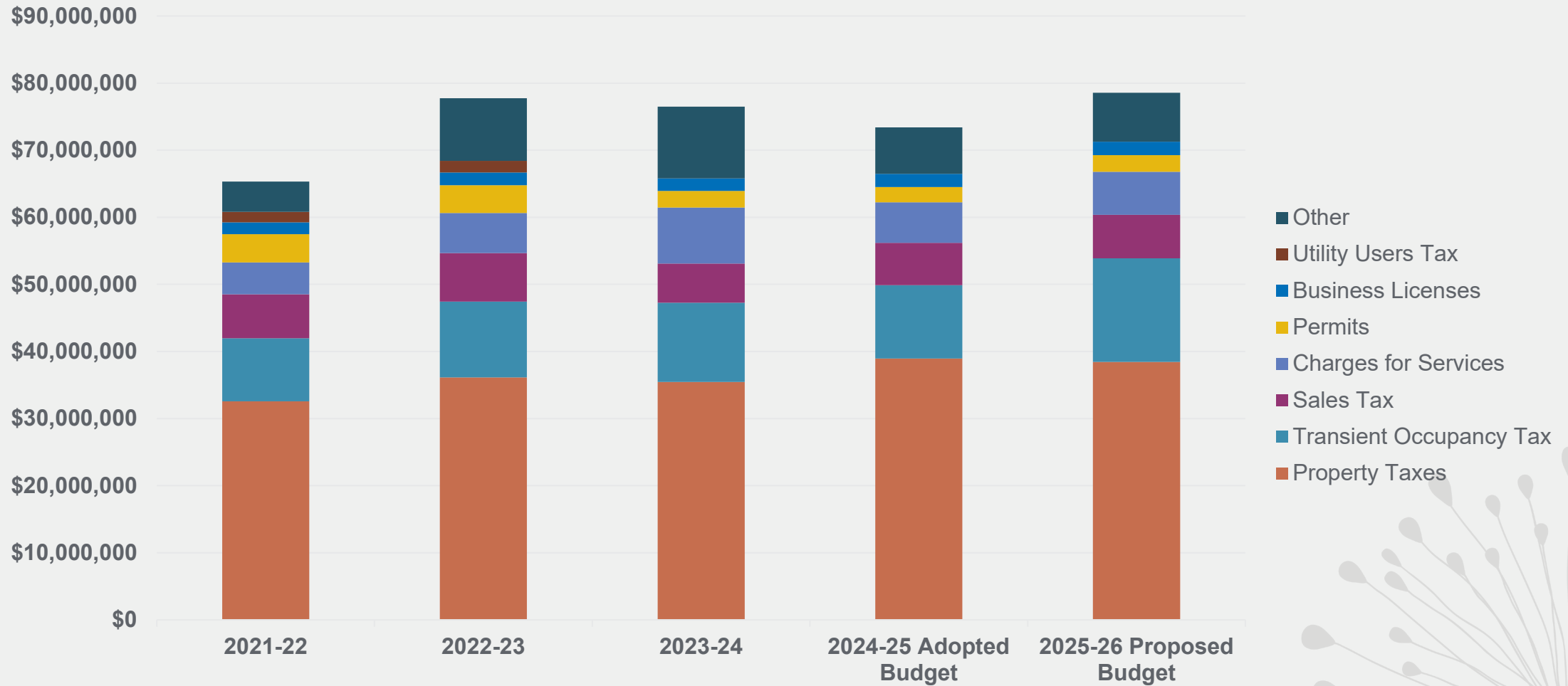




# General Fund Revenue and Expenditure Trends

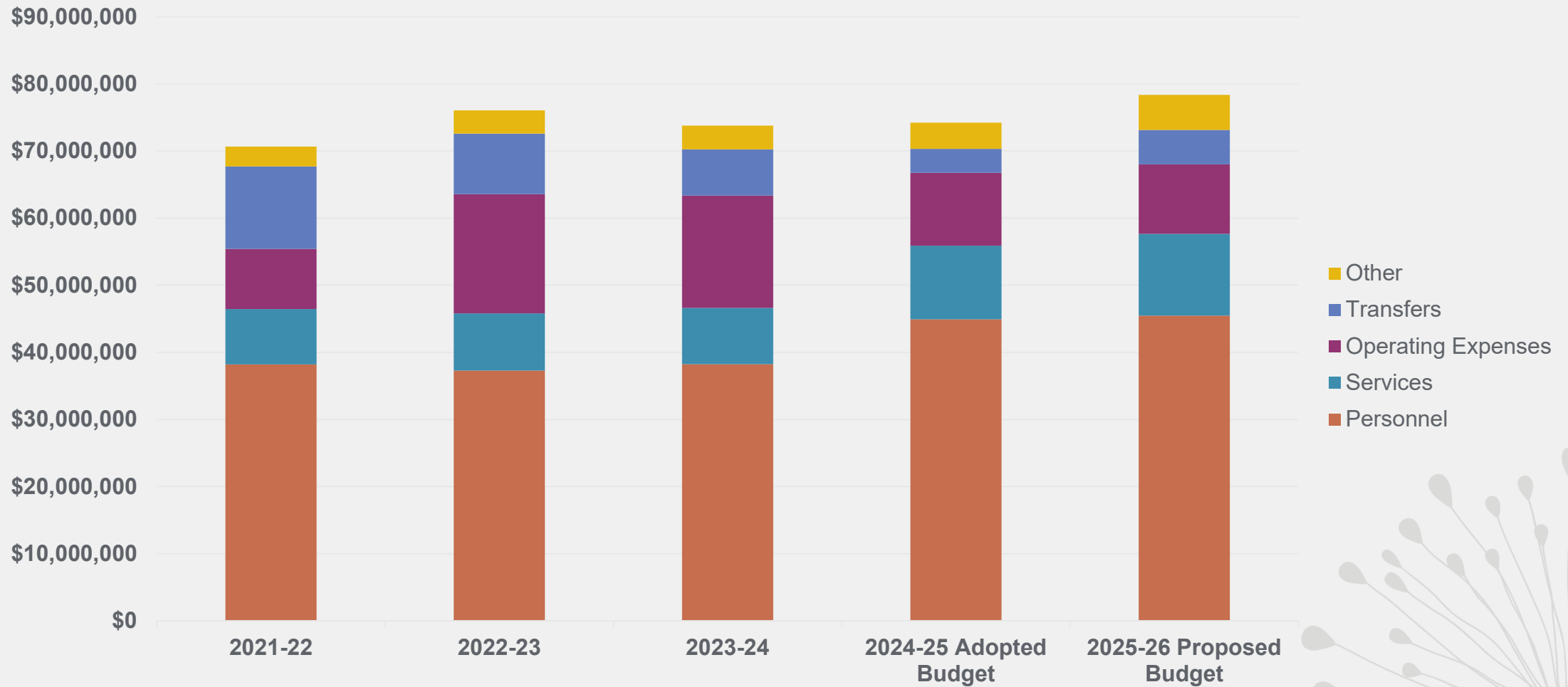


# General Fund Revenue Trends



Other: Fines and Forfeitures, Franchise Fees, Use of Money & Property, Intergovernmental

# General Fund Expenditure Trends



Other: Utilities, Repairs & Maintenance, Special Projects



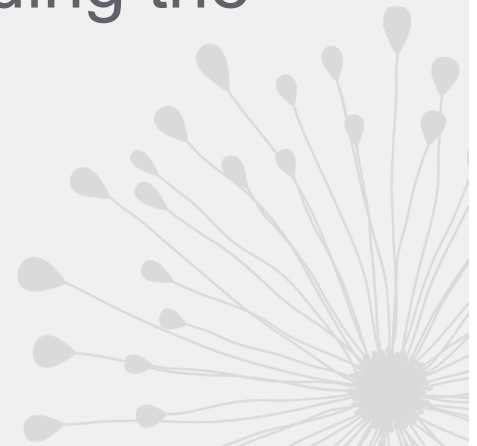
# General Fund Five-Year Forecast



# Background



- Five-year forecast provides financial outlook of revenues and expenditures for the General Fund
- Serves as a planning tool to support long-range decision-making
- Based upon current policies, economic trends and known future obligations
- Developed with input from a variety of sources, including the executive team and expert consultants



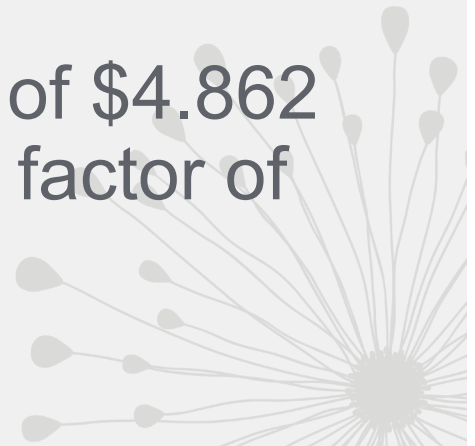
# Revenue assumptions

- Property taxes: average annual growth of 4.3%
- Transient Occupancy Tax (TOT):
  - Uses 14% tax rate beginning Jan. 1, 2025
  - Increases to 15.5% tax rate from Jan. 1, 2026 onwards
- Sales tax: average annual growth of 2.4%
- Licenses and permits: increase to historical baseline, grow at annual rate of 3% beginning 2026-27
- \$1 million annual transfer from Developer Special Revenue fund through fiscal year 2028-29
  - Used for Belle Haven Community Campus (BHCC) operations
- Grant revenues reduced to reflect current funding levels



# Expenditure assumptions

- Salaries and wages forecast using CalPERS actuarial data
  - Includes vacancy and turnover rate assumption
- Non-retirement benefits: average annual growth of 4.5%
- Retirement benefits and additional accrued liability (UAL) payment forecast using most recent CalPERS actuarial data
- Services and operating expenses: annual growth of 3%
  - Includes non-spendable operating assumption
- Transfer to the General CIP Fund for capital projects of \$4.862 million in 2025-26; adjusted by an annual inflationary factor of 3% each subsequent year





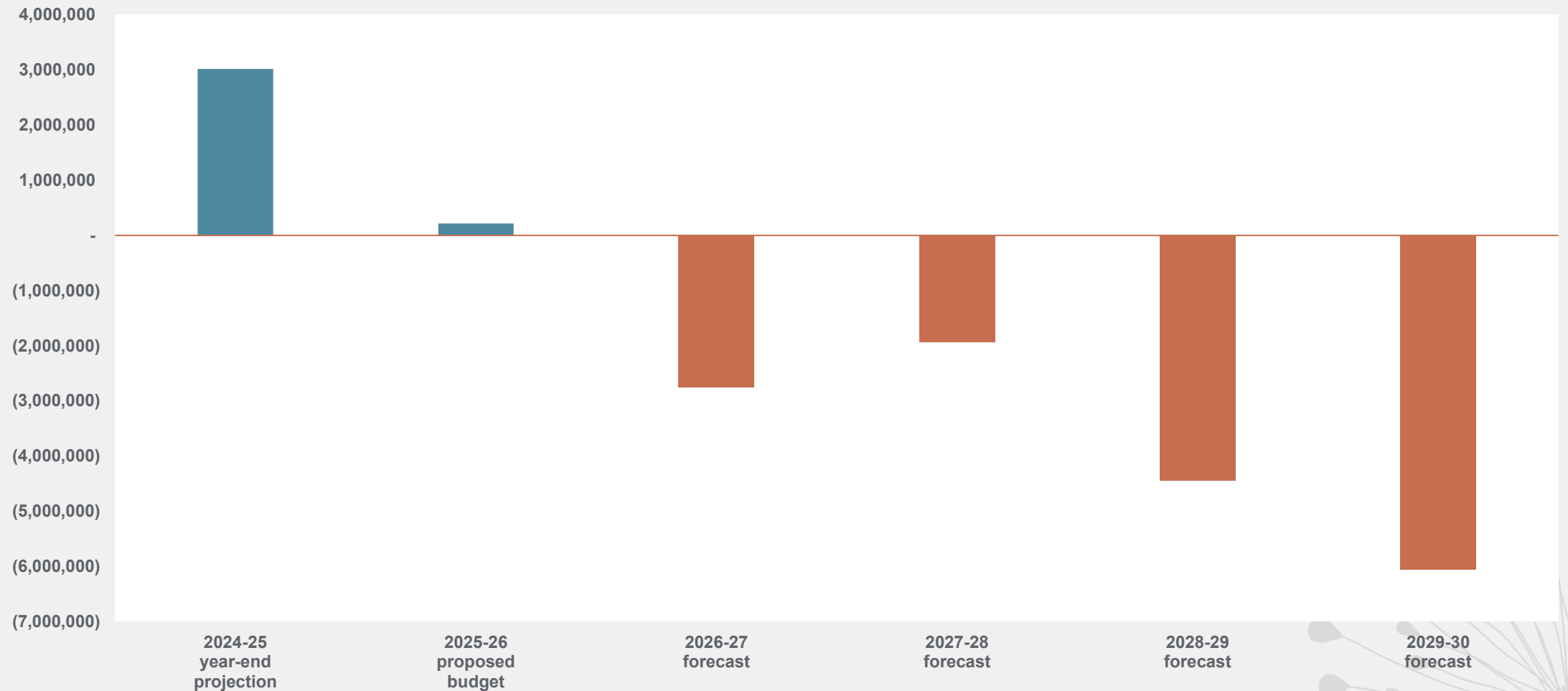
# Five-year General Fund forecast

Projected total fund balance would decrease from \$40.3 million to \$25.3 million over the five-year period

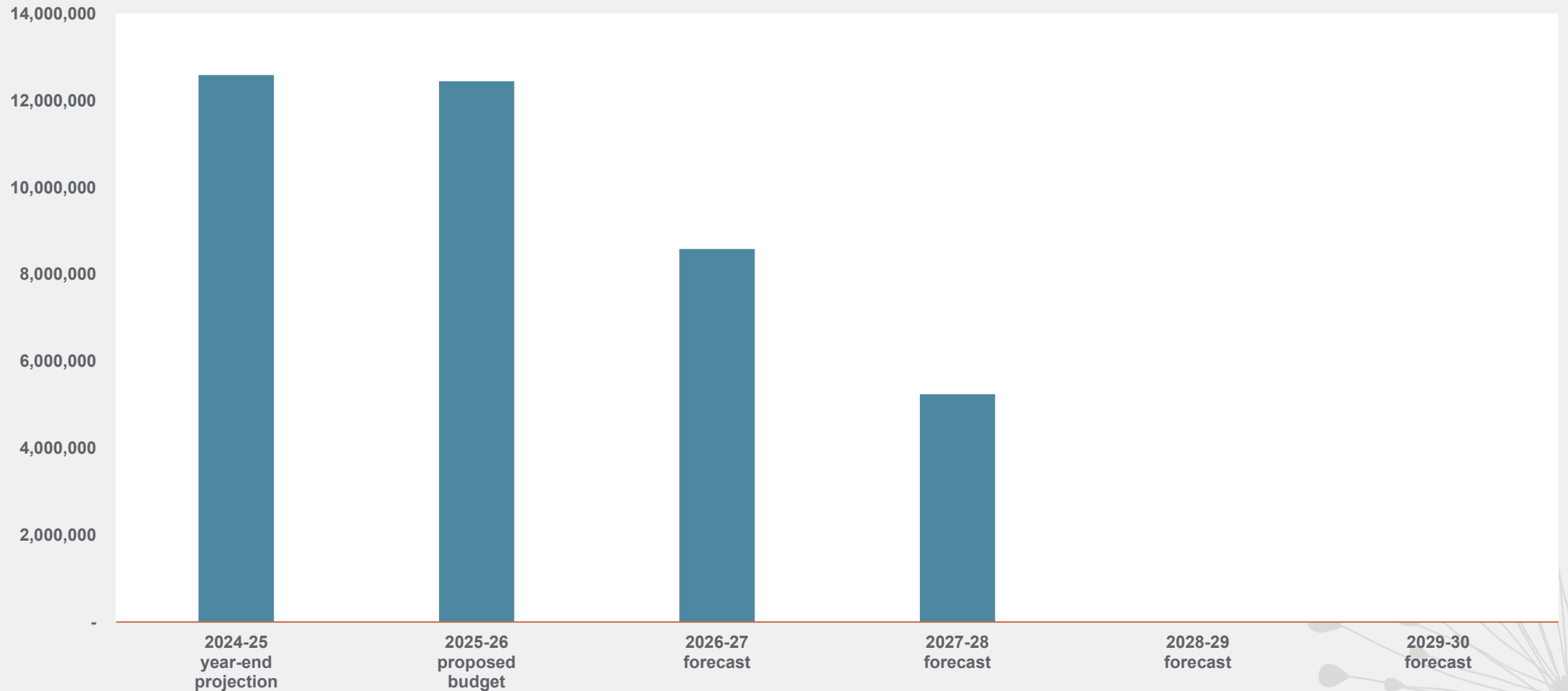
- Economic Stabilization Reserve maintained at the minimum policy level throughout
- Emergency Contingency Reserve would no longer be fully funded beginning in fiscal year 2028-29



# Operating Surplus/(Deficit)

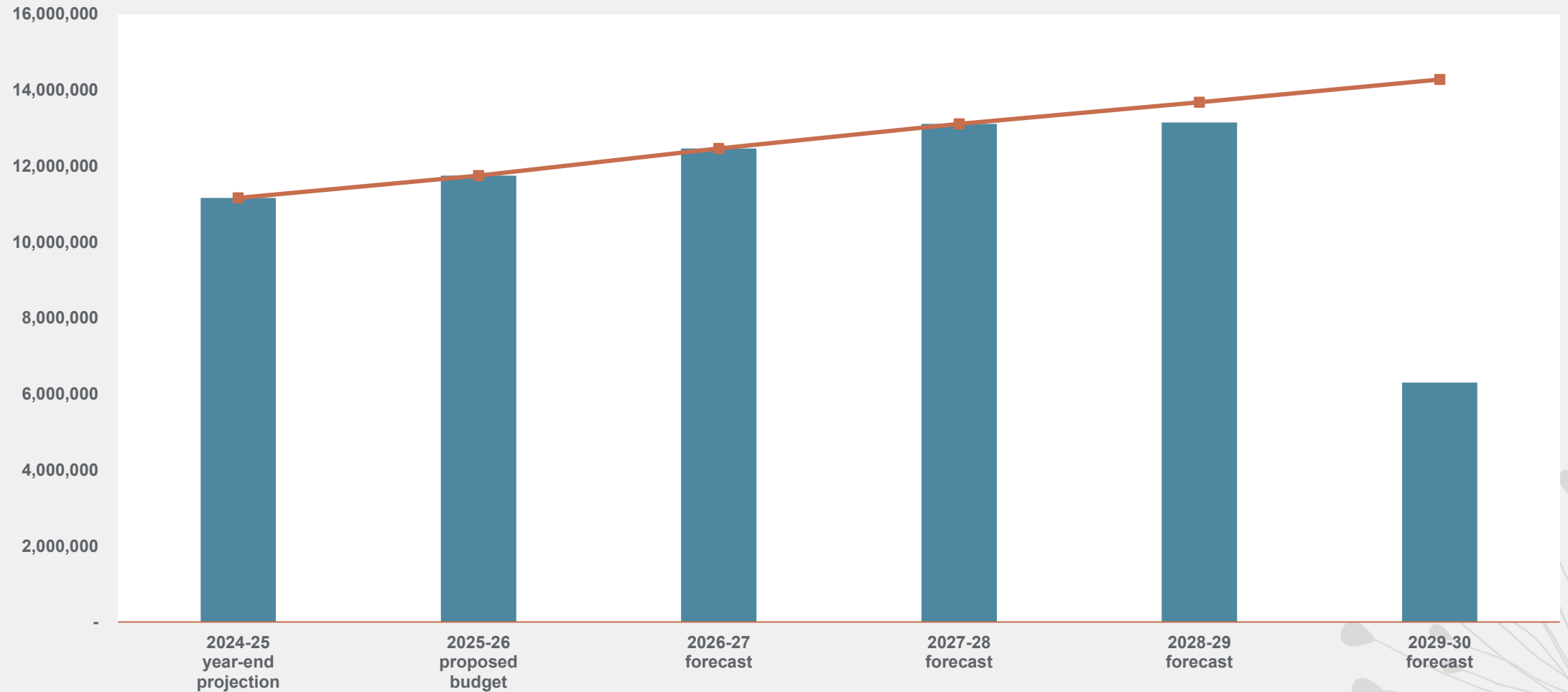


# Unassigned Fund Balance

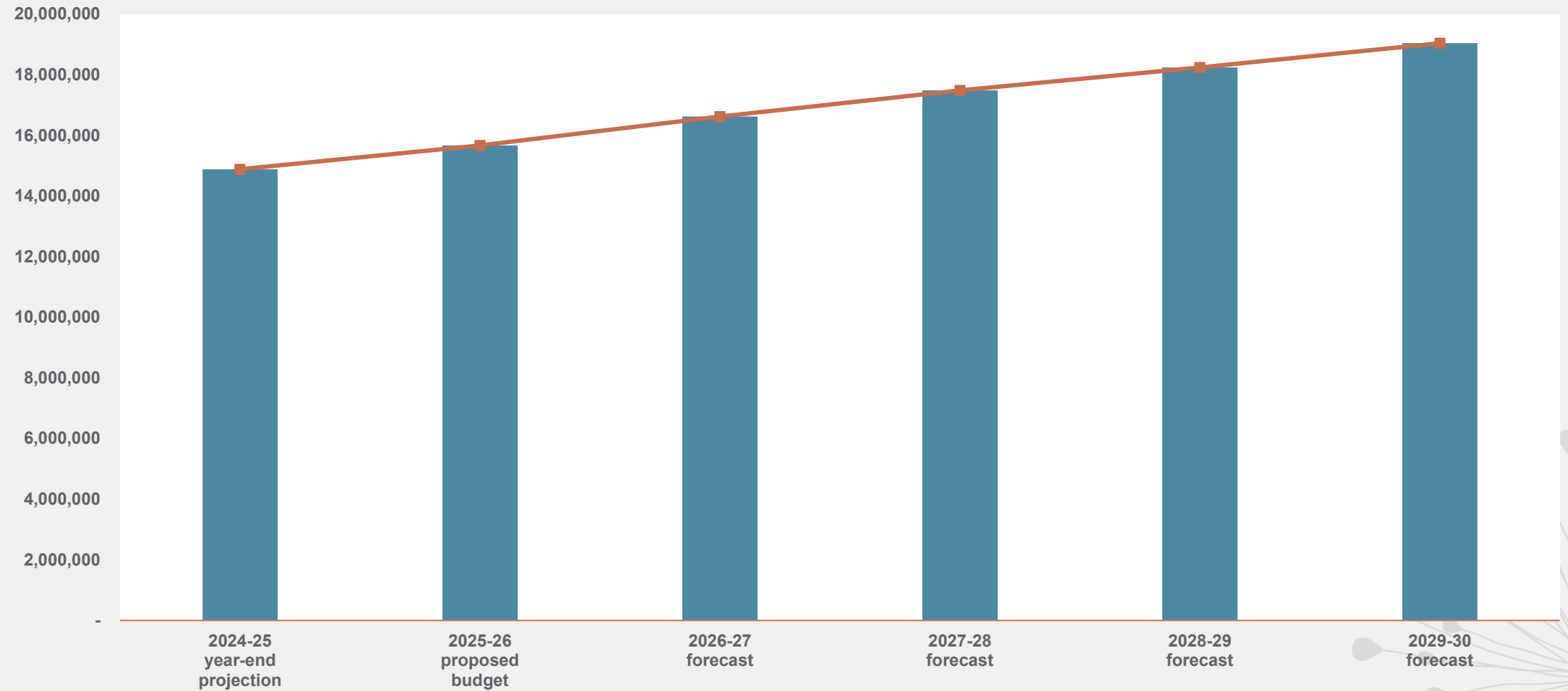




# Emergency Contingency Reserve



# Economic Stabilization Reserve



# Department Budgets



# Fiscal Year 2025-26 General Fund: Department Budgets



Department	Revenues	Expenditures	FTEs
Police	\$524,000	(\$27,340,313)	73.00
Public Works	\$1,314,480	(\$18,185,345)	48.24
Library and Community Services	\$4,609,600	(\$15,368,121)	54.25
Community Development	\$4,009,050	(\$10,653,199)	33.50
General Administration	\$50,300	(\$6,854,453)	17.36
Administrative Services	-	(\$5,681,119)	18.22
Non-Departmental*	\$68,056,300	\$5,734,660	0.00
Total	\$78,563,730	(\$78,347,890)	244.57

\*Non-Departmental includes items not attributable to a specific department. Revenues include taxes, franchise fees, business licenses, and investment income. Expenditures include the vacancy and turnover factor, operating factor, and transfers to other funds.



# Capital Improvement Program

# Capital Improvement Program (CIP)

Seven project categories and ongoing programs:

- City buildings and systems
  - City buildings minor
- Environment
- Parks and Recreation
  - Aquatic center maintenance
  - Parks improvement minor
  - Sport field renovations
  - Sport court maintenance
- Stormwater
- Streets and sidewalks
  - Street resurfacing
- Transportation
  - Traffic signal modifications
  - Transportation projects
- Water
  - Water main replacement
  - Water system improvements





# Funding the CIP

- General Fund
  - Average transfer of \$4.9 million (2017-18 through 2024-25)
- Water Enterprise Fund
- Grants
- Special Revenue Funds
  - Highway Users Tax (Gas Tax)
  - Road Maintenance and Rehabilitation (SB1)
  - Transportation Impact Fees
  - Construction Impact Fee
  - Landfill Post-Closure
  - Recreation In-Lieu
- Downtown Public Amenity Fund
- In-lieu Payment for Community Amenities
- Heritage Tree
- Landscape/Tree Assessment and Sidewalk Assessment Districts
- Downtown Parking Permits
- Measure T
  - Recreation general obligation (GO) bonds
- Measure A & Measure W
  - San Mateo County ½ cent sales tax for transit and traffic congestion relief projects



# Funding the CIP

## Summary of capital project requests for fiscal year 2025-26 by category

Category	Funding requested	Percent of total requests	Amount of General CIP requests	Percent of General CIP funds
City buildings and systems	\$2,700,000	14%	\$1,820,000	53%
Environment	\$1,000,000	5%	\$1,000,000	29%
Parks and recreation	\$1,500,000	8%	\$0	0%
Stormwater	\$1,850,000	6%	\$250,000	7%
Streets and sidewalks	\$4,045,000	22%	\$375,000	11%
Traffic and transportation	\$3,281,000	18%	\$0	0%
Water	\$5,100,000	27%	\$0	0%
<b>Total</b>	<b>\$19,476,000</b>	<b>100%</b>	<b>\$3,445,000</b>	<b>100%</b>

# Vacancies, recruitment and retention trends



# AB 2561 Overview

- Assembly Bill (AB) 2561 requires public agencies to:
  - Present the status of vacancies and recruitment and retention efforts during a public hearing at least once per fiscal year, before the annual budget is adopted
  - Identify any necessary changes to policies, procedures, and recruitment activities that may lead to obstacles in the hiring process
- Additional reporting requirements apply if the vacancy rate meets or exceeds 20% in a bargaining unit
- Labor groups entitled to make a presentation





# Vacancy Rates by Labor Group

Employee group	Budgeted FTEs	Vacant FTEs	Vacancy rate
SEIU	153.25	22.75	14.85%
AFSCME	52.75	10	18.96%
POA	35	5	14.29%
PSA	9	0	0%
Confidential (Unrepresented)	8	2	25%
Management (Unrepresented)	30	3	10%
City Council	5	0	0%
<b>Total vacancies</b>	<b>293</b>	<b>42.75</b>	<b>14.59%</b>

# Vacancy Rates by Department

Department	Budgeted FTEs	Vacant FTEs	Vacancy rate
Administrative Services	29.48	6	20.35%
Community Development	35	10	28.57%
General Administration	18	1	5.56%
Library and Community Services	68.25	3.75	5.49%
Police	70	10	14.29%
Public Works	72.27	12	16.60%
<b>Total vacancies</b>	<b>293</b>	<b>42.75</b>	<b>14.59%</b>

# Human Resources



- 6 budgeted FTEs and 1 temporary employee
  - 2 vacant FTE positions
- Currently, 1.0 FTE and part-time temporary employee focused primarily on recruitment efforts
  - Once fully staffed, equivalent to 2.0 FTEs will focus on recruitments



# Recruitment and Retention Trends

- For the period of July 1, 2024 – April 30, 2025:
  - 24 total FTE recruitments (does not include 4 continuous recruitments or 7 temporary employee recruitments)

Methodology	Total
New hires	27
Promotions	15
Advancements in a flexibly-staffed job series	4
<b>Total positions filled</b>	<b>46</b>

- Employee Turnover Rate: 14.58%
  - Employee Retention Rate: 87.33%
  - The average tenure of employees is 8.43 years; the median tenure is 6 years
- Additional information in the staff report and Attachment H

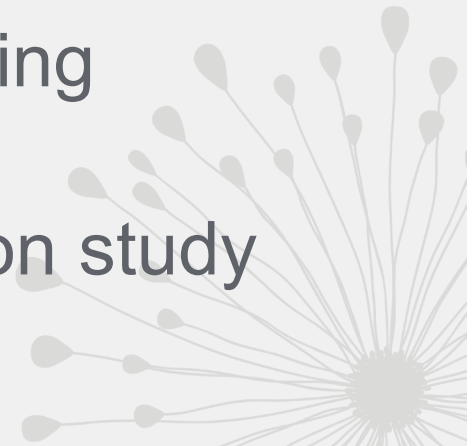




# Planned and Ongoing Recruitment and Retention Efforts



- Developing incentives for classifications facing recruitment and retention challenges
  - Examples may include employee referral program, hiring bonuses and/or relocation assistance, and retention incentives
  - Developing hiring incentives for lateral police officers and policy academy graduates
  - Incentives designed to be cost neutral, using salary savings from vacant positions to fund the incentives.
- Developing new/revised classifications to meet evolving operational needs
- Conducting a citywide classification and compensation study



# Next Steps

# Fiscal Year 2025-26 Next Steps

- Staff requests direction from the City Council:
  - Provide direction on the fiscal year 2025-26 proposed budget
  - Provide direction on one-time transfers using the fiscal year 2024-25 General Fund surplus of approximately \$3 million:
    - General CIP Fund contribution for capital projects
    - Strategic pension funding reserve contribution for the additional UAL payments to match the 15-year amortization schedule
    - A combination thereof
- Consider information related to vacancies, recruitment and retention trends in compliance with AB 2561





# Next Steps

- Proposed budget available online: [menlopark.gov/budget](https://menlopark.gov/budget)
- June 24 City Council meeting agenda items:
  - Adopt the fiscal year 2025-26 budget that incorporates any direction provided this evening
  - Amend the fiscal year 2024-25 budget to appropriate surplus funds





# Questions