

FISCAL YEAR 2026-27 BUDGET PRINCIPLES

City Council
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The budget principles outlined below are intended to serve as general guiding principles in the development of the annual citywide budget and are not ranked in priority order. These principles are intended to support long-term fiscal sustainability by encouraging responsible financial planning, operational efficiency, strategic investments, sustainable budgeting and preservation of reserves.

Promote the City's long-term fiscal sustainability

- Address the City's structural imbalance between revenues and expenditures through immediate and ongoing actions to stabilize the General Fund reserve and restore long-term fiscal sustainability.
- Focus available resources on essential and legally mandated services, while regularly assessing other programs for alignment with City priorities, service levels, and fiscal capacity.
- Continue to evaluate the most cost-effective method to provide services at a specified level that provides the City with flexibility in all economic conditions, including the use of contracted services, shared services, and regular and limited-term employees.
- Strive to achieve City Council cost recovery goals for fee-based services, including implementing annual fee updates as necessary to reflect changes in the cost of providing services, including the Consumer Price Index (CPI), personnel costs, or other relevant cost indices.
- Incorporate programs and initiatives that strengthen Menlo Park's standing as an employer of choice to retain highly qualified personnel.
- Proactively manage the loss of institutional knowledge by documenting procedures, practices and processes and succession planning efforts including the ability to provide for overlap in critical positions at the discretion of the city manager.
- Invest in technologies that minimize low value-add processes, increase transparency in communications and most efficiently utilize our talented staff.
- Continue to fund the strategic pension reserve when financially feasible and utilize it as a tool for rate stabilization. Annual payments toward the CalPERS Net Pension Liability will be based on the required contributions identified in the actuarial reports, maintaining progress toward reducing the unfunded accrued liability (UAL).
- Prepare informational reports on the status and overall fiscal health of the General Fund, including a list of all City Council-authorized budget amendments to date to enhance tracking and transparency.

Provide city services and infrastructure that contribute to quality of life in Menlo Park

- Implement ordinances and City Council adopted initiatives and strategies to contribute to the quality of life in Menlo Park now and in the future.
- Proactively maintain and improve existing infrastructure to minimize maintenance costs, decrease the City's greenhouse gas emissions, and increase the City's long-term disaster and climate resilience.
- Strive to balance the resources and requirements of each area of the city in an equitable manner using equitable tools and ongoing collaboration with the Countywide Equity Working Group.
- Evaluate one-time revenues for their highest and best use, prioritizing investments for long-term gains in financial sustainability and enhancing quality of life for the community.
- Commit to continuous improvement in the communication of City financial information through a variety of media acknowledging that the City's professional staff and consultants are obligated to conform to accounting and reporting standards to provide balanced financial information that informs policymakers.
- Strategically identify and align financial resources to implement City Council-identified top goals, with regular reporting on progress.

Manage revenue sources and grant accounting

- State the fund's surplus/(deficit) balance to show annual results and use of fund balance.
- Limit budget appropriations for capital projects to those with secured funding. Appropriations shall not exceed available funding and will be adjusted if funding is reduced.
- Prioritize adoption of balanced budgets to maintain the fiscal integrity of all funds. Use of fund balance is permitted only to the extent that the year-end balance remains positive.
- One-time revenues should be used for one-time expenditures and not for ongoing commitments, to minimize the risk of creating or exacerbating structural deficits.