



MEETING DATE: 05-19-08
ITEM NO: 9

COUNCIL AGENDA REPORT

DATE: MAY 14, 2008

TO: MAYOR AND TOWN COUNCIL

FROM: GREG LARSON, TOWN MANAGER

Handwritten signature of Greg Larson.

SUBJECT: OPERATING AND CAPITAL BUDGETS

- A. CONSIDER THE TOWN OF LOS GATOS PROPOSED OPERATING AND CAPITAL BUDGET FOR FISCAL YEAR 2008/2009
- B. CONSIDER THE TOWN OF LOS GATOS PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEAR 2008-2013

RECOMMENDATION:

- 1. CONSIDER THE TOWN OF LOS GATOS PROPOSED OPERATING AND CAPITAL BUDGET FOR FISCAL YEAR 2008/2009
- 2. CONSIDER THE TOWN OF LOS GATOS PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEAR 2008-2013

BACKGROUND:

On May 9, 2008, the Town Council received a copy of the Proposed Operating and Capital Budget for FY 2008/09 for the Town of Los Gatos and the Redevelopment Agency. This budget incorporates the Proposed FY 2008-2013 Capital Improvement Program (presented in more detail in a separate document) and the Proposed FY 2008/09 Redevelopment Agency budget. The Proposed Operating and Capital Budget for FY 2008/09 represents the Town Manager's recommended comprehensive financial plan to provide services to the Town of Los Gatos.

DISCUSSION:

Overview of Proposed Operating and Capital Budgets

The transmittal letter in the FY 2008/09 Proposed Operating Budget provides an executive summary of the budget, including the major issues affecting the budget, the Five-Year Financial Plan, budget assumptions, and highlights of the proposed budget.

PREPARED BY: PAMELA S. JACOBS Handwritten signature of Pamela S. Jacobs.
ASSISTANT TOWN MANAGER

Reviewed by: _____ Assistant Town Manager Town Attorney
_____ Clerk Administrator Finance _____ Community Development

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A budget is a numerical representation of an organization's goals and priorities. As such, the proposed budget for the Town of Los Gatos reflects several goals and priorities previously established by the community and Town Council. The key highlights are as follows:

1. A status quo budget maintaining services and prudent reserves to the extent possible in a worsening economy;
2. Progress on key public facilities:
 - a. Construction and completion of the Police Operations Building;
 - b. Design and funding for a new community Library;
3. Increased public services:
 - a. Increased streets and parks maintenance services, staffing and resources;
 - b. Increased support for youth through shared funding of a School Resource Police Officer and stabilization funding for the teen center;
4. Initiation of the General Plan Update to establish new long term goals and priorities for the Town of Los Gatos.

Any changes to the proposed operating and/or capital budget directed by Council and/or identified by staff as a "clean-up" item will be included for Council consideration in the resolution adopting the budget to be considered by Council on June 2, 2008.

Issues for Consideration

Following are several issues addressed in the proposed budget. They are highlighted here because they may be of special interest to Council.

Community Grant Program

The proposed budget provides funding for the FY 07/08 funded agencies at status quo levels. In response to increased funding requests from Live Oak Nutrition Program and A Place for Teens, the Community Services Commission requested that staff work with these agencies to determine if increased grants were warranted and possible. Staff met with representatives of both organizations.

A Place for Teens

The Proposed Budget includes a one-time allocation of \$88,000 to support teen services at The Venue, currently operated by A Place for Teens with support from the Recreation Department. This funding would be allocated to and administered by the Recreation Department as an incentive for other matching funds and to ensure continued strengthening of A Place for Teens. The funding agreement would last 3.5 years through the expiration of the current lease (January, 2012) and would prohibit solicitation of the Town for further increased operating or capital support during that time.

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Live Oak Nutrition and Services Program

The agency requested new Town funding and support in a variety of areas, including program expansion to Villa Vasona, direct operations, and shared services. However, given the Town's financial forecasts, no increased funding and support from the Town is recommended at this time. Instead, the Town is facilitating potential new support and services from other community organizations including West Valley Community Services, the Recreation Department, and local service clubs.

In-kind Facility Contributions

The Town currently provides previously unrecognized in-kind facilities to three community organizations as follows:

The Venue/A Place for Teens	3,260 sq ft	\$ 78,239.00
The Recreation Department	6,479 sq ft	\$121,439.00
Tait & Forbes Mill Museums	5,160 sq ft	\$138,447.00

This initial valuation of these facilities is simply based on \$2 per square foot less any direct rent paid by the organization.

Music in the Park Funding

As discussed at the February 19, 2008 Town Council meeting, the Council approved relinquishing the Arts Commission from coordination responsibility for the July 4th concerts and referred the Arts Commission request that the Town further underwrite the July 4th concert costs to the budget process. The proposed budget includes an additional \$5,000 to cover the costs of the concerts, but does not include an additional \$4,000 to cover costs for operational expenses as requested by the Commission. The Arts Commission has once again met all of its sponsorship targets (including for the Wind Symphony), in addition to continuing to have reserve funds, so it should be able to cover the operational expenses for these concerts.

Reallocation of Skatepark Project Funding

Due to the expiration of the Conditional Use Permit for the skatepark project located at the Miles Ave. parking lot, the skatepark project has been withdrawn from the Capital Improvement Program. The proposed operating and capital budgets recommend reallocating \$88,000 of Town funding for this project to the A Place for Teens as discussed above and the \$100,000 of Monte Sereno's State Park Bond funds (which have been transferred to the Town) to the ultra-violet filtration system for the Town

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Plaza fountain. If Council approves this allocation, staff will request concurrence from Monte Sereno regarding this reallocation.

Town Donation List

Pursuant to the adopted Solicitation and Donation Policy, the Administration has developed a list of Town needs recommended for donation opportunities (Attachment 1). Upon Council approval, this list will be included in the adopted operating budget.

State Budget Impacts

The effects of the State budget deliberations on the Town are not known with certainty at this time. Because State impacts could not be accurately determined during budget preparation, no material changes to either Town revenues or expenditures resulting from State action were made in the proposed FY 2008/09 budget. The Governor's May Revised Budget was released on May 14th and the preliminary information indicates some reductions to revenues for local governments and the potential for increased booking fee costs paid by the Town. Specifically, the May Revised Budget proposes a 10% reduction to the Town's Community Oriented Policing (COPS) grant funds (a \$20K reduction in FY 2008/09 for the Town). The Legislative Analyst Office and the California legislature have also proposed alternatives with higher levels of local revenue reductions that involve the loss of Vehicle License Fees and/or the loss of COPS grant funding in its entirety.

Staff expects that budget deliberations may extend well into the summer or early fall. If the State budget includes reductions to Town revenues or increases to Town expenditures, these changes will be incorporated into the FY 2008/09 adopted budget. Staff recommends funding any negative fiscal impacts from the State budget using Revenue Stabilization reserves. This action will provide temporary bridge funding for services until the FY 2009/10 budget year when services can be aligned with ongoing operating revenues.

The Town continues to work closely with the League of California Cities and the California Police Chiefs Association to limit additional potential State revenue takes and to work on other important issues like pension reform, temporarily deferred by the Governor, but still an issue that may arise in the future.

Budget Presentation

At the May 19, 2008 Town Council meeting, the Council will consider the proposed budget. The review and discussion of the proposed Operating budget and Capital Improvement Program will occur concurrently following the format outlined below:

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|---|----------------------|
| • Opening Comments | Town Manager |
| • Operating and Capital Budget Overview | Finance Director |
| • Department Issue Highlights | Department Directors |
| • Q&A | Town Council |
| • Public Comment | |

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

The fiscal impact is presented in summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budget for FY 2009/09.

Attachments:

1. Town of Los Gatos Donation Opportunities FY2008/09 List of Town Needs

Also attached:

- Proposed Operating and Capital Budget for FY 2008/09 (Previously distributed to Council)
- Proposed Capital Improvement Program for FY 2008-2013 (Previously distributed to Council)

TOWN OF LOS GATOS DONATION OPPORTUNITIES FY 2008/09 LIST OF TOWN NEEDS

To ensure that all donations and contributions are sought and accepted in an ethical manner, the Council established a Donation and Solicitation Policy. A list of Town needs was developed to identify goods, services, and other contributions to enhance Town services, programs, and events. The recommended needs for FY 2008/09 are:

PUBLIC SAFETY

- Volunteer Program Materials and Equipment
- Specialized Public Safety Equipment and Supplies, including Support for Canine Program
- Training Support for Public Safety Staff and Volunteers
- Equipment for New Police Operations Headquarters
- Community Outreach Program Supplies

LIBRARY SERVICES

- Children, Youth, and Adult Program Materials, Supplies and Services
- Library Book and Audio/Visual Collections
- Funding to Support Technological Enhancements
- Equipment and Services to Support Historical Preservation Efforts

SENIOR SERVICES

- Senior Program Supplies, Materials, and Services
- Cell Phone and other Telecommunications Equipment

COMMUNITY EVENTS

- Supplies, Materials, and Services for Special Community and Volunteer Events and Activities

TOWN PARKS AND FACILITIES

- Beautification Materials and Services for Town Parks, Open Space, and Infrastructure