



MEETING DATE: 03/07/09
COUNCIL RETREAT

COUNCIL AGENDA REPORT

DATE: FEBRUARY 27, 2009
TO: MAYOR AND TOWN COUNCIL
FROM: GREG LARSON, TOWN MANAGER
SUBJECT: 2009 TOWN COUNCIL RETREAT

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PURPOSE:

The purpose of the 2009 Town Council Retreat is to provide an opportunity to discuss the Town's projected fiscal status in FY 2009/10 and beyond, and for the Council to provide feedback on potential budget balancing strategies for FY 2009/10. This staff report presents background information on the topics included on the Council Retreat agenda.

BACKGROUND:

Since the early 2000's, the Town of Los Gatos has taken proactive steps to develop and manage a financial plan that meets the community's service priorities within available fiscal resources. Balancing the budget each year of this volatile decade has been accomplished through a combination of actions including expenditure reductions, hiring freezes, efficiency improvements, reorganizations, and alignment of service fees to recover costs associated with private development and activities benefiting individuals.

In addition, the Town has adopted conservative fiscal practices including, but not limited to:

- creating a reserve to bridge downturns in the economy;
- allocating a portion of fund balance each year for capital projects;
- programming only a portion of sales tax generated by the Town's largest sales tax provider;
- prefunding personnel liabilities and equipment replacement; and
- incorporating conservative revenue and expenditure estimates in budget projections.

The combination of actions taken to-date and the ongoing application of conservative fiscal practices positions Los Gatos well to manage through the growing global economic crisis. At the same time, two factors pose greater challenges than the Town has faced in the past. First, the current economic situation

PREPARED BY: PAMELA JACOBS
ASSISTANT TOWN MANAGER

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

is unprecedented in its severity and potential impacts to Los Gatos. The impacts of the recession exacerbate and accelerate the budget deficits already projected for the Town. Second, the significant reductions already taken limit the opportunities for further reductions without more visible or significant service impacts. The Council retreat is designed to develop a common understanding of the Town's projected fiscal situation and to receive Council feedback on potential budget strategies for FY 2009/10 and beyond, which are likely to have visible service impacts.

DISCUSSION:

Trends and Forecast

Revenue and Staffing Trends

To provide a historical context for the discussion of the Town's financial planning for next fiscal year and beyond, staff has prepared graphs showing trends in revenue and staffing levels. Attachment 1, Exhibit A shows trends from FY 2001/02 to FY 2008/09 in Property Tax and Sales Tax; Transient Occupancy Tax (hotel tax) and Business Licenses; and Licenses and Permits and Charges for Services accruing to the Town. Attachment 1, Exhibit B, shows the lack of diversity in the Town's portfolio of sales tax generators, which in total represent approximately 30% of General Fund revenues. This display shows the Town's current sales tax mix in the categories of auto dealers, downtown, internet retail and outside downtown, for the purpose of showing the importance of internet retail, auto dealers, and downtown. The economic segments in the "Outside Downtown" category are similar to the segments in the "Downtown" category, but represent the sales tax generated by these segments outside the downtown. No single segment dominates the sales tax producers in the "Downtown" or "Outside Downtown" category to the extent that internet retail and auto dealers do. Examples of economic segments in the Downtown and other categories include:

- | | |
|----------------------|------------------------|
| ▪ Restaurants | ▪ Drug Stores |
| ▪ General Retail | ▪ Electronic Equipment |
| ▪ Auto Supply/Repair | ▪ Sporting Goods |
| ▪ Hardware Stores | ▪ Specialty Stores |
| ▪ Service Stations | ▪ Office Equipment |
| ▪ Food Markets | ▪ Health Services |

Attachment 2 illustrates staffing levels from FY 2001/02 to the present. In FY 2001/02, Town staff totaled 184.5 Full-Time Equivalent (FTE) positions, compared to 153 FTE this year. Noteworthy reductions began occurring in FY 2003-04, and since then approximately 23 positions have been "defunded." A "defunded" position is one for which there is no longer funding in budget. A defunding contemplated that the position may be restored if funding were available in the future. The 23 FTE defunded positions represent a \$2.3 million reduction in Town costs. In the FY 2009/10 budget, defunded positions will no longer be shown in individual departments; however, the budget will include a master listing of defunded positions as a record of past budgetary decisions. The continued use of the "defunded" classification will be limited to cases where the position may well be restored within one to two years; otherwise any newly eliminated position will not be shown.

It is important to note that the reduction of 23 positions over the past six years has been accomplished with limited impacts on service levels to the community (although there have been some impacts such as reductions in library hours and parks and streets maintenance). Less visible are the impacts to staff workloads, which have been considerable. As positions were eliminated, staff has attempted to maintain levels of service by assuming increased duties and responsibilities. This is evident from the front line to management staff. Technology and process improvements have helped to mitigate a portion of the loss of staff resources, but otherwise, staff has stepped up to fill the gap. This limits staff ability to take on new projects and requires priorities to be established.

At the retreat, staff will briefly review these trends and seek Council comments and questions regarding them.

Five-Year Forecast

The Five-Year Financial Plan (Attachment 3) is an independent financial tool that is based on current and projected costs and revenues. It is designed to be fluid in nature, allowing staff to build various funding scenarios and test “what if” assumptions. Staff has updated the forecast last presented in May, 2008. The current forecast incorporates recent data on economically sensitive revenues and projections based on the anticipated impacts of the national recession. No specific effects of the State budget action are included, as there were no direct impacts to local government in the version adopted. It is anticipated, however, that the State will continue to consider measures that would affect local government in the future.

The updated Five-Year Financial Plan was prepared with three basic assumptions regarding revenues. The first two fiscal years assumed continuing current recessionary conditions of flat to very low revenue growth (1 to 2%) for most major revenue categories such as sales and property taxes. The third fiscal year assumed moderate recovery levels of approximately 3% growth, and years four and five more optimistically assume improving economic conditions (5% growth from the prior year). Year five of the plan, however, does reflect the loss of the entire internet retail category, recognizing the future vulnerability of that revenue source.

Expenditure forecasts were updated with FY 2008/09 adopted budget service levels with current salaries and benefit costs, updated in future years with known cost increases where collective bargaining agreements are in place, and conservative estimates in the out years for all other cost categories. One important change in cost estimates is in FY 2011/12 (year three) which incorporates a forecasted 4% increase to the Town’s employer rates for PERS due to the impacts of the current market downturns on the PERS investment portfolio.

The other noteworthy change to the five-year forecast is the explicit inclusion of all projected sales tax, including the entire internet retail category, as well as specified transfers out to the Revenue Stabilization and Capital Reserves to reflect past Council direction. These transfers out vary during the five-year forecast to reflect reserve utilization, economic conditions, and loss of the internet retail category.

Beginning in FY 2009/10, the Five-Year Financial Plan indicates a potential deficit of approximately \$2.0 million. The plan assumes that the FY 2009/10 budget will include ongoing structural adjustments of that amount into the second year of the plan. Each successive year will include cumulative structural adjustments of approximately \$4.4 million and if these projections hold true, in year five of the plan, another \$1.1 million of adjustments would be required. If the optimistic revenue recovery does not materialize, the size of the structural adjustment will worsen.

Future Risks

As noted, the Five-Year Plan incorporates the future risk associated with the loss of internet retail, which reduces sales tax revenue by 28% and eliminates the key source of revenue available for annual transfer into the Town's capital program which eliminates a critical source of infrastructure funding.

FY 2009/10 Potential Budget Balancing Strategies

Overview

As shown in the Five-Year Forecast, the projected deficit for FY 2009/10 is approximately \$2 million, representing a gap of approximately 6%. This figure represents the deficit if the Town were to take no action to reduce costs or raise revenues beyond normal cost of living increases. Beginning with the Executive Team retreat in October 2008, staff began to discuss potential cost savings and revenue enhancement strategies to pursue for the development of the FY 2009/10 budget. Some of these actions would be townwide in application and others would be service specific. The townwide strategies are discussed below, and the service delivery strategies are described in Attachment 4.

Townwide Strategies

Work Furloughs/Service Closures – A number of private companies and public sector agencies have implemented or are pursuing mandated, unpaid furloughs for staff. In the case of the public sector, this generally applies to non-sworn employees. Furloughs result in payroll savings, as well as some utility cost savings if the company or agency is also closed during the furloughs. Staff would like to explore mandatory furloughs as a strategy to address the budget shortfall. Staff recommends that if furloughs are implemented they be accompanied by service closures to capture the additional savings and to avoid the back-up of work that occurs if employee furloughs are staggered.

The payroll savings associated with a one day furlough/closure for Town non-sworn (with the exception of dispatch) and sworn management employees would be \$40,200. Options being considered include a 3 day (\$120,700 savings) and 5 day (\$201,200 savings) furlough which would be spread throughout the year to reduce monetary impacts to employees. The furloughs would equal an across the board pay reduction of about .40%, 1.2%, and 2%, respectively, for non-sworn and sworn management employees for the time it is in effect. If the Town were to pursue this strategy, the administration would need to meet with the bargaining units and would also need to address an FSLA issue related to management. Staff is seeking Council feedback on the concept of mandatory furloughs with service closures.

As Council is aware, staff plans to implement, beginning March 16th, a pilot project involving reduced business hours at the public counters for planning, building, business licenses, and police records. Hours for the public counters for the first three services will be from 8 to 1, with the hours for police records being from 9 to 4. While there are no direct dollar savings associated with these closures, this adjustment will increase staff capacity for managing their broad range of duties and responsibilities with fewer interruptions. This approach has been implemented in other jurisdictions, with reports that the public soon becomes familiar with the hours and adjusts their visits accordingly. Arrangements will be made for planning appointments and special circumstances, and limited services will be available at the Clerk Department. Staff will report back in May on the effectiveness and impacts of the reduced hours with a recommendation on whether or not to continue the reduced hours through next fiscal year.

Reorganizations and Partnering – Prior to the national recession, Los Gatos and most other jurisdictions found themselves facing an ongoing structural deficit. This means that projected expenditures are projected to grow at levels greater than projected revenues. Previous five-year forecasts have suggested this is a likely scenario. To address a structural deficit, it is necessary to substantially lower expenditures or increase revenues. One way of reducing expenditures is to reorganize services and associated staffing, resulting in fewer staff positions. The Town has implemented reorganizations previously to reduce costs.

While reducing costs is a goal of reorganizing services, another goal is to provide the maximum level of services possible within the resources available. In some cases, partnering with another jurisdiction or agency is a way to achieve this goal. Staff is exploring this type of collaboration with the Los Gatos-Saratoga Recreation Department for senior services and Neighborhood Center operations. Partnering with LGSRD may enable the level of senior and recreation services to be enhanced, or at least maintained, while reducing Town costs. Internally, it would also allow the Town to consolidate some of the services provided to the community and to better align some services within departmental programs. Other reorganizations and/or partnering will be explored as needed in the future, for example in the area of public safety. Additional information on reorganization or partnering opportunities will be provided throughout the budget process.

Technology – One area in which the Town will not be proposing reductions is technology. As staffing and other resources decline, staff will continue to identify opportunities to use technology to gain efficiencies internally and to maximize services provided to the public. Accordingly, the proposed budget may include the use of both one-time and ongoing funds for increased technology installation, maintenance and training.

Revenue Strategies – The townwide strategies noted above focus on cost savings and/or capacity building to address the projected deficit in FY 2009/10 and beyond. Staff is also exploring revenue strategies that address the deficit in different ways. Some of these are discussed in the service-specific section below, and some are more townwide in nature. These include:

- Use of Revenue Stabilization Reserve – The Town prudently established a Revenue Stabilization Reserve in FY 2005/06 as a funding source to provide “bridge” funding during reorganizations, during short-term transitions of sales-tax producing businesses until a new use is in place, or to

allow time for new initiatives and programs to become more fully formed. As discussed above regarding the Five-Year Forecast, staff is recommending suspending the annual contribution to the Reserve in years 2 and 3 of the forecast when use of this reserve may be needed. Staff may also be recommending the use of existing funds in the Reserve to provide bridge funding for some of the organizational transitions contemplated and for assistance to retain major sales tax generators facing closures.

- Cost Recovery Fees – Pursuant to Council policy, staff continues to evaluate fees to ensure that the Town recovers the cost of providing development-related services and services directly benefiting individuals. As approved previously by Council, a cost of living increase is automatically added to fees each year. While staff will undertake a comprehensive fee analysis next fiscal year, staff will be recommending a few fee increases for FY 2009/10. Some of these are discussed in the Service Delivery Strategies section below.
- Economic Vitality – Although this strategy is long-term in nature, staff is including it in this discussion to reiterate the importance of business retention, expansion and attraction to maintaining a revenue base that supports Town services. The Los Gatos Blvd. Plan, North Forty, and ongoing efforts in the downtown are all key revenue enhancement strategies. In the study session on Los Gatos Blvd., Council confirmed the vision of the Blvd. Plan that seeks a diversity of mixed-use development on this vital commercial street. Staff recommends a similar confirmation of the vision for downtown, specifically the balance between retail, restaurants and services that contribute to its vitality. In these uncertain economic times, pressure may increase to compromise this balance. Staff is currently undertaking a sales tax leakage study to identify opportunities for sales tax generators in the Town.
- Land Sales and Leases – As the Town considers ongoing projected deficits, it is a reasonable time to review Town assets to determine if there are assets that could generate additional revenue or cost savings through either sales or enhanced leases. Additional ongoing revenue from leases could support Town services, and one-time revenue from sales could provide needed funding for infrastructure as noted in the following bullet.
- Neighborhood Improvement Fund – Staff would like to explore the establishment of a Neighborhood Improvement Fund if the Town were to receive one-time funding from land sales or other sources. This concept would provide funds for traffic calming, sidewalk repair, and other improvements through partnerships with residents. Other jurisdictions use a cost-sharing approach (or full resident-funding) for these types of improvements. Leveraging the Town's funds in this way would allow more dollars to be allocated to core infrastructure improvements such as street paving, retaining wall repair, park facilities, and public facilities.

Potential Service Delivery Strategies

In January, staff began to develop potential proposals to achieve the 6% reduction required to balance the FY 2009/10 budget. The core budget team discussed these proposals with the departments in February and jointly identified a number of proposals for which the administration is seeking feedback from Council. These conceptual proposals are described briefly in Attachment 5.

CONCLUSION:

Along with most jurisdictions in the region, state and nation, the Town faces an economic situation unlike any experienced in recent history, possibly since the adoption of Proposition 13 in 1978. Accordingly, staff is recommending budgetary reductions and enhanced revenues for FY 2009/10, as well as actions that will address longer-term structural deficit issues. Los Gatos implements conservative fiscal practices on an ongoing basis, and has managed well through previous downturns. This places the Town in a good position to manage the current fiscal challenge. Staff is seeking Council feedback on the potential budget balancing strategies discussed in this report.

ENVIRONMENTAL ASSESSMENT:

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

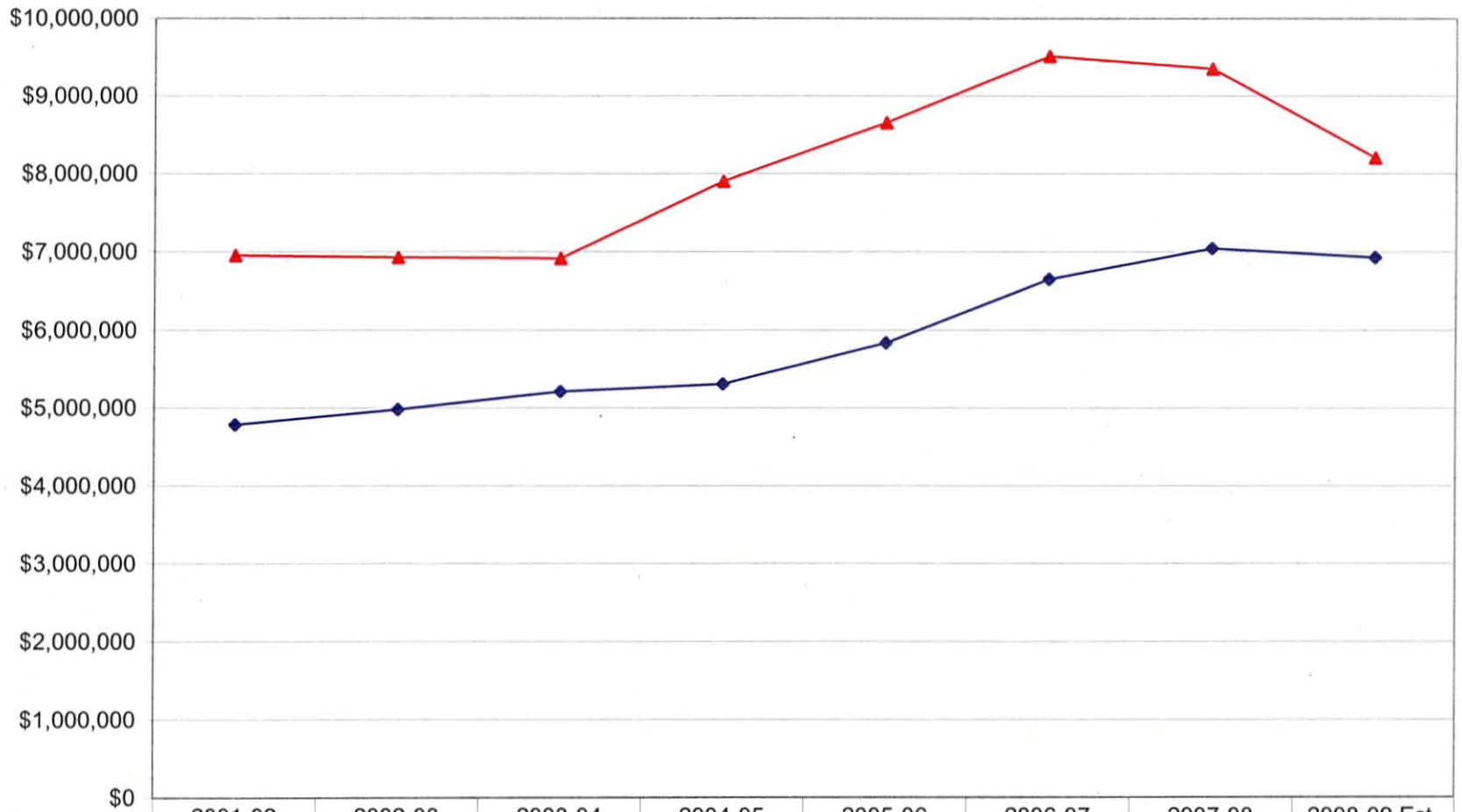
FISCAL IMPACT:

There are no direct impacts associated with the Town Council retreat. Feedback received will be incorporated in the FY 2009/10 operating and capital budget.

Attachments:

1. Attachment 1: Exhibit A, Revenue Trends and Exhibit B, Sales Tax Revenue Distribution
2. Attachment 2: Staffing Levels from FY 2001/02 to the Present
3. Attachment 3: Five-Year Financial Plan
4. Attachment 4: Potential Service Delivery Strategies

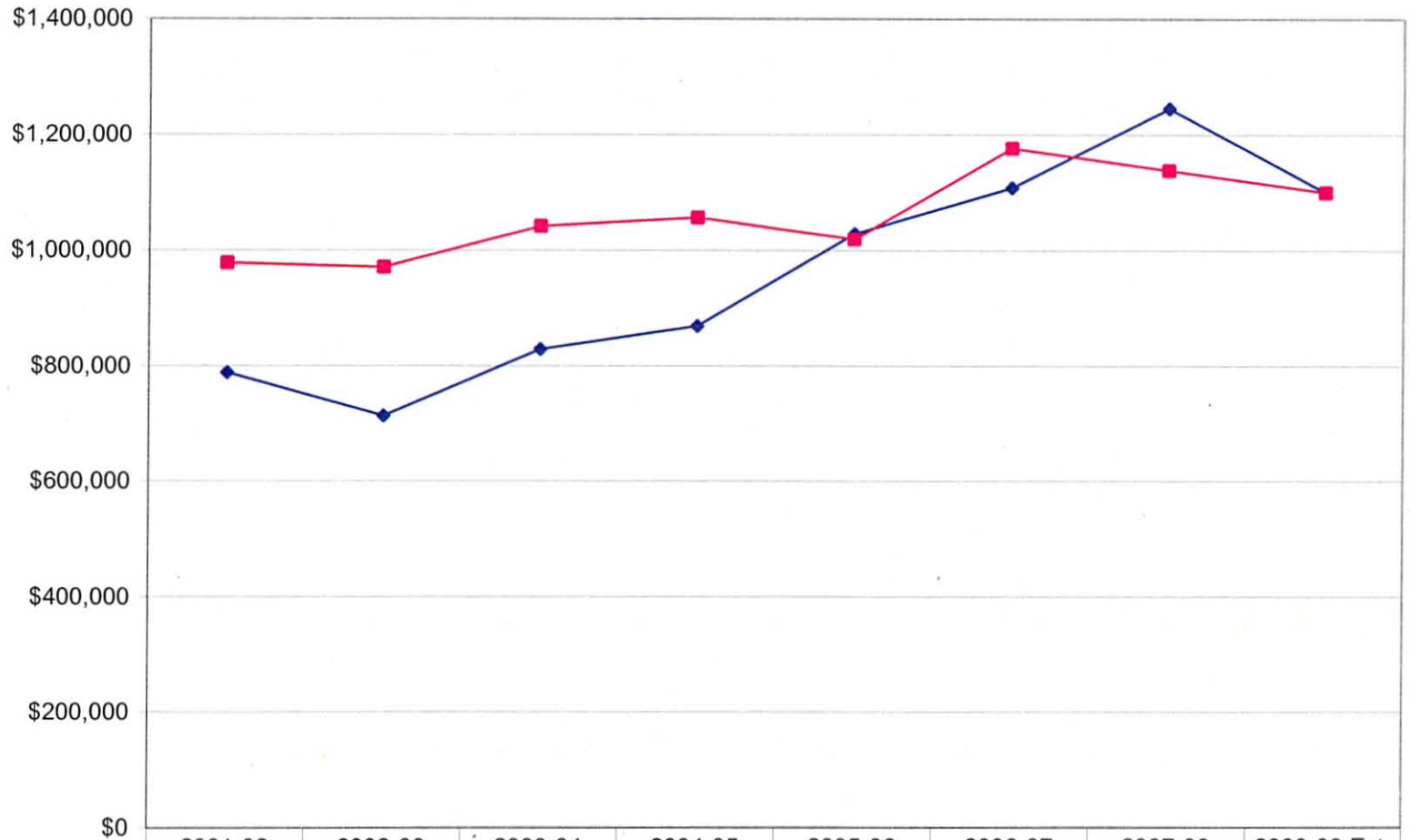
History of Property and Sales & Use Tax General Fund Revenues



ATTACHMENT 1

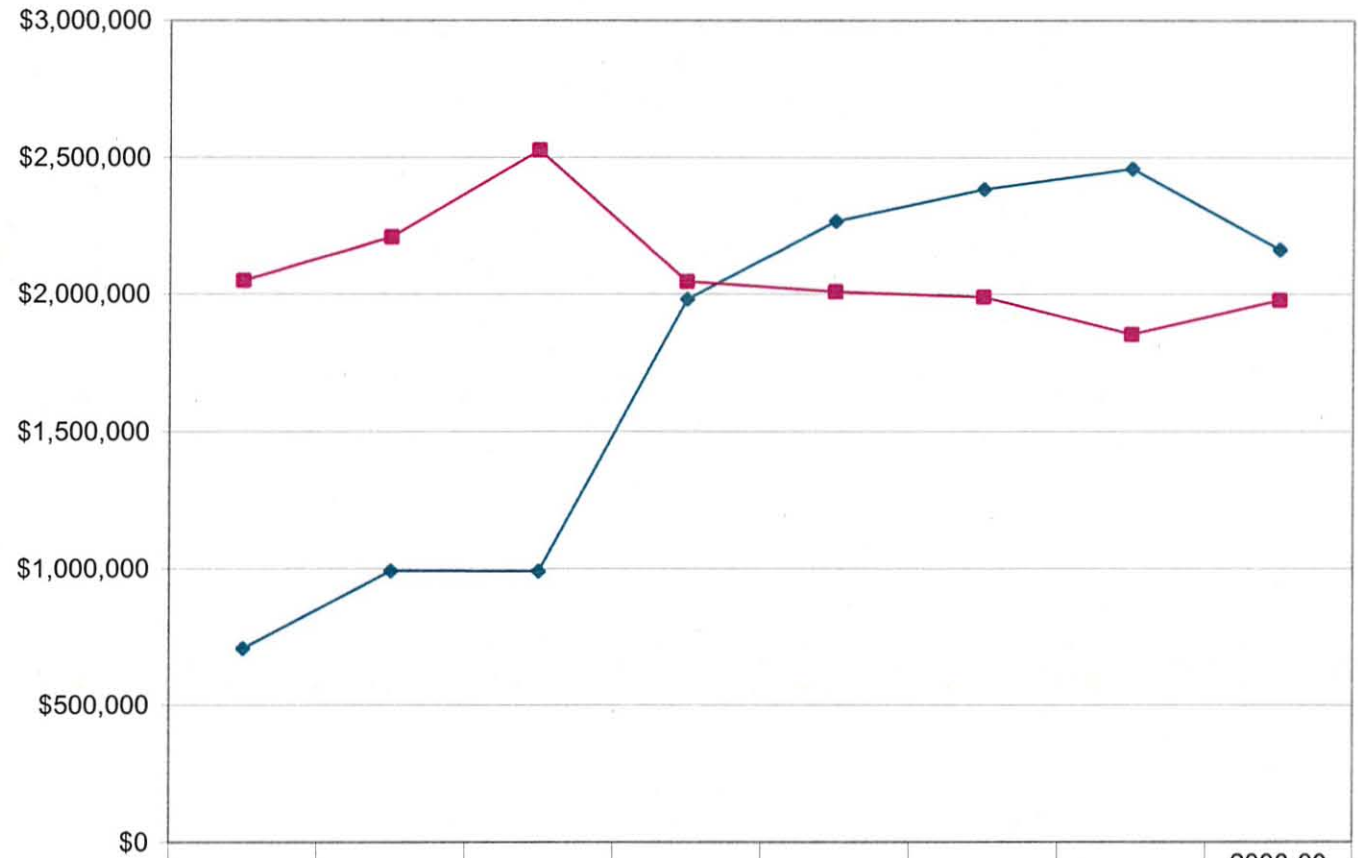
EXHIBIT A

History of Transient Occupancy Taxes and Business License Fees General Fund Revenues



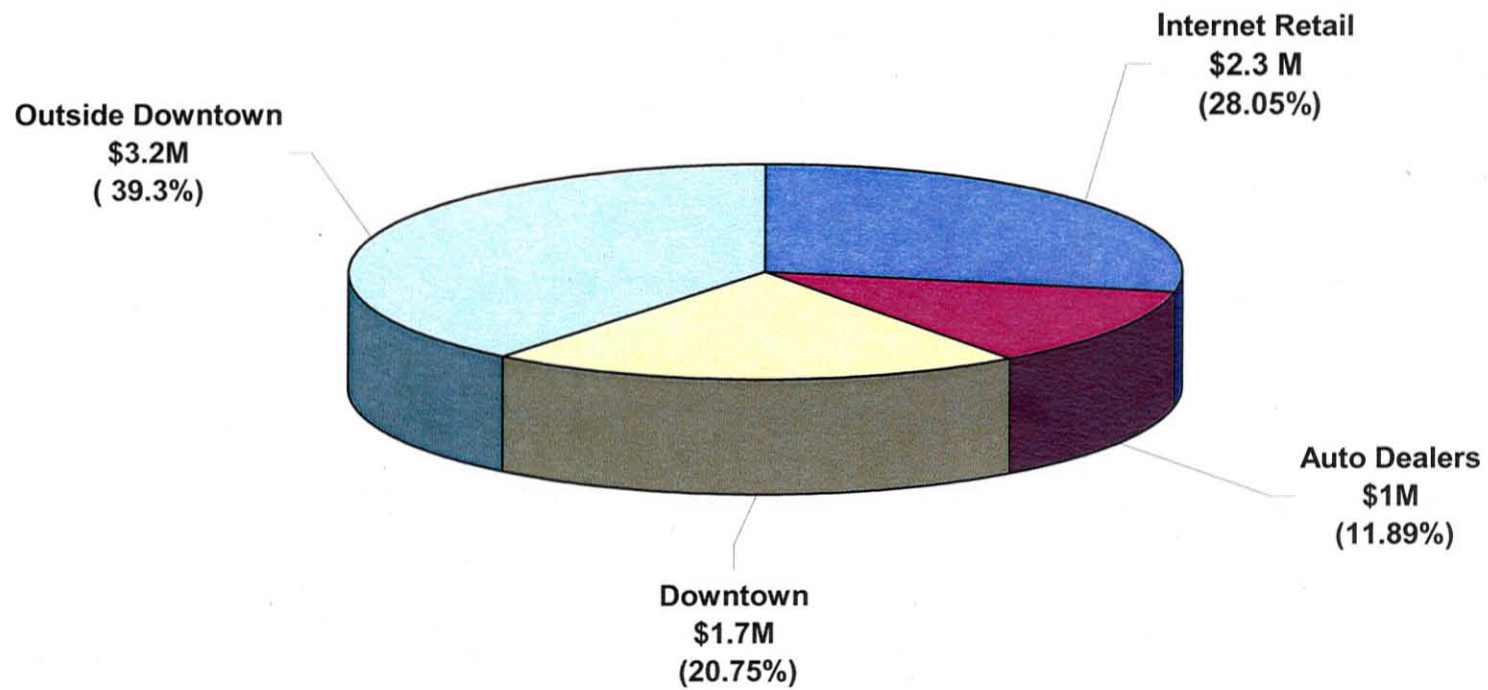
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 Est.
◆ Transient Occupancy Tax	788,408	713,064	829,026	868,908	1,028,664	1,108,257	1,245,078	1,100,000
■ Business License Fees	978,297	970,554	1,041,865	1,056,814	1,019,386	1,176,422	1,138,057	1,100,000

History of Charges for Services and License and Permit Fees General Fund Revenues

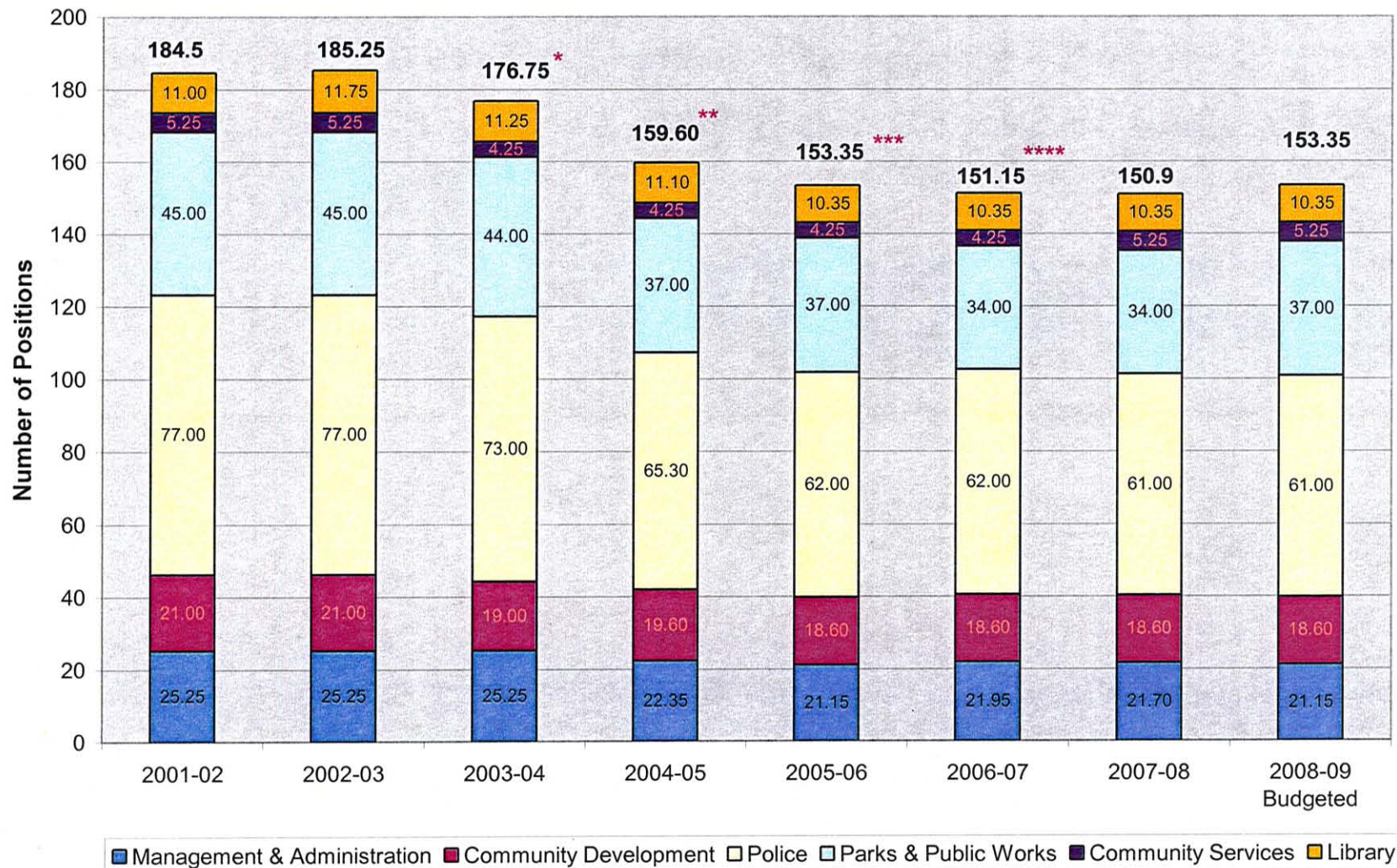


◆ Licenses and Permits (excluding Business Licenses Fees)	707,553	990,613	989,522	1,980,760	2,265,243	2,382,477	2,457,418	2,161,430
■ Charges for Services	2,050,292	2,209,840	2,526,201	2,045,524	2,008,171	1,988,312	1,851,638	1,976,455

Town Sales Tax Mix
Projected 2008/09 Sales Tax Revenues
(\$8.2M Revised)



History of Staffing Levels



- * FY 2003/04 – Reductions in Parking Control and General Administrative Staff
- ** FY 2004/05 – Reductions in Maintenance and Engineering; Police; and General Administrative Staff
- *** FY 2005/06 – Reductions in Library, Police, and General Administrative Staff
- **** FY 2006/07 – Reductions in Maintenance Staff due to Sale of Sewer System

Town of Los Gatos
General Fund
Five-Year Financial Plan

Account	Revenue Category	FY 1	FY 2	FY 3	FY 4	FY 5
		2009/10 Forecast	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
4100	Property Tax	6,993,600	7,063,600	7,275,500	7,639,300	8,021,300
4110	VLF Backfill Property Tax	2,325,200	2,348,500	2,419,000	2,540,000	2,667,000
4200	Sales & Use Tax	8,677,467	8,827,200	9,092,000	9,546,600	7,723,900
4250	Franchise Fees	1,689,200	1,723,000	1,774,700	1,863,400	1,956,600
4251	Transient Occupancy Tax	1,111,000	1,122,100	1,155,800	1,213,600	1,274,300
4400	Business License Tax	1,122,000	1,144,400	1,178,700	1,237,600	1,299,500
4400	Licenses & Permits	2,416,373	2,465,810	2,540,025	2,667,151	2,800,579
4500	Intergovernmental	810,690	823,100	841,800	873,900	907,600
4600	Charge for Services	2,312,563	2,387,100	2,484,000	2,624,800	2,773,900
4700	Fines & Forfeitures	496,040	505,600	520,800	546,900	574,200
4800	Interest	1,550,000	1,564,000	1,578,100	1,592,400	1,606,800
4850	Other Sources	2,716,860	2,723,963	2,770,150	2,846,275	2,925,676
TOTAL REVENUES		32,220,993	32,698,373	33,630,575	35,191,926	34,531,355
4900	Fund Transfers In	143,920	143,920	143,920	143,920	143,920
TOTAL REVENUES & TRANSFERS		32,364,913	32,842,293	33,774,495	35,335,846	34,675,275

Account	Expenditure Category	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
		2009/10 Forecast	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
5110	Salary	14,816,558	15,432,595	16,071,685	16,695,422	17,420,380
5120	Elected Officials	23,340	23,340	23,340	23,340	23,340
5130	Temporary Employees	503,571	523,305	544,237	566,007	588,647
5140	Overtime	467,895	486,923	506,400	526,656	547,722
5170	Other Salary	198,847	224,958	231,786	238,989	246,471
5200	Benefits	5,929,358	6,216,118	7,191,848	7,385,077	7,595,774
6000	Supplies, Materials, & Services	5,571,340	5,709,765	5,898,015	6,089,659	6,288,185
7200	Grants & Awards	201,490	201,490	201,490	201,490	201,490
7400	Utilities	465,440	484,820	505,250	526,800	549,530
8060	Internal Service Charges	3,681,800	3,749,900	3,819,700	4,140,700	4,218,400
8900	Debt Service	931,850	931,100	929,050	932,100	931,300
TOTAL EXPENDITURES		32,791,490	33,984,314	35,922,800	37,326,239	38,611,239
9900	GASB 45 Retiree Medical Actuarial	550,000	820,000	1,090,000	1,400,000	1,600,000
9900	Operating Transfers Out	10,000	10,000	10,000	10,000	10,000
9900	Transfer to Capital and Future Projects Reserve	500,000	500,000	500,000	500,000	-
9900	Transfer to Stabilization Reserve	500,000	-	-	500,000	-
TOTAL EXPENDITURES & TRANSFERS		34,351,490	35,314,314	37,522,800	39,736,239	40,221,239

REVENUES LESS EXPENDITURES	(1,986,577)	(2,472,021)	(3,748,305)	(4,400,393)	(5,545,964)
ONGOING SHORTFALL MITIGATION		1,986,577	2,472,021	3,748,305	4,400,393
NET REVENUES LESS EXPENDITURES	\$ (1,986,577)	\$ (485,444)	\$ (1,276,285)	\$ (652,088)	\$ (1,145,571)

2009 Town Council Retreat Potential Service Delivery Strategies

Code Enforcement Redistribution of Work

The Code Enforcement position has been vacant since December of last year, and has been “frozen” as have been most of the vacancies occurring this fiscal year. The proposal would eliminate the position and continue to redistribute the work to the Building Inspectors, as has been occurring since the vacancy. One of the Building Inspectors was formerly the Code Enforcement Officer, and all of the Inspectors have been trained to address code issues. Because the inspectors have other responsibilities, code enforcement activity will be directed toward life safety and complaint-driven issues, rather than overall proactive enforcement.

Public Safety Fees

The Police Department is exploring three potential sources for increased revenue. These include a tow service franchise fee, a taxi service franchise fee, and changes to the residential and commercial alarm fees. Other jurisdictions currently operate similar programs. The tow service franchise would allow the Town to charge a per-tow fee for vehicle tow services operating in the Town. The taxi service franchise would operate in a similar fashion, requiring taxi companies serving the Town to pay a franchise fee. The alarm fee proposal would amend the current code to require registration of residential and commercial alarms and a registration fee. It would also modify current code to reduce the allowable false alarms from 2 to 1 before a fee is imposed (unless the alarm is not registered, in which case a fine would be charged to encourage registration).

CERT Support

The CERT program provides significant value to the Town in training residents to prepare for and assist with emergencies. This proposal would reduce Town costs associated with support for the CERT program by reducing program overtime costs and modestly increasing the charge for participants (residents from \$15 to \$35 and non-residents from \$30 to \$50). The objective would be to maintain the quality and effectiveness of the program while lowering Town costs.

Parks Fees

Staff is proposing to increase the number of days parking fees are collected at Oak Meadow Park and to increase the parking fee for non-residents. Regarding the former, the proposal would institute fees for non-residents' parking an additional 30 to 45 days annually (weather dependent) when they are not currently collected. It would also raise the fee itself by \$1 to match the parking fee at parks in other local jurisdictions. Staff is seeking Council feedback on this proposal as well as on any future consideration of a small parking fee for residents.

Parks Maintenance

The Town is fortunate to have a large number of parks for the residents to enjoy; however, the number and total size of these parks generate a high maintenance demand. With shrinking resources, it is challenging to maintain current levels of service in all of the parks and in fact, service levels have decreased in recent years. Parks and Public Works staff continues to evaluate approaches to allocate resources among all the parks to maintain the highest level of service possible. The idea for an “Adopt a Park” program will help by covering some of the basic maintenance services at the parks. However, this program will still require coordination and some supervision, and will not address some of the basic services nor any of the more technical services. Another landscaping challenge is the Town’s medians. Due to their number and location in the middle of roadways, medians require significant staff resources to maintain them. Installing attractive hardscape requiring less maintenance at selected locations would allow staff to better manage the park maintenance workload. Staff is considering some reductions in vacant positions and reallocation of work that may result in some reduction of service levels, particularly during the high-use summer months. Staff is mindful of the pride the community has in its parks, and would not reduce service levels to an unacceptable level.

Downtown Maintenance

As Council is aware, Town staff allocates extra resources toward downtown maintenance. This includes extra trash pick-up and downtown sidewalk cleaning. Even with the extra resources dedicated to the downtown, the Town still receives complaints about both trash and the appearance of the sidewalks. Given diminishing resources, it is unlikely that the Town will be able to increase downtown maintenance in the foreseeable future. At some point in the future, the Town may actually need to reduce maintenance, as the costs associated with sidewalk cleaning are likely to increase when new storm water regulations take place. An option is to engage the downtown business community in a voluntary effort to provide maintenance, or a business district approach to pay the costs for enhanced maintenance.

Commission Reductions

Los Gatos residents and businesses are known for their volunteer efforts. One of the ways they volunteer is to serve on the Town’s 20 commissions, boards and committees (commissions). These commissions serve a valuable role in providing input to the Town Council on issues important to the Town. Given changing priorities over time, it is prudent to evaluate the role, composition and meeting practices of commissions. Staff is considering proposals that would: 1) phase out a commission that no longer serves a meaningful role for the Town; 2) refocus the role of commissions to policy issues; 3) reduce the number of commissioners on certain commissions; and/or 4) reduce the frequency of meetings. The latter three measures are in recognition that smaller

commissions focused on policy issues can be more effective and may not require monthly meetings, and would place less of a demand on administrative and management staff resources that are required to support the commissions. It is anticipated that taking these actions would increase the effectiveness of the commissions and enhance staff capacity to deliver other priority services.

Community Grants and Facilities

The Town has provided significant support to the arts, socioeconomic services, museums, and other non-profits through the years via direct grants and/or subsidized facility leases. All of these services are important to the fabric of the community and the Town's partnerships with them are valuable. As the Town faces growing deficits, staff is exploring opportunities to reduce the Town's expenses while continuing to partner by providing limited funding as it is available and other support.

Special Events

The small town character of Los Gatos is celebrated in the Town's annual community events, including the 4th of July, Screen on the Green, Music in the Park, Volunteer Recognition, Senior Picnic and Thanksgiving Dinner, Keep Los Gatos Beautiful Month, Garage Sale, and Second Chance Week. These events require varying levels of Town funds and staff support. Staff would like to propose continuing all of these events, with the exceptions of the Garage Sale, which could be promoted in a different less-costly way and MIP, for which a non-profit model is being considered. Staff is also proposing to limit the budget to cover only these special events, such that funding would not be available to expand or add to the number of special events. The special events themselves could still be changed within that budget. This would enable staff to focus on priority events. Staff is also exploring the costs associated with supporting other community-wide events such as the Children's Holiday Parade, Fiesta de Artes and Jazz in the Plazz .

Sunday Library Closure

Throughout previous downturns, the Town has been able to keep the library open seven days a week, albeit with reduced hours. It is staff's understanding that all local library jurisdictions are considering reduced hours across the range of their weekly hours of operation – evenings, Sundays, and Mondays, Friday afternoons. Rather than operating a six-day schedule, the library reduced its collections budget in previous years. The collections budget has been restored somewhat, but remains at a low-average level. For next year, staff is exploring a proposal that would keep the number of operating hours at the current level of 54, while closing on Sunday. This would be possible due to an upcoming retirement, which, if not refilled, would reduce costs. With one less librarian, it would be unworkable to operate a seven-day schedule. The proposed schedule would continue to provide morning and evening hours throughout the week.