



MEETING DATE: 05-18-09
ITEM NO: 10

COUNCIL/AGENCY AGENDA REPORT

DATE: MAY 14, 2009

TO: MAYOR AND TOWN COUNCIL/
CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

FROM: GREG LARSON, TOWN MANAGER/EXECUTIVE DIRECTOR *Greg Larson*

SUBJECT: OPERATING AND CAPITAL BUDGETS

- A. CONSIDER THE TOWN OF LOS GATOS PROPOSED OPERATING AND CAPITAL BUDGET FOR FISCAL YEAR 2009-2010
- B. CONSIDER THE TOWN OF LOS GATOS PROPOSED CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEAR 2009-2014
- C. ADOPT RESOLUTION FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF ADDITIONAL LOCAL PROPERTY TAX FUNDS ARE SEIZED AND ADDITIONAL UNFUNDED MANDATES ARE ADOPTED BY THE STATE OF CALIFORNIA

RECOMMENDATION:

1. Consider the Town of Los Gatos Proposed Operating and Capital Budget for Fiscal Year 2009-2010
2. Consider the Town of Los Gatos Proposed Capital Improvement Program for Fiscal Year 2009-2014
3. Adopt resolution finding a severe fiscal hardship will exist if additional local property tax funds are seized and additional unfunded mandates are adopted by the State of California

BACKGROUND:

The Proposed Operating and Capital Budget for FY 2009/10 represents the Town Manager's recommended comprehensive financial plan to provide services to the Town of Los Gatos given limited resources. The Proposed FY 2009-2014 Capital Improvement Program is a comprehensive five-year capital improvement plan identifying projects to construct and maintain the Town's infrastructure.

Pamela Jacobs

PREPARED BY: PAMELA JACOBS
ASSISTANT TOWN MANAGER

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Reviewed by: _____ Assistant Town Manager/Deputy Director _____ Town Attorney/General
Counsel _____ Clerk Administrator/Secretary *Se* Finance
_____ Community Development

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DISCUSSION:

Overview of Proposed Operating and Capital Budgets

The transmittal letter in the FY 2009/10 Proposed Operating Budget provides an executive summary of the budget, including budget development principles and strategies, the prior Five-Year Financial Plan, an overview of revenue and expenditure assumptions, and future challenges affecting the Town's fiscal situation.

This staff report provides:

- a summary of budget balancing actions recommended in the proposed budget
- presentation of an updated Five-Year Financial Forecast
- discussion of key issues addressed in the proposed budget and to be explored during FY 2009/10
- discussion of the potential impacts of State budget actions on the Town's budget
- a summary of the proposed Capital Improvement Program
- information regarding the budget presentation to be made on May 18, 2009

The worldwide economic recession has directly impacted Los Gatos. For the first time in recent history, revenues are down or flat across most categories. Most significant has been the multi-year decline in the Town's largest revenue sources, including sales tax, property tax, and private development fees and charges.

As detailed in this staff report and throughout the proposed budget, these revenue impacts require adjustments in the Town budget totaling \$2.7 million, approximately 8% of the General Fund Operating budget.

Fortunately, the Town's past conservative financial practices and prompt action in response to the economic crisis has positioned the Town relatively well to weather this current storm. Unlike many local jurisdictions, the Town does not anticipate layoffs or severe public service reductions for the next year or two, assuming there is an economic recovery within two years, rather than continuing significant declines.

However, balancing next year's budget has not been easy. The most noticeable public impacts will be limitations on new special projects and initiatives as well as longer response times for non-priority calls for service and customer referrals. Health and safety response will take priority over largely aesthetic concerns. Internally, the most significant impacts are a continuing management pay freeze, workforce furloughs, and decreased management capacity to coordinate special projects or further improve operating systems.

Of greatest concern, however, is the long-term fiscal outlook. Even with a modest recovery starting in two to three years, continuing budget and service reductions are anticipated every year for the foreseeable future. These future reductions will likely directly impact Town residents, visitors, and businesses in significant ways. The inevitable loss of Netflix sales tax revenue and potential infrastructure failure will only exacerbate these difficulties in the years ahead.

Nonetheless, the core assets of Los Gatos remain strong, including an enviable downtown, a beautiful environmental setting, proximity to Silicon Valley, fundamentally strong real estate, and an active and engaged population. Further, the economic crisis has not impacted those special one-time projects with separate funding sources, including the new Police Operations Building and Library, the General Plan Update, and new townwide sports facilities. These all will enhance and preserve what makes Los Gatos so special.

Recommended Budget Balancing Actions

The proposed operating budget incorporates reductions in staffing and other expenses and limited revenue enhancements totaling the \$2.7 million necessary to balance the FY 2009/10 budget. Attachment 3 is a listing of all the recommended budget balancing actions, which include:

- the elimination of nine full-time-equivalent positions for a cost savings of more than \$900,000;
- other staffing, salary and benefit reductions totaling nearly \$700,000;
- reductions in operating expenses for a cost savings of approximately \$600,000, and;
- fund transfers and cost recovery fee increases totaling nearly \$500,000.

In developing these recommended actions, staff considered reductions that would generate ongoing savings while maintaining service levels to the greatest extent possible. In some cases, alternative approaches are available to mitigate impacts on services; however, the community will experience service impacts as a result of these reductions.

The impacts most visible to the public will be in Parks and Public Works, as maintenance schedules and park opening times will be extended due to reduced resources and there will be reduced capacity to respond to unscheduled customer requests. Staff will give priority to health and safety issues, with delayed response to aesthetic concerns. Other impacts, including reduced public counter service hours and management capacity, are discussed in the *Issues for Consideration* section below.

Not included on the list are the limited recommended budget augmentations for FY 2009/10, which include continued shared funding of the School Resource Officer position with local school districts and funding for two regional issues related to the new regional storm water permit and to the Silicon Valley Regional Interoperability Project (public safety communication).

Five-Year Forecast

The Five-Year Financial Plan 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 prepared in January, 2009 to incorporate the FY 2009/10 budgetary adjustments.

The information presented in the forecast includes conservative estimates of revenues, based on flat growth for FY 2009/10, with low growth of 1 to 2% for most major revenue categories for FY 2009/10, 3% for FY 2010/11, and 5% for the following years which assumes some modest level of recovery from the current recession. Fiscal Year 5 of the Plan explicitly include the provision for a loss in sales tax revenue from Netflix for planning purposes only.

The expenditure forecast includes reductions of approximately \$1.6 million in labor and benefits costs and other operating expenditure reductions of about \$600,000, which are recommended as part of the proposed budget for FY 2009/10. FY 2011/12 and beyond include significant cost increases related to the expected increase in employer contribution rates (from 14% to 21% of “miscellaneous” covered payroll and from 33% to 42% for “public safety”) to fund the 20% to 30% losses sustained by PERS in its investment portfolio in FY 2008/09. However, these growing benefit cost increases are partially offset by the assumption of no COLA increases beyond current contractual obligations.

The prior forecast that Council reviewed in the spring indicated an approximate \$2.0 million projected deficit in FY 2009/10. The proposed FY 2009/10 budget now projects a balanced budget, eliminating the projected deficit for the upcoming fiscal year due to the reductions and revenue enhancements recommended in the proposed budget. A deficit of approximately \$2.4 million was projected for FY 2010/11, the updated forecast now projects the deficit to be approximately \$1,000,000 due to the carry-forward adjustments recommended in the proposed budget for next fiscal year.

The forecast continues to show ongoing challenges in the future. FY 2011/12 projects a new \$1.3 million deficit, which must be proactively addressed unless the economy improves beyond expectations. The forecast also includes no provision for a dedicated source of funding for ongoing infrastructure needs. This means that the Town can expect not only service level challenges for the future but also infrastructure challenges, barring a robust recovery in the local economy.

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**Town of Los Gatos General Fund
 Updated Five-Year Financial Plan**

Account	Revenue Category			FY 2	FY 3	FY 4	FY 5
		2008/09 Est. Actual	2009/10 Budget	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
4100	Property Tax	\$ 6.9	\$ 6.9	\$ 7.0	\$ 7.2	\$ 7.6	\$ 7.9
4110	VLF Backfill Property Tax	2.3	2.3	2.3	2.4	2.5	2.7
4200	Sales & Use Tax	8.7	8.7	8.8	9.1	9.5	7.7
4250	Franchise Fees	1.7	1.7	1.7	1.8	1.9	2.0
4251	Transient Occupancy Tax	1.1	1.1	1.1	1.1	1.2	1.2
4400	Business License Tax	1.1	1.1	1.1	1.2	1.2	1.3
4400	Licenses & Permits	1.8	2.2	2.2	2.3	2.4	2.6
4500	Intergovernmental	0.8	0.8	0.8	0.8	0.9	0.9
4600	Charge for Services	2.0	2.4	2.2	2.2	2.2	2.4
4700	Fines & Forfeitures	0.5	0.5	0.5	0.5	0.5	0.6
4800	Interest	1.8	1.6	1.6	1.6	1.6	1.6
4850	Other Sources	2.9	2.8	2.5	2.5	2.4	2.5
TOTAL REVENUES		31.5	32.0	32.0	32.8	34.0	33.3
Adopted Use of Reserves		1.3	1.0	0.7	0.5	0.5	0.5
4900	Fund Transfers In	0.6	0.5	0.3	0.3	0.3	0.1
TOTAL REVENUES & TRANSFERS		\$ 33.4	\$ 33.5	\$ 33.0	\$ 33.6	\$ 34.9	\$ 33.9
Account	Expenditure Category			FY 2	FY 3	FY 4	FY 5
		2008/09 Est. Actual	2009/10 Budget	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
5110	Salary	\$ 13.1	\$ 13.8	\$ 14.1	\$ 14.4	\$ 15.1	\$ 15.6
5130	Temporary Employees	0.6	0.5	0.5	0.5	0.5	0.5
5140	Overtime	0.7	0.4	0.5	0.5	0.5	0.5
5170	Other Salary	0.5	0.1	0.2	0.2	0.2	0.2
5200	Benefits	5.7	5.8	6.3	7.6	7.8	8.0
6000	Supplies, Materials, & Services	5.2	5.5	5.5	5.4	5.6	5.9
7200	Grants & Awards	0.3	0.2	0.2	0.2	0.2	0.2
7400	Utilities	0.4	0.4	0.4	0.5	0.5	0.5
8060	Internal Service Charges	3.6	3.4	3.5	3.6	3.9	4.1
8900	Debt Service	0.9	0.9	0.9	0.9	0.9	0.9
TOTAL EXPENDITURES		\$ 31.0	\$ 31.1	\$ 32.2	\$ 33.8	\$ 35.4	\$ 36.4
9900	Actuarial	0.4	0.6	0.8	1.1	1.4	1.6
9900	Reserve	1.1	0.8	0.5	0.5	0.5	0.5
9900	Transfer to GF Reserves	0.9	1.0	0.5	0.5	1.0	-
TRANSFERS		\$ 33.4	\$ 33.5	\$ 34.0	\$ 35.9	\$ 38.3	\$ 38.5
REVENUES LESS EXPENDITURES		\$ (0.0)	\$ 0.0	\$ (1.0)	\$ (2.3)	\$ (3.4)	\$ (4.6)
ONGOING SHORTFALL MITIGATION				\$ 1.0 \$ 2.3 \$ 3.4			
NET REVENUES LESS EXPENDITURES		\$ 0.0		\$ (1.0)	\$ (1.3)	\$ (1.2)	\$ (1.2)

Issues for Consideration

Following are a number of issues addressed in or raised by the proposed budget. They are highlighted here because they may be of special interest to Council.

Management and Non-Management Salary Actions

The FY 2009/10 proposed operating budget includes a \$200,000 reduction resulting from a salary freeze for management staff. Management staff is voluntarily foregoing a previously-budgeted 3% cost of living increase and performance bonuses. This will be the second year in a row with no cost of living increase for management staff.

A \$250,000 reduction for non-management compensation is also incorporated into the budget. Staff is working with the Town's three bargaining units to determine which option they prefer

for meeting this targeted reduction. The options include reducing the level of cost of living increases currently included in their bargaining agreements, taking unpaid furloughs from three to five days in FY 2009/10, or some combination of the two options. The unpaid furloughs for most employees would occur in connection with national holidays, and non-essential Town services (with the exception of the library) would be closed on the furlough days. Library, dispatch and patrol staff would implement furloughs in a different manner.

Public Counter Reduced Hours

Introduced as a pilot program in March 2009, the public counter closure is recommended to continue in FY 2009/10. The reduced hours for public counters are Monday through Friday from 8:00 a.m. to 1:00 p.m. in Business Licenses, Planning, Building, and Engineering and from 9:00 a.m. to 4:00 p.m. in Police Records. The public counter closure has enabled staff to better manage and prioritize workloads, and has not generated significant customer complaints.

Sustainability Initiatives

Staff will continue to focus on conservation, recycling, and sustainability initiatives throughout FY 2009/10, and is exploring two actions in this regard. The first is recycling services in the Downtown. During the past several weeks, staff has been working with the Town's waste hauler, West Valley Collection and Recycling, to minimize the litter and maximize recycling in the Downtown without installing additional refuse cans or increasing collection frequencies. Accommodating additional containers in the Downtown is difficult as the sidewalks are relatively narrow and there is a general desire to keep the area clutter-free. Increasing collection frequencies results in ongoing costs to ratepayers.

Following the national priorities of "Reduce, Reuse, and Recycle," the Town has initiated a campaign to encourage consumers to bring their own mugs to local coffee shops rather than

purchase coffee in disposable containers. Using the "bring your own bag" campaign as a model, however, it is not likely that consumers will change their behavior in the short term. To augment the "bring your own mug" effort, staff is working with the waste hauler to initiate the collection of bottles and cans from clearly marked and strategically placed recycling cans that are smaller than the existing refuse cans. Costs for the purchase and installation of the new cans are estimated at \$20,000. If Council concurs with this direction, staff will include funding for this project in the final budget presented to Council for approval on June 1st.

The second effort is the exploration of using the General Fund Update fund to cover the costs for a part-time, temporary Sustainability Coordinator. The coordinator would assist in the development of sustainability plans, resource conservation strategies, and community outreach and awareness of green practices as required for early and ongoing implementation of the Environmental Sustainability focus for the General Plan Update. Current staff resources are not sufficient or technically experienced to coordinate the Town's response to federal and state legislation, community interest, and growing environmental challenges. A temporary position would assist the Town in preparing for this critical issue as part of the General Plan Update process.

Focus on Economic Vitality

Maintaining a strong, diversified economic base has always been an important goal for the Town. In these challenging economic times, this becomes even more critical for the economic well-being of the community. Accordingly, the proposed budget continues Redevelopment Agency funding for the Economic Vitality Manager position and includes focused work effort on the Los Gatos Boulevard plan and the North Forty plan. In addition, staff will continue to partner with the Chamber of Commerce and merchants to maintain the vitality of the downtown and neighborhood business districts. A new focus in FY 2009/10 will be assisting businesses in the Town's Research and Development district to remain and expand in Los Gatos and identifying new companies to locate in Los Gatos.

Support of Non-Profits and Community Events, and In-Kind Donations

The Town's proposed operating budget includes continued support of local non-profits and community events through nearly \$140,000 in direct grant funds. One grant request not included in the proposed budget is from the Wildlife Center of Silicon Valley. For the past five years, the Town has provided about \$6,500 to the Wildlife Center for the handling of animals received from people with a Los Gatos address (it is unknown how many of the people delivering animals are actually Los Gatos residents). For the last three years, \$2,000 of the grant has been paid through the Town's contract with San Jose Animal Care and Services, leaving about \$4,500 paid directly by the Town. After last year's contribution, the Town advised the Wildlife Center to apply for the \$4,500 portion through the Town's grant process. The Center applied for additional funding through this process, and also requested the \$4,500 directly from the Town. Due to the reduced funding available for community grants, the Community Services Commission did not recommend funding for the Center. Staff also did not include direct funding

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of the Center in the proposed budget, as this request is one of many received from non-profits and it is expected that these should go through the same process. Staff suggests that the Center apply for funding through the grant process next year, and/or work with San Jose Animal Care and Services to obtain additional funds.

The Town also provides in-kind donations through subsidized leases to three agencies: A Place for Teens, the Los Gatos Museum Association and Los Gatos-Saratoga Community Education and Recreation (LGS Recreation) at the following annual amounts (based on \$3 per sq. ft. less any direct rent paid by the organization):

The Venue/A Place for Teens	3,260 sq ft	\$ 97,799
LGS Recreation	6,479 sq ft	\$179,385
Tait & Forbes Mill Museums	5,160 sq ft	\$151,799

In FY 2009/10, staff will explore additional partnerships with LGS Recreation in the areas of senior services and Neighborhood Center services. It is expected that providing these services through an effective partnership will enhance efficiencies and service levels while significantly reducing Town costs.

Regarding special events, the Town has been tracking costs for the past several years to understand the costs associated with Town-sponsored, co-sponsored or non-Town events. For example, the Town is a major provider of staff resources for the Holiday Tree Lighting and Holiday Children's Parade, which have not been officially recognized as Town co-sponsored events. Direct staff costs for the tree lighting are estimated at \$1,600; direct staff costs for the Holiday Parade are estimated at \$25,000. These estimates include only expenses associated with the events themselves and do not include planning time.

A significant change to a Town-sponsored special event is expected during FY 2009/10 when coordination of the Music in the Park music series will be transferred from Town sponsorship to a non-profit agency.

Management Capacity

A significant impact of reduced staffing over the past five years and proposed for next fiscal year is decreased management capacity. The Town's management staff has traditionally served roles as both managers/leaders and "doers," having responsibility to do substantial amounts of direct staff work. With fewer employees, management staff often must absorb more direct staff work as well as manage department or division services and projects. As a result, the capacity to respond to unanticipated service requests or take on new projects is limited.

The proposed budget includes the identification of key projects in each department for FY 2009/10. These projects are in addition to the core services provided by the department to the community on an ongoing basis. A list highlighting key special projects for next fiscal year is included as Attachment 4. Given the large number of special projects on the departmental work

plans, it will be necessary to reprioritize projects should new initiatives, projects, or analyses be requested during the course of next year.

Ongoing responsibilities are also affected by the limitations on staff capacity. One of these responsibilities is the management of board and commission meetings. These meetings require staff resources to prepare for and conduct the meetings. With Council concurrence, staff proposes to reduce the number of regularly-scheduled board and commission meetings next year as feasible. While the work of the commissions is valuable, in many cases monthly meetings are not necessary. Staff will discuss this idea with the commissions to identify an appropriate schedule for the meetings. It is not expected that the schedule for the Planning Commission would be reduced.

Revenue Enhancements

The proposed budget includes increases in or new fees and charges to recover costs for private development and other user fee supported services, which Council approved in April, 2009. Also included in the budget is approximately \$25,000 in revenue expected to be generated from a Tow Service Franchise Fee and a Taxicab Fee. Both of these fees will require separate ordinance changes which will be the catalyst for Council consideration of the details for the programs.

Donation Opportunities - FY 2009/10 List of Town Needs

As part of the budget development process, the Donation and Solicitation Policy List of Town Needs is updated to reflect goods, services, and other contributions that would help enhance Town services, programs, and events. The attached FY 2009/10 list (Attachment 5) has been updated to include contributions that support the expansion of athletic fields.

State Budget Impacts

The Governor's FY 2009/10 budget released in January 2009 included an expected budget gap of approximately \$42 billion, which the Governor declared as "the most challenging in the state's history." Because of the length and depth of the current recession, state revenues have continued to underperform and the state lacks funding to fulfill its current financial obligations.

The May Revised Governor's budget was released on Thursday May 14th, prior to the May 19th special election in which six measures related to the state budget are before the voters. The May Revised budget was released in the form of two revised summary budgets. One revised budget portrays the state spending plan should the all six measures pass; the other shows the actions that would be proposed if all the measures fail.

provisions of Proposition 1A (2004). This would enable the State to “borrow” up to 8% of the ad valorem property taxes revenues allocated to all local agencies for the prior fiscal year, resulting in a statewide impact of approximately \$2 billion. Based on 2008/09 estimated property tax collections, the estimated impact to the Town in loss of property tax would be in the range of \$950,000 to \$1,000,000 (including the property tax swaps for VLF and sales taxes) for FY 2009/10. Proposition 1A stipulates that the Legislature must pass a law that would shift these amounts, plus interest, back to the local jurisdictions within three years.

The property tax take must be approved by the legislature before it can be implemented. As its status is uncertain, the loss of property tax is not included in the proposed FY 2009/10 budget. If a property tax take is sustained by the Town next fiscal year, sufficient funds are available from the Revenue Stabilization Reserve to temporarily replace this lost property tax until it is repaid with interest within three years by the State as required by law.

Both versions of the May Revised Budget included reductions to funding for statewide programs, including public safety and transportation. At the time of budget development, staff did not have sufficient information to quantify specific impacts. The FY 2009/10 proposed budget resolution provides flexibility to revise the adopted budget to reflect changes in estimates of State funding of local governments programs like public safety (COP’s Grant and booking fees) or transportation funding (Proposition 42). If these resources are lost in FY 2009/10, the Town will need to further reduce services or draw down its reserves.

The proposed State property tax take will compound all local jurisdictions’ fiscal challenges resulting from the current severe economic recession. The League of California Cities is suggesting that cities adopt a resolution declaring local severe fiscal hardship should the state take this action. Staff is recommending that Council adopt the attached resolution (Attachment 6) to distribute to legislators and the Governor.

FY 2009-2014 Capital Improvement Program

The FY 2009-2014 Capital Improvement Program will also be presented at the May 18th Town Council meeting. The five-year plan sets forth the schedule for street-related, parks and public facility projects to be completed during this period. Only the first year of the plan is formally adopted with funds appropriated by the Town Council as part of the budget process.

Significant projects recommended for FY 2009/10 include:

Street Program Projects:

- Continued funding of approximately \$1.1 million for street repair and rehabilitation.
- Continued funding of \$150,000 for curb, gutter, and sidewalk repairs Townwide.
- Continued funding of \$200,000 for retaining wall repairs.
- \$25,000 for annual street restriping, \$55,000 for storm drain rehabilitation projects, and a \$188,000 Caltrans grant funding for the Robert’s Road Bridge.

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Parks Projects:

- Reallocated funding of \$100,000 in State Park Bond funds from Monte Sereno - \$87,000 for Town Plaza improvements and \$13,000 for the Bachman Park Basketball Resurfacing project. All projects using the Park Bond monies have been frozen by the State of California until further notice due to the State budget situation.

Public Facilities Projects:

- Carryover funding of approximately \$17.7 million for funding the new library project.
- Carryover funding of approximately \$1.1 million to complete the new police services building.
- New funding allocations for the Civic Center Site Improvements (\$600,000), vehicle canopy repainting project (\$25,000) and \$25,000 additional monies to the Town Beautification project.

The challenge of finding a reliable ongoing revenue stream available for capital projects continues to be a Town priority. Recognizing the realities of funding challenges and uncertain local economic trends, the Town's Proposed FYs 2009/10-2013/14 Capital Improvement Program continues a strategy of funding the Town's most urgent capital needs using prior fund balance allocations.

Budget Presentation

At the May 18, 2009 Town Council meeting, the Council will consider the proposed Operating and Capital Improvement Program budgets. The review and discussion of the proposed budgets will occur following the format outlined below:

- | | |
|-------------------------------|-----------------------------------|
| ▪ Opening Comments | Town Manager |
| ▪ Operating Budget Overview | Finance Director |
| ▪ Operating Budget Highlights | Town Manager |
| ▪ Capital Budget Overview | Assistant Finance/Budget Director |
| ▪ Public Comment | Public |
| ▪ Council direction | Town Council |

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 formally adopting the budget to be considered by Council on June 1, 2009.

ENVIRONMENTAL ASSESSMENT:

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

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FISCAL IMPACT:

The fiscal impact is presented in summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budget for FY 2009/10.

Attachments:

1. FY 2009/10 Proposed Operating and Capital Budget (Previously Submitted)
2. FY 2009 – 2014 Proposed Capital Improvement Program Budget (Previously Submitted)
3. Budget Balancing Recommendations
4. FY 2009/10 Special Projects
5. FY 2009/10 List of Town Needs
6. Resolution finding a severe fiscal hardship will exist if additional local property tax funds are seized and additional unfunded mandates are adopted by the State of California

Manager's Budget Balancing Recommendations for 2009/10 (based on departmental submissions)

(as of May 14, 2009)

ELIMINATED POSITIONS (Salary plus overhead)			IMPACT	PROJECTED BUDGET SAVINGS (approx.)		
1	Admin Svcs	Business License Tech (offset w/ temp staff when needed)	0.75	50,000		
2	Admin Svcs	Assistant to the Town Manager	1.00	157,500		
3	CDD	Code Enforcement Officer (reassigned to Building Inspectors)	1.00	105,400		
4	CDD	Associate Planner (restore when revenues return)	1.00	149,000		
5	PD	Sergeant (return to prior staffing level)	1.00	230,000		
6	PD	CSO Intern	0.50	20,000		
7	PD	Police Records Specialist (offset through Campbell sharing)	1.00	50,000		
8	PPW	Parks Service Officer (offset by temporary PSO Asst)	0.50	55,000		
9	PPW	Maintenance Worker (previous new position never filled)	1.00	113,000		
			7.75	\$929,900		

OTHER STAFFING AND SALARY REDUCTIONS

1	Townwide	Freeze management salaries (eliminate 3% COLA & bonuses)	reduction	200,000		
2	Townwide	Non-management furloughs or COLA reductions	reduction	250,000		
3	Admin Svcs	Employee Disability Insurance Premium renegotiation	reduction	51,700		
4	CDD	Reduce department temporary staffing and overtime	reduction	41,000		
5	PD	Reduce hire-ahead funding (shift remaining \$40K to OT)	reduction	50,000		
6	PPW	Reclassify vacant Superintendent down to Supervisor	reduction	34,000		
7	PPW	Reclassify vacant Equipment Mechanic down to Apprentice	reduction	20,000		
8	PPW	Engineering: Reduce temporary hours	hours	10,000		

Note: Recent Police Department overtime cost controls continue

\$656,700

DEPARTMENT REDUCTIONS IN OPERATING EXPENSES

1	Admin Svcs	Manager's Contingency/Productivity Fund reduced one-half		100,000		
2	Admin Svcs	Legal Fund reduction		40,000		
3	Admin Svcs	Financial Services/Special Studies reduction		20,000		
4	CDD	Technology reductions		19,000		
5	CS	Special Events Fund reduction		14,000		
6	CS	Solid Waste JPA Contract reduction		10,000		
7	CS	Sustainability Fund utilization		4,000		
8	LIB	Library Travel/Training reduction		5,000		
10	PD	Police Travel/Training reduction		17,000		
11	PPW	Facilities: Contractual Maintenance reduction		18,000		
12	PPW	Facilities: Maintenance Services reduction		72,450		
13	PPW	Fleet: Fuel & Maintenance reductions		11,000		
14	PPW	Extend/Reduce Vehicle Replacement Schedule (over 4 years)		200,000		
15	PPW	PPW Software Licensing		10,200		
16	PPW	Street Tree Lighting		10,000		
17	PPW	Traffic Signal Cleaning Schedule		15,000		
18	PPW	PPW Travel/Training reduction		3,900		
19	PPW	Backflow Testing Contract (staff now certified in-house)		5,000		
20	PPW	Mowing Contract		30,000		

\$604,550

FUND TRANSFERS / INCREASED FEES & CHARGES

1	CDD	Increased staff charges to General Plan Special Fund	transfer			100,000
2	CDD	CDD Increase in Fees (COLA and overhead)	increase			132,000
3	CS	Increased staff charges to Housing Admin Special Fund	transfer			24,000
4	PD	Charge full costs for officers at high school events	increase			6,000
5	PD	Firearms Storage Fees for Protective Orders	new			3,000
7	PD	Holiday Valet Parking charged to Parking Reserve Fund	transfer			19,000
8	PD	Tow & Taxi Fees (implemented mid-year after Council review)	new			25,000
9	PD	Commercial Alarm Registration Fee/False Alarm fees	new			20,000
10	PPW/CS	Solid Waste Vehicle Impact Fee (split between CS & PPW)	new			102,000
11	PPW	Encroachment Permit Fees (from \$200 to \$220)	increase			15,000
12	PPW	Oak Meadow Parking (from \$5 to \$6 + frequency)	increase			20,000
13	PPW	Oak Meadow Reservation Fee	increase			6,000

\$472,000

ATTACHMENT 3

TOTAL \$2,663,150

FY 2009/10 Special Projects

Administrative Services Department

- Management of new library design and development
- Identification and development of community and youth sports facilities
- Comprehensive fee study
- Expansion of online credit/debit card transactions
- Implementation of financial /personnel information system upgrade
- Downtown newspaper rack ordinance changes and enforcement
- Records retention implementation
- Sale/lease of idle public assets
- Long-term fiscal realignments
- Non-sworn employee contract negotiations

Community Development Department

- General Plan & Housing Element Update (involves all departments)
- North Forty Specific Plan
- Los Gatos Boulevard Plan Update
- Implementation of NPDES Mandates
- Implementation of Affordable Housing Strategies
- Adoption of the Hazardous Mitigation Plan
- Adoption of the Repair and Reconstruction Ordinance

Police Department

- Opening and use of new Police Operations Building
- Microwave connection to Police Operations Building
- Automatic license plate reader deployment
- County Community Notification System implementation
- Continued oversight of high school parking issues
- Regional leadership of SVRIP
- Reconfiguration of CERT and/or DART

Parks & Public Works Department

- Construction of the Police Operations Building
- Master plans for Balzer Field and Blossom Hill parks
- Downtown sidewalk inspection program
- Play lot ADA improvements
- Friends of the Parks Program launch
- Pageant Park planning
- Bidding and construction of new Library
- Completion of Grading Ordinance update

- Evaluation of off-leash pet opportunities
- Identify opportunities for reduced maintenance for medians
- Site viability and preliminary design for sports facilities

Community Services Department

- Emergency Preparedness for homebound residents
- Enhanced cooperation and partnerships for Senior Services
- Transfer of the MIP concert series to Los Gatos Music and Art
- Transfer of BMP and Rent Mediation Programs to Community Development.
- Los Gatos Climate Change Action Plan
- County changes for CDBG administration
- Renegotiation of Town leases
- Refocusing of Town Arts programs and Commissions

Library Department

- Recruitment and Development of the Friends of the Library Board
- Support of the Friends of the Library Capital Campaign for furniture, fixtures and equipment for the new library building.
- Operational review of the new library design
- Completion and publication of the library's history database
- Support of elementary school curriculum requirements in the area of local history
- Development and implementation of process to name the "Poet Laureate of Los Gatos"

Pending Special Projects to be Assigned/Scheduled

It is not anticipated that these projects will be completed in FY 2009/10 unless other projects are removed or delayed.

- Comprehensive fleet management study
- Almond Grove street improvement plan
- Graffiti program review
- Downtown employee parking program
- Sign ordinance review
- New resident permit parking zones

TOWN OF LOS GATOS DONATION OPPORTUNITIES FY 2009/10 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 2009/10 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
- Funding to support furniture, fixtures and equipment for the new library
- Funding to support public art for the new library

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
- Contributions that Support the Expansion of Athletic Fields

**A RESOLUTION FINDING A SEVERE FISCAL HARDSHIP WILL EXIST IF
ADDITIONAL CITY PROPERTY TAX FUNDS ARE SEIZED AND
ADDITIONAL UNFUNDED MANDATES ARE ADOPTED BY THE STATE OF
CALIFORNIA**

WHEREAS, since the early 1990s the State of California has seized over \$8.6 billion of city property tax revenues to fund the state budget even after deducting public safety program payments to cities by the State; and

WHEREAS, in 2004 the voters by an 84% vote margin adopted substantial constitutional protections for local revenues, but the legislature can still “borrow” local property taxes to fund the state budget; and

WHEREAS, in FY 2007/08, the State seized \$895 million in city property taxes statewide to fund the state budget after deducting public safety program payments and an additional \$350 million in local redevelopment funds were seized in FY 2008/09; and

WHEREAS, on May 5, 2009, the Department of Finance announced it had proposed to the Governor that the state “borrow” over \$2 billion in local property taxes from cities, counties and special districts to balance the State budget, causing deeper cuts to vital services; and

WHEREAS, the proposal to borrow local government property tax would cost the Town of Los Gatos an estimated \$1 million; and

WHEREAS, the borrowing of \$1 million from the Town of Los Gatos coupled with the current economic crisis would create a serious fiscal hardship, jeopardizing vital services to the community; and

WHEREAS, the State Legislature and other state agencies are considering imposing new costs and unfunded mandates on local governments that can neither be afforded nor sustained in this economic climate; and

WHEREAS, a majority of city financial commitments come from contracts, including long term capital leases and debt obligations which support securities in the public capital markets, that cities must honor unless modified by mutual agreement of the parties.

NOW, THEREFORE, BE IT RESOLVED THAT THE LOS GATOS TOWN COUNCIL has determined that it will experience a fiscal hardship if the Governor and State Legislature vote to accept the recommendation of the Department of Finance to “borrow” \$2 billion in local property taxes statewide; and

RESOLVED FURTHER, that the Town Council strongly opposes the May 5, 2009 Department of Finance proposal to borrow or seize any additional local funds, including the property tax, redevelopment tax increment, and the Town's share of the Proposition 42 Transportation Sales Tax; and

RESOLVED FURTHER, that the Town Council strongly urges the Governor and the State legislature to suspend the enactment of any new mandates on local governments until such time as the economy has recovered and urges the State to provide complete funding for all existing and any new mandates.

RESOLVED FURTHER, that the Clerk Administrator shall send copies of this resolution to the Governor, State Senator(s), State Assembly Member(s) and the League of California Cities.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos held on the 18th day of May, 2009 by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA