



MEETING DATE: 6/1/2009

ITEM NO: 7

COUNCIL AGENDA REPORT

DATE: MAY 28, 2009

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

FROM: GREG LARSON, TOWN MANAGER/EXECUTIVE DIRECTOR 

SUBJECT: ADOPT RESOLUTIONS APPROVING THE TOWN AND
REDEVELOPMENT AGENCY'S FISCAL YEAR 2009/10 OPERATING
BUDGET, CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS
2009/10-2013/14, CARRY-FORWARD APPROPRIATIONS, AND OTHER
APPROVED ADJUSTMENTS AND MINOR CORRECTIONS

RECOMMENDATION:

1. Adopt resolution approving the FY 2009/10 Operating and Capital Summary Budget and the FY 2009-14 Capital Improvement Program for the Town of Los Gatos, directing staff to incorporate within the final adopted budget any changes related to Council approved meet and confer process or management compensation plan amendments, classification adjustments or minor corrections, carryforward appropriations, changes due to more refined estimates and grant approvals, or additional Town Council direction received by staff upon adoption of the budget.
2. Adopt resolution approving the FY 2009/10 Operating and Capital Summary Budget and the FY 2009-14 Capital Improvement Program for the Redevelopment Agency of Los Gatos, directing staff to incorporate within the final adopted budget any changes related to Council approved meet and confer process or management compensation plan amendments, classification adjustments or minor corrections, carryforward appropriations, changes due to more refined estimates and grant approvals, or additional Town Council direction received by staff upon adoption of the budget.

PREPARED BY:


PAMELA JACOBS
Assistant Town Manager

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

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MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION APPROVING THE 2008/09 OPERATING/CAPITAL
BUDGET

MAY 28, 2009

BACKGROUND:

On May 18, 2009, a public hearing was held on the Town and Redevelopment Agency's Proposed FY 2009/10 Operating and Capital Summary Budget, and Proposed FY 2009-14 Capital Improvement Program (CIP). The Town Council considered both documents and directed staff to bring back the documents for final approval.

Prior to Council consideration of the CIP, the Planning Commission reviewed the CIP as required by State law on April 22, 2009. The Commission determined that the CIP is consistent with the General Plan and all specific plans.

Staff is recommending two appropriation modifications to the Proposed Operating and Capital Budget pursuant to Council direction and no modifications to the CIP at this time. Any additional changes or corrections directed by the Town Council upon adoption of the budget can be incorporated into the final authorized budget as provided for in the adopted Budget Resolution.

DISCUSSION:

Recommended Modifications to the Proposed FY 2009/10 Operating and Capital Budget

Staff recommends the following modifications to the Proposed Operating Budget:

Wildlife Center of Silicon Valley. As directed at the May 18, 2009 budget hearing, staff is modifying the proposed budget to include \$4,000 for the Wildlife Center of Silicon Valley. This represents a \$500 reduction to the amount received in previous years consistent with reductions in other non-profits' allocations due to the fiscal situation. The Town will enter into an agreement with the Wildlife Center comparable to other non-profit human service grantees, which will require the Center to distinguish between Town residents and non-Town residents with Los Gatos addresses who drop off animals at the Center, as well as other performance and service reporting.

Downtown Recycling. Pursuant to Council direction and as discussed in the May 18th staff report, staff is modifying the proposed budget to include \$20,000 for the purchase and installation of recycling cans for the Downtown. 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. Funds for this project will come from the Green Valley Settlement Account in the General Fund.

Donation List. Per Council direction, staff is modifying the donations list to include recycling equipment and support. Staff will also prepare an updated brochure that includes the new donation list. The brochure will be available on the web and public counters and provided to interested organizations and individuals.

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Additional Budget Issues

State Budget Impacts

As noted in the staff report for the May 18th public hearing, the effects of the State budget deliberations on the Town are not known with certainty at this time. Given the failure of the State's initiatives on the May 19th ballot, however, the Governor is proposing drastic cuts to state services and takes of local government revenue. As previously noted, it is expected that the Governor will declare a "severe fiscal hardship" to suspend the local property tax protection provisions of Proposition 1A (2004). This would enable the state to "borrow" up to 8% of the property taxes revenues allocated to all local agencies for the prior fiscal year. 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). 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.

Recent news reports indicate that the Governor is also proposing to take Gas Tax receipts from local government. Preliminary indications from the League of California Cities are that this would be a take rather than a loan. Based on estimated gas tax receipts for FY 2009/10, this would result in a loss of about \$550,000 in revenue for the Town's street repair program.

The property tax take must be approved by the legislature before it can be implemented, and it is unclear what actions are necessary to take the local gas tax revenue. As this remains uncertain, the loss of property tax and/or gas 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 or other reserves to temporarily replace this lost property tax until it is repaid with interest within three years by the State as required by law. If the state takes the gas tax revenue, there are sufficient reserves in the street repair program budget to cover about one-half of the amount. The remainder would be covered by the Revenue Stabilization reserve or the Town's street program could be reduced accordingly. The final determination of use of reserves or reduced funds will be based on impacts to townwide Pavement Condition Index.

It is also not yet known what impacts the State budget will have on statewide funding for public safety and transportation. 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 and gas tax takes will compound all local jurisdictions' fiscal challenges resulting from the current severe economic recession. At the May 18th budget

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hearing, the Council adopted a resolution declaring local severe fiscal hardship should the state take this action. The League of California Cities is coordinating a campaign through phone calls, letters, e-mails, demonstrations and web pages to send a strong message to the Governor and legislators about the severe impacts to local services that would result from State revenue takes.

If the final adopted State budget includes reductions to Town revenues or increases to Town expenditures, these changes will be incorporated into the FY 2009/10 adopted budget. Staff recommends funding any negative fiscal impacts from the State budget using Revenue Stabilization or other reserves. This action will provide temporary bridge funding for services until the FY 2010/11 budget year when services can be aligned with ongoing operating revenues.

Encumbered Items Outstanding at June 30, 2008

Town policy calls for unexpended encumbered funds to lapse at the end of the fiscal year. However, Town policy also provides that valid encumbrances open at the end of the fiscal year may be carried forward to the following fiscal year and re-appropriated from the encumbrance reserve dollars set aside upon the close of the prior fiscal year.

Because of the need to reduce expenditures, the majority of encumbrances will be closed out during the year-end process or paid in full by the time of the final fiscal year close-out and will not be carried forward to FY 2009/10. Only on an exception basis through Town Manager's approval are outstanding encumbrances or unspent appropriated balances from the prior year carried forward. These amounts will be reserved in their respective funds at year end under a designated reserve. Capital Project Fund appropriations differ in that encumbrances are carried forward to the following fiscal year until the projects are completed.

Non-Encumbered Items

In addition to the open encumbrances outstanding at year-end, staff is proposing to bring forward remaining current year appropriations for unexpended balances in its grant funded operating projects. Grants provide matching revenues for expenditures and often span two or three fiscal years in their program or project implementation.

Final Adopted Budget Changes FY 2008/09

The resolution adopting the FY 2009/10 recommended budget directs staff to include changes resulting from Council approval of the meet and confer process or management compensation plan, from classification adjustments or miscellaneous corrections, from changes due to more refined estimates or grant approvals, or from further Town Council consensus direction received on June 1, 2009 that will cause the final published budget to differ slightly from what is presented for adoption. Any other minor adjustments as authorized by Town Council on June 1st will be incorporated within the final published budget document thereby not requiring a second adoption of the annual budget.

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MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION APPROVING THE 2008/09 OPERATING/CAPITAL
BUDGET

MAY 28, 2009

FISCAL IMPACT:

The fiscal impact of the Town and Redevelopment Agency's FY 2009/10 Operating and Capital Budgets is provided in the Financial Summaries section of the budget document including estimates of Fund Reserves at June 30, 2009.

As stated by staff at the public hearing on May 18, 2009, the Town will continue to monitor local economic trends and associated impacts to the Town and RDA's adopted FY 2009/10 budgets. It is currently anticipated that staff will bring forward any further adjustments necessary in the Town's mid-year budget review. These adjustments may include some further actions necessary to align operating revenues with expenditures; however, staff cannot determine at this time whether or not these will be required. Staff will also provide an update on further reorganizations, service reductions and cost controls necessary to balance future year budgets.

Attachments:

1. Resolution of the Town Council Approving FY 2009/109 Operating Budget and FY 2009-14 Capital Improvement Plan
2. Resolution of the Redevelopment Agency Approving FY 2009/10 Operating Budget and FY 2009-14 Capital Improvement Plan

RESOLUTION 2009-_____

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
APPROVING FY 2009/10 OPERATING BUDGET & FY's 2009/10 - 2013/14 CAPITAL
BUDGET AND CARRY-FORWARD APPROPRIATIONS AND OTHER APPROVED
ADJUSTMENTS RELATING TO MEET AND CONFER PROCESS, MANAGEMENT
COMPENSATION PLAN, CLASSIFICATION ADJUSTMENTS, MINOR
CORRECTIONS, AND REFINED ESTIMATES**

WHEREAS, Section 2.30.295(b) of the Los Gatos Town Code requires the Town Manager to annually prepare and submit a budget to the Town Council and be responsible for its administration; and

WHEREAS, the Town Manager did submit a proposed budget for the 2009/10 to the Town Council; and

WHEREAS, the Town Manager did submit a proposed five-year capital improvement plan for FY's 2009/10 – 2013/14; and

WHEREAS, the Town Council has considered and reviewed said proposed budget and capital improvement plan during public hearings.

RESOLVED, that the Town Council hereby adopts as the budget for the Town of Los Gatos for the 2009/10 fiscal year the schedule entitled "Total Town Revenues By Fund and Total Town Expenditures By Fund" (Exhibit A) including the first year (FY 2009/10) of the Town's Capital Improvement Program budget as contained in the Town's FY's 2009/10 – 2013/14 Capital Improvement Plan.

BE IT FURTHER RESOLVED, that the final adopted budget includes approved carry-forward appropriations for unspent operating grants and pass-throughs from FY 2008/09, and that there be carried forward from prior years Reserve for Encumbrances within each fund an amount sufficient to cover approved outstanding encumbrances as of June 30, 2009;

BE IT FURTHER RESOLVED, that the Town Council hereby directs staff that any changes or impacts resulting from: Council approval of the meet and confer process or management compensation plan; from classification adjustments or miscellaneous corrections;

from changes due to more refined estimates or grant approvals; or from further Town Council consensus direction received on June 1, 2009, be incorporated within the final FY 2009/10 Operating and Capital Budget.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 1st day of June, 2009 by the following vote:

COUNCIL MEMBERS:

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

TOTAL TOWN REVENUES BY FUND & TOTAL TOWN EXPENDITURES BY FUND

	2009/10 Proposed Budget	Budget Revision	2009/10 Recommended Budget
TOWN REVENUES & OTHER FUNDING SOURCES			
General Fund	\$ 32,523,905	\$ 23,005	\$ 32,546,910
Special Revenue Funds	314,835	5,344	320,179
Internal Service Funds	4,427,300		4,427,300
Trust & Agency Funds	154,380		154,380
Capital Project Funds	18,136,257	5,344	18,141,601
Redevelopment Agency Funds	9,150,920		9,150,920
TOTAL TOWN REVENUES & OTHER FUNDING SOURCES	\$ 64,707,597	\$ 33,693	\$ 64,741,290

TOTAL TOWN EXPENDITURES, TRANSFERS OUT & CARRYFORWARD APPROPRIATION			
General Fund	\$ 32,522,586	\$ 38,280	\$ 32,560,866
Special Revenue Funds	529,600	5,344	534,944
Internal Service Funds	4,701,848		4,701,848
Trust & Agency Funds	463,561		463,561
Capital Project Funds	26,776,475	5,344	26,781,819
Redevelopment Agency Funds	7,782,330		7,782,330
TOTAL TOWN EXPENDITURE & OTHER FUNDING USES	\$ 72,776,400	\$ 48,968	\$ 72,825,368

RESOLUTION 2009-_____

**RESOLUTION OF THE REDEVELOPMENT AGENCY
CONSENTING TO THE PROVISION OF PUBLIC IMPROVEMENTS BY THE LOS GATOS
REDEVELOPMENT AGENCY AND MAKING MANDATORY FINDINGS IN REGARDS TO
CAPITAL PROJECTS PROVIDED FOR IN THE LOS GATOS REDEVELOPMENT AGENCY
FY 2009/10 OPERATING AND FY's 2009/10 - 2013/14 CAPITAL IMPROVEMENT PLAN**

WHEREAS, Section 33445 of the Health and Safety Code requires the local legislative body to consent to the provision of public improvements by its Redevelopment Agency and make findings: 1) that the public improvements are of benefit to the project area or the immediate neighborhood of the project area; 2) that no other reasonable means of financing such public improvements are available to the community, and; 3) that the Agency's contribution to the cost of the public improvement or facility will assist in eliminating one or more blighting conditions in the project area, and is consistent with the Agency's implementation plan adopted pursuant to Section 33490 of the Health and Safety Code, the (Implementation Plan), and

WHEREAS, the Redevelopment Agency's FY 2009/10 - 2013/14 Capital Budget provides funding for the following projects (the Projects): 1) Police Facility; 2) Almond Grove Concrete Rehabilitation; 3) S. Santa Cruz/Wood Gateway

WHEREAS, the Projects will be of substantial benefit to the downtown business district and surrounding areas of the Central Los Gatos Redevelopment Project Area (the Project Area) established pursuant to the 1991 Redevelopment Plan (the Redevelopment Plan);

WHEREAS, the Town has limited financial resources for capital improvements and these funds are committed to other critical infrastructure needs of the Town such as repairing aging streets outside of the Project Area;

WHEREAS, the Projects have been specifically called for in the Town's Redevelopment Plan and Implementation Plan; and

WHEREAS, the Downtown infrastructure was initially in a deteriorated condition with broken pavement, deteriorated streets and alleys, deteriorated sidewalks, and functionally obsolescent, and the capital projects have helped, and continue to help, eliminate these blighting conditions;

THEREFORE BE IT RESOLVED, that the Town Council of the Town of Los Gatos does hereby consent to the provision of funding for the Capital Projects by the Los Gatos Redevelopment Agency in accordance with the Agency's FY 2009/10 Operating and FY 2009/10 - 2013/14 Capital Improvement Program budgets totaling adopted revenues of \$9,150,920 and expenditures of \$7,782,180 (prior to carry-forward appropriations); and

BE IT FURTHER RESOLVED, that the Agency Board hereby finds that the Projects are of benefit to the Project Area and the immediate neighborhood of the Project Area; and

BE IT FURTHER RESOLVED, that the Agency Board hereby finds that no other reasonable means of financing such public improvements are available to the community; and

BE IT FURTHER RESOLVED, that the Agency Board hereby finds that the Los Gatos Redevelopment Agency's contribution to the cost of the public improvements will assist in eliminating blighting conditions in the Project Area, and is consistent with the Implementation Plan.

BE IT FURTHER RESOLVED, that the Agency Board hereby directs staff that any changes or impacts resulting from: Council approval of the meet and confer process or management compensation plan; from classification adjustments or miscellaneous corrections; from changes due to more refined estimates or grant approvals; or from further Agency Board consensus direction received June 1, 2009, be incorporated within the final FY 2009/10 Operating and Capital Budget.

PASSED AND ADOPTED at a regular meeting of the Redevelopment Agency of the Town of Los Gatos held the 1st day of June, 2009, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:
CHAIR OF THE REDEVELOPMENT AGENCY
TOWN OF LOS GATOS
TOWN OF LOS GATOS, CALIFORNIA

ATTEST:
SECRETARY OF THE REDEVELOPMENT AGENCY
TOWN OF LOS GATOS, CALIFORNIA