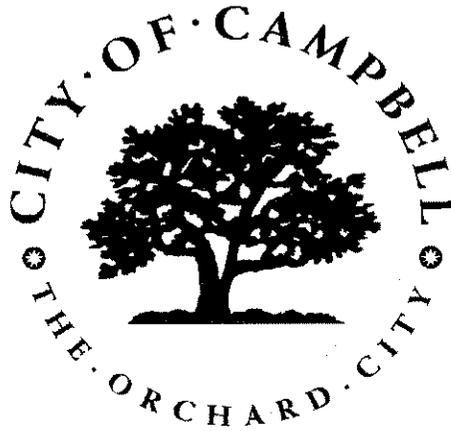


# *City of Campbell, California*



## *Operating & Capital Budget for Fiscal Year 2005 - 2006*

*Prepared by the Finance Department*

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July 1, 2005

**Honorable Mayor and Members of the City Council:**

### **EXECUTIVE SUMMARY**

I am pleased to submit the operating and capital budget document for fiscal year 2005-06 (FY 06) as adopted by Council on June 21, 2005. This document was developed with the cooperative effort of the entire management team and the City Council. It is intended to serve as a policy document, a financial plan, a communications device, and an operations guide. The budget reflects the policies, goals, programs and service priorities the City Council is committed to providing to the residents of Campbell. Although the economic environment has been challenging for the past several years, the City has been able to complete a number of significant projects including Westmont Avenue street reconstruction, storm drain improvements and collector street overlays. In FY 06, the City looks forward to the opening of the Vasona Light-Rail extension that will connect residents and visitors to Campbell with downtown San Jose. The City also anticipates the opening of a new hotel, retail development site and completion of several mixed-use projects.

The FY 06 budget is a balanced budget that was developed using conservative assumptions and in consideration of Council's priorities and objectives as identified in the City's Strategic Plan. This was an extremely difficult budget to develop, requiring additional positions to be frozen and approximately \$1.6 million in operating expenditure reductions. While some utilization of reserves has been budgeted, every effort was made to estimate revenues with reasonable conservatism based on the most up-to-date information available to the City. The expenditures are considered necessary and proper, taking into consideration the Strategic Plan objectives and the City's goal of providing a high quality of services to our residents. Reserve requirements have been maintained consistent with established financial policies. The result is an overall budget that is severely strained, but should enable the City to maintain the programs and services the residents of Campbell are accustomed to receiving.

### **BUDGET OVERVIEW**

The combined FY 06 operating and capital budget totals \$57.8 million comprised of \$51.2 million for the City and \$6.6 million for the RDA. This represents a \$4.1 million or 6.6% reduction from the previous year's adopted budget. The budget appropriates both capital transfers-in, that are categorized as revenues, and capital transfers-out that are categorized as expenditures. Excluding these capital transfers, the City's budget would be \$46.1 million and the RDA's budget would be \$6.4 million.

**Operating Budget:** The total operating portion of the budget is \$47.3 million, comprised of \$40.9 million for the City and \$6.4 million for the RDA. The budget reflects expenditures that are expected to recur on an annual basis as well as those that may be non-recurring or one-time in nature. The recurring expenditures are generally funded with recurring operating revenues that are generally expected to be received annually. Non-recurring or one-time expenditures are typically funded with a combination of one-time revenues, specific reserves and/or unreserved fund balances, all of which are considered to be revenue sources for purposes of presentation within this document. The FY 06 operating budget relies on a total of \$4.5 million in non-recurring revenues, reserves and fund balances, to fund operating expenditures. This includes \$2.7 million in General Fund reserves.

**Capital Budget Overview:** The City's Capital Improvement Plan (CIP) is both a short and long-range plan for acquisition, improvement and/or renovation of City assets. The CIP is not a static document, and while the "out years" are important for planning purposes, the CIP is reviewed and updated annually. The first year of the seven-year CIP is incorporated within the operating / capital budget document, and only the first year of the CIP is appropriated. The remaining six years function as a project planning and budgeting tool. Development of the CIP is conducted separately from and prior to development of the operating budget. Potential operating budget impacts resulting from the CIP are incorporated into the operating budget at the appropriate time. The total capital portion of the budget is \$10.4 million comprised of \$10.2 million for the City and \$0.2 million for the RDA.

Pursuant to Council policy, the CIP includes projects and equipment items in excess of \$25,000. Also included are studies or evaluations that will potentially lead to a capital project. Capital items with a value of less than \$25,000 are included in the operating budget in the appropriate capital outlay line item or as a building maintenance special project if related to facility improvements. Because the annual budget formally adopts both an operating and a capital component, this document contains a summary within the CIP section that is dedicated to FY 06, the first year of the CIP. The FY 06 capital budget, including \$5.2 million in capital transfers, totals \$10.4 million and is supported by five funding sources. Appropriations for five projects were approved for FY 06:

- Bike / Pedestrian / Traffic Safety Improvements
- Bascom Avenue Street Improvements
- Santa Clara Valley Water District Wells Project
- Community Center Fire Alarm Project
- Deferred Street Maintenance

The following table depicts total operating and capital budget for the City and the RDA at their respective legal levels of appropriation compared to the prior fiscal year:

|                             | FY 2005-06           |                      |                      | FY 2004-05           |                      |                      | \$ Change<br>Operating<br>Budget | %<br>Change    |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------------------|----------------|
|                             | Operating<br>Budget  | Capital<br>Budget    | Adopted<br>Budget    | Operating<br>Budget  | Capital<br>Budget    | Adopted<br>Budget    |                                  |                |
| City                        | \$ 40,915,115        | \$ 5,220,600         | \$ 46,135,715        | \$ 41,736,227        | \$ 5,686,033         | \$ 47,422,260        | \$ (821,112)                     | (2.0%)         |
| Capital transfers           | -                    | 5,045,600            | 5,045,600            | -                    | 4,436,033            | 4,436,033            | -                                | n/a            |
| <b>Total City</b>           | <b>40,915,115</b>    | <b>10,266,200</b>    | <b>51,181,315</b>    | <b>41,736,227</b>    | <b>10,122,066</b>    | <b>51,858,293</b>    | <b>(821,112)</b>                 | <b>(2.0%)</b>  |
| RDA                         | 6,423,352            | -                    | 6,423,352            | 8,776,903            | -                    | 8,776,903            | (2,353,551)                      | (26.8%)        |
| Capital transfers           | -                    | 175,000              | 175,000              | -                    | 1,250,000            | 1,250,000            | -                                | n/a            |
| <b>Total RDA</b>            | <b>6,423,352</b>     | <b>175,000</b>       | <b>6,598,352</b>     | <b>8,776,903</b>     | <b>1,250,000</b>     | <b>10,026,903</b>    | <b>(2,353,551)</b>               | <b>(26.8%)</b> |
| <b>Total City &amp; RDA</b> | <b>\$ 47,338,467</b> | <b>\$ 10,441,200</b> | <b>\$ 57,779,667</b> | <b>\$ 50,513,130</b> | <b>\$ 11,372,066</b> | <b>\$ 61,885,196</b> | <b>\$(3,174,663)</b>             | <b>(6.3%)</b>  |

**Level of Budgetary Control:** The City's budget is a working document that is utilized throughout the organization, and although the expenditure budget is legally adopted by resolution of the City Council at the total City and Redevelopment Agency (RDA) levels, it is important to note that the administrative level of accountability is at the line-item level within each program and fund. The City's financial policies authorize budget adjustments within the adopted budget or requiring transfers from reserves of less than \$5,000 to be approved by the City Manager. These are referred to as administrative budget adjustments. All budget adjustments that increase appropriations or any adjustments to capital projects must be approved by the City Council.

**Budget Development:** Development of the operating and capital budget was a process that took place over the past six months as highlighted by the budget calendar located in the introductory section of this document. The City's financial policies establish a process whereby a budget study session on both the City and RDA budgets is held with the City Council during the annual budget development process. This meeting was held in early March whereby the Interim City Manager presented to the Council an overview of the City's fiscal condition and proposed work plans for the upcoming year. Given the unique challenges of developing this year's budget, an additional study session was held with the City Council in May.

The budget document is arranged first in fund order followed by program order, beginning with the General Fund and concluding with the section on the Capital Improvement Plan. Each program budget consists of a series of exhibits that are presented at a summary level followed by additional levels of detail. A flow chart of the budget exhibits and narrative on each exhibit are contained within the Introductory Section of the budget. Additionally, a Program/Department/Fund matrix and other reference information are contained within the budget reference materials section of the document along with an index to facilitate locating specific information. Within each program's proposed budget is a series of hierarchical exhibits presented in the order listed below and which are further described in the Introductory Section of the document:

- Exhibit A Expenditures by Type, Funding Sources & Revenues Monitored
- Exhibit B Employee Services Summary
- Exhibit B-1 Permanent and Temporary Personnel (Salary and Full Time Equivalents or FTE's)
- Exhibit C Supplies & Services Summary
- Exhibit C-1 Supplies & Services Line-Item Detail
- Exhibit D-1 Debt Service Detail by Line-Item
- Exhibit E-1 Transfers-Out

Every program may not contain all of the exhibits listed above. For example, programs that have no full-time or temporary personnel will not contain Exhibits B and B-1. Only the Debt Service Funds will contain Exhibit D, and only those programs with transfers-out will contain Exhibit E. The highest-level summary is Exhibit A. It appears as the first page in each program and reflects a summary of expenditures by type, the various funding sources, and all revenues monitored by the respective program. The remaining exhibits further detail the information contained on Exhibit A.

The City's budget presentation and format incorporate many of the best features of fund order and program order budgets, and provide a document that is distinctive for its readability as well as its utility as a policy document, an operations guide, a communications tool, and a financial management instrument. It is a working tool that contains a considerable amount of useful information. The City's annual budget document is utilized at every level of the City organization throughout the entire fiscal year.

### **ISSUES FACING THE CITY**

The City continually strives to provide high quality services to its residents. The City's goals and objectives will continue to reflect the desire to improve the quality of life for Campbell residents by providing a variety of **balanced land uses via established standards for residential, commercial and industrial development**. Significant goals are developing and retaining a diversified and stable economic base, marketing the community to targeted businesses, and working with existing businesses via the Economic Development Plan. **Growth and new development** within the City pose opportunities and challenges. New development during FY 06 is anticipated to bring additional housing units, a new hotel, new restaurants, and new retail establishments. Although the City and the RDA stand to gain financial benefits from these developments, it is essential that the overall impacts on our community remain manageable and environmentally balanced.

Over the next several years, the City faces a **structural budget imbalance** in which on-going revenues are insufficient to fully fund on-going expenditures. This is attributable to a number of factors including **State-**

**imposed revenue reductions**, like “ERAF III”, a **slowly recovering local economy** and **significant increases in employee benefit costs**. Retirement expenditures have increased substantially and are anticipated to remain at those levels for at least the next couple of years. While the City has set aside approximately \$1.2 million in reserves to help fund immediate retirement cost increases, it will be drawing \$700,000 from this reserve during FY 06 to offset the higher costs. Additional funding sources will be necessary to fully cover future retirement expenditures beyond this fiscal year. Utilizing its five-year projection model, the City anticipates the overall structural deficit will narrow and be resolved over the next four fiscal years, absent any significant unplanned events that could arise during this time. This assumes holding expenditure growth to minimal levels while revenues are able to catch up, primarily from new developments currently under way and which are expected to come on-line during the year to begin generating additional recurring revenues to the City. In the meantime, the City will be drawing on its reserves, albeit at a lesser amount in each subsequent year, to balance the budget. The City is fortunate to have accumulated a significant amount of reserves in previous years that are now available to help it navigate the challenging times it has gone through and continues to experience. The City will also be exploring alternative **revenue enhancement strategies** to expand the City’s revenue base and provide for a more stable source of funding for future expenditures.

As the general population ages, more reliance is put upon the health care system to provide for comprehensive coverage for employees and their families. Unfortunately, the **cost of providing medical care coverage** continues to escalate year after year. The City has always strived to provide reasonable health care coverage to its employees. Recent trends, however, indicate the cost of benefits will continue to increase. Accordingly, the City has to consider how to balance the level of on-going benefits it can offer with the cost of providing them.

An ongoing challenge is the need to maintain the City’s **street and sidewalk infrastructure**. Nearly \$14 million dollars have been invested in the City’s street infrastructure over the past 8 fiscal years, and work will continue into FY 06 with an additional \$1 million in capital project dollars set aside for this purpose. While the City’s overall condition of streets is good, a significant amount of resources are required to maintain a good condition rating on an on-going basis and providing this source of funding will continue to confront the City. Additionally, after FY 07, the capital improvement plan does not show any resources available to fund street infrastructure improvements. Unless the economy picks up significantly in the next couple of years, reduced funding in this area will have noticeable impacts to the City. Both street and sidewalk infrastructure are priorities for the City, and every effort will be made to maintain these assets in the best conditions possible.

**Deployment of new technologies** continues to be an important priority for the City. Because of the rapid pace of change in technology, constant monitoring of existing resources is an on-going challenge. To maintain the City’s current and proposed standards of performance, a second phase of network servers are planned for replacement along with related operating software. At the same time, replacement of employee computer monitors, deferred for two years due to budget cuts, are planned this year. Development and application of Geographical Information Systems (GIS) database layers will continue to be pursued in order to provide a wider range of usable data to end users. The City has entered into an agreement with the County to obtain certain datasets from which the City will be able to create various applications to enhance operating efficiencies. Another area of on-going development includes strengthening the City’s website presence with additional content and navigational tools to provide easy access to a wide range of useful information and more convenient ways of transacting City business. Further enhancements to the City’s information technologies are anticipated in the near future including upgrades to the audio/visual and cable casting equipment.

## **ECONOMIC CONDITIONS AND LEGISLATIVE IMPACTS**

The City continues to face fiscal challenges due to a slow economy and impacts from the State of California’s budgetary situation. For example, the City and RDA had revenue reductions imposed by State takeaways in the form of additional ERAF payments of \$560,000 and \$513,000, respectively, during FY 05

and will lose the same amounts in FY 06. The State also eliminated booking fee payments to the City of \$103,000 in FY 06. Over the past 12 years, the City has lost a total \$11.6 million due to state takeaways of local revenues. One bright note in the State budget was the funding of Proposition 42 Local Streets and Transportation monies for cities. This will provide the City approximately \$162,600 to be used for street maintenance in FY 06.

Both national and California economies have experienced growth during most of FY 05 and are expected to continue into FY 06. While the labor market has been wavering back and forth in regard to job creation, gross domestic output has been consistent for most of the year and appears ready to continue at a similar or reduced pace in the near future. The housing market has continued to outperform expectations both in California and nationally thanks, in large part, to low interest rates. Increased corporate profits, higher personal income, increased taxable sales and growth in the level of gross private domestic investment are just some of the measures pointing to economic recovery. The local economies of Silicon Valley and Santa Clara County have continued to struggle due to the concentration of high tech firms in the region; however, it is anticipated that this region will experience more prosperous times in the not to distant future.

The unemployment rate is an important economic statistic as to the state of the economy in general. As of June 2005, the seasonally adjusted national unemployment rate was 5.0%, compared to 5.7% a year ago. As of May 2005, the State seasonally adjusted unemployment rate was 5.3% compared to 6.6% the prior year. For Santa Clara County, the unadjusted rate was 5.0%, down from 6.8% in the prior year. Campbell generally trends lower than both the County and the State of California in unemployment rate. As of May 2005, Campbell's unemployment rate was 4.3%, unadjusted, which is down from 5.0% in the prior year. While unemployment statistics are only a piece of the total economic puzzle, they do provide a comparative indicator of how each area is doing relative to a prior period. The City's lower unemployment rate is a positive sign for our local economy.

It is anticipated that the annual revenue needed to sustain service levels contained within the FY 06 budget will be available on an on-going basis in the years to come, and that as the economy continues its recovery, these revenues will resume more normal patterns of growth. Particularly encouraging is the two year State ERAF III revenue takeaway from the City should end after this year, effectively returning \$560,000 to the revenue base beginning in FY 07 that will be able to fund on-going expenditures. Because the State still is projecting a budgetary shortfall for its FY 07 budget, the RDA remains vulnerable to continued property tax takeaways via ERAF, and the City may also be at risk should the State decide to pursue additional revenue funding sources from cities.

Despite the tough economic times that have come upon the City during the past several years, the City continues to be fiscally sound, and still maintains healthy reserves which will help it weather the next several years until a more complete recovery occurs. The FY 06 budget is balanced but, only by utilizing approximately \$4.5 million in fund balances and reserves to do so.

## **REVENUES**

Pursuant to City financial policies, revenues are projected conservatively. No new taxes are included in this FY 06 budget. In projecting revenues, program managers evaluated comparative historical data in conjunction with necessary inflationary adjustments, changes in volume or activity, and any fee increases. This process resulted in total budgeted revenue for FY 06 of \$57.8 million, including capital funding sources of \$10.4 million. This reflects a decrease of \$4.7 million (7.6%) from the previous year. In looking at just the operating budget component, total revenue is \$47.3 million, a decrease of \$3.8 million (7.4%) from the previous year. The capital budget's projected revenue totals \$10.4 million, a decrease of \$0.9 million (8.2%) from the previous year. It is important to note that the capital project budget can fluctuate dramatically from year to year depending upon the number and size of projects that are approved. Capital projects are funded with non-operating revenue hence there is no impact on the operating budget funding sources. Both the operating and capital budgets contain transfers-in totaling \$3.8 million and \$5.2 million, respectively. Although this has a tendency to make the budget appear higher in total than it actually is, the transfers-in on

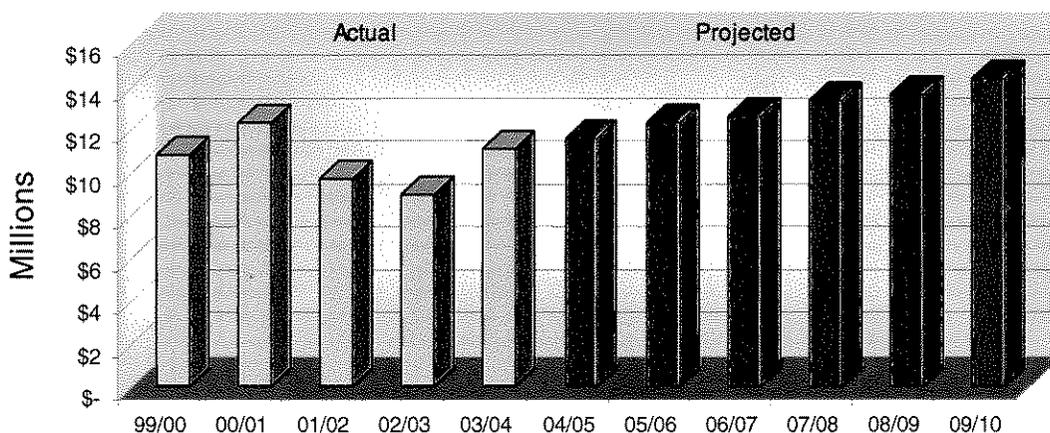
the revenue side are offset by transfers-out on the expenditure side. Including transfers in the City's adopted budget is done to readily demonstrate that budgets are balanced and match the internal budgeting system.

Contained within the budget are a variety of funds, each with its own source(s) of revenue. The budget document is organized by fund type beginning with the General Fund. The divider page for each fund type lists all funds contained within that section of the budget. Exhibit A of each set of the budget section summarizes the various funding sources for that particular fund or program. The General Fund is the City's largest single fund where the majority of services are budgeted. Therefore, the focus of this section of the budget message is on the General Fund. General Fund operating revenue, which excludes capital funding sources, is projected to be **\$30.8 million**, a decrease of \$1.4 million (4.4%) from the previous year. Included in this total is \$2.7 million in reserves, which is considered non-operating revenue. Of this amount, \$0.8 million represents a draw from the Economic Fluctuation Reserve while \$0.7 million will come from the Retirement Reserve to offset the increased employer contribution costs. An additional \$0.5 million will be drawn from the Compensated Absences Reserve. The remaining draws are funded with various other General Fund operating reserves.

**Sales Tax:** Sales tax revenue comprises 35.8% of the General Fund's net operating revenue base. Net revenues exclude beginning fund balance, which is not considered to be an on-going revenue source. This revenue base is comprised of approximately 4,600 diverse businesses throughout the City. While most of the City's largest sales tax producers can be considered stable businesses, they are still subject to the fluctuations from general and regional economic conditions which have historically had, and continue to have, a direct impact on the City's sales tax revenue base. The loss of any one of the top generators could have a significant financial impact to the City. Accordingly, the revenues from these entities are closely monitored. The FY 06 budget of \$10.0 million is \$1.6 million (13.8%) lower than the adopted FY 05 budget but \$0.3 million (3.1%) higher than projected FY 05 actual revenue of \$9.7 million. It is anticipated, based on several new retail developments under construction or planned, that this revenue source will see further growth over succeeding years. The existing base has been increased by an average of 3% for future years.

The following graph reflects actual sales tax performance for the past five fiscal years and projected revenue through FY 10:

**Sales Tax Projections – General Fund**

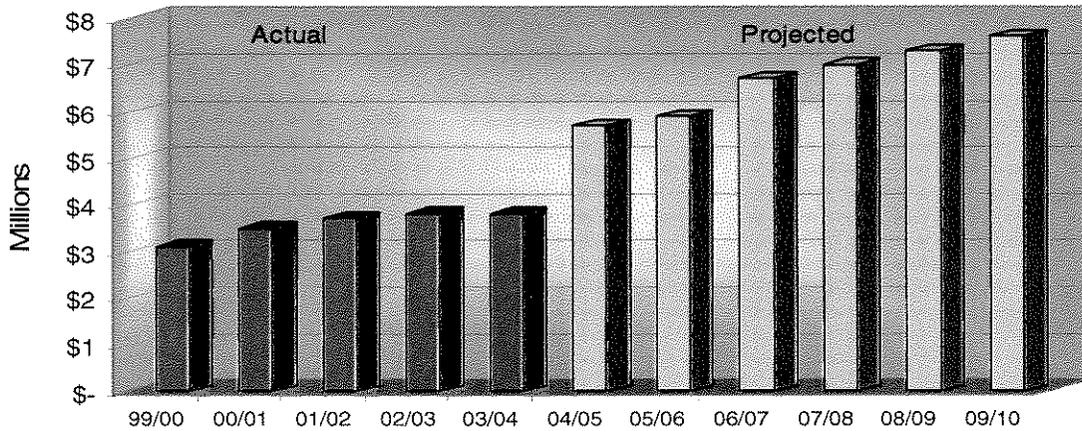


**Property Tax:** Property tax revenue is the second largest source of revenue to the General Fund estimated at \$5.9 million or 21.1% of net operating revenue for FY 06. This is an increase of \$1.8 million (41.9%) from the previous fiscal year's adopted budget and \$0.3 million (4%) higher than projected FY 05 actual revenue. During FY 05 the State, through legislation, realigned cities' revenues, taking away a portion of vehicle license fee revenue and replacing it with property tax revenue. Consequently, this revenue source will see a

significant increase from prior years. The projections take into account a modest growth of 4 - 5%, based on historical increases to assessed values and also factors in the State takeaway in FY 06 of \$0.6 million.

Primary factors in the projection are historical growth in assessed valuation and new construction. The following graph depicts the historical and projected trend for property tax revenues in the General Fund.

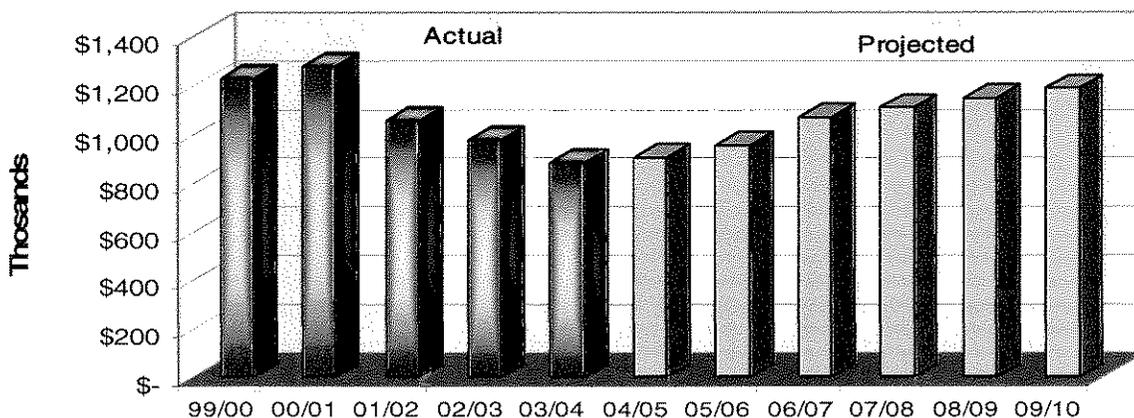
**Property Tax Projections – General Fund**



**Transient Occupancy Tax:** This tax, more commonly referred to as hotel/motel tax, or simply TOT, is derived from a 10% tax that is applied to the room rates of the City's hotels/motels. TOT revenue for FY 06 is budgeted at \$1 million reflecting a decrease of \$0.6 million (37%) from the previous year's adopted budget but a \$50,000 (5.6%) increase from the revised FY 05 mid-year projection which noted that the adopted budget was not consistent with revenues being realized. The projection is based on maintaining current occupancy levels and rates of existing hotels/motels and having a new hotel open in the second half of the year.

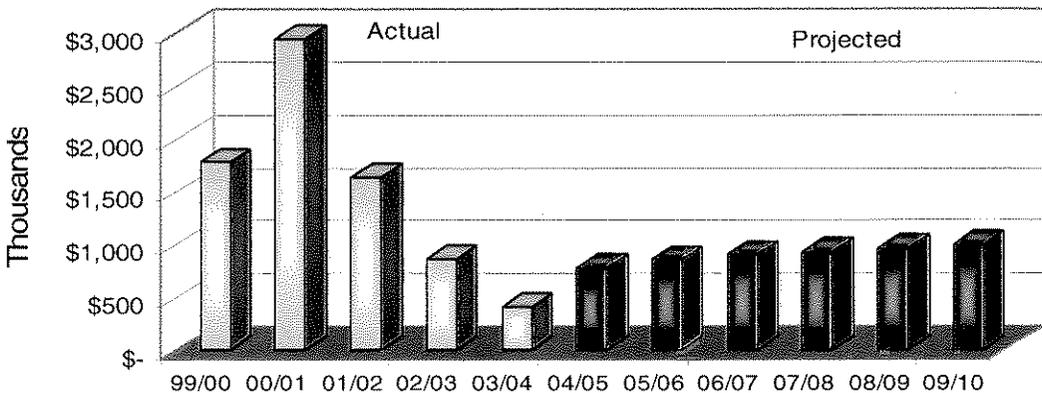
Key factors in developing the revenue projections are such things as historical trends, the number of available rooms, the occupancy rate, exemptions, new rooms coming on-line, and the weighted average room rate. Historically, Campbell hotels/motels have averaged occupancy rates of 85%. However, current economic conditions have seen occupancy reduced to 65 - 70% and average room rates have dropped as well resulting in lowered estimates. The following chart depicts historical activity and projections for current and future years:

**Transient Occupancy Tax (TOT) Projections – General Fund**



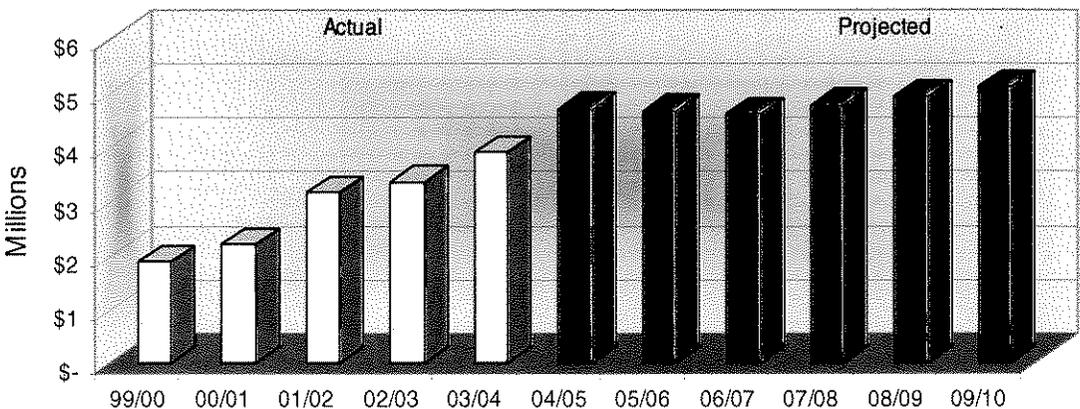
**Investment Income:** Investment income comprises approximately 3.1% of General Fund net operating revenue and is estimated to be \$0.9 million for FY 06, a decrease of \$0.1 million (10.6%) from the previous year's adopted budget and an increase of \$0.1 (9.0%) from the revised mid-year projection for FY 05. Although investment earnings have been trending downward for the past several years, due to a period of historically low interest rates, rates began to rise early in FY 05 and are expected to continue to increase through FY 06 based on the policy direction of the Federal Reserve Bank. The estimate for FY 06 contemplates an estimated average yield of 3.5% on an investment balance of approximately \$25 million for the General Fund. The following chart depicts historical activity and projections for current and future years:

**Investment Income Projections – General Fund**



**Charges for Services:** Charges for services, including licenses and permits are anticipated to generate \$4.4 million in General Fund revenue during FY 06 compared to \$4.6 million in the previous fiscal year, a decrease of \$0.2 million (4.3%). This is due to a slight drop in construction permit activity anticipated during the year. The remaining revenues consist of Recreation program fees, classes/lessons, and trips/tours as well as fire and police, planning, building, and engineering permit fees/charges. The vast majority of these fees and charges are recovered based on the cost of providing the service. However, such factors as the allowable percentage of recovery, number of participants or attendees, inflationary factor, comparison to other agencies, and the historical trends are analyzed for nearly all fees and charges. The following chart depicts historical activity and projections for current and future years:

**Charges for Services Projections – General Fund**



The City maintains a cost allocation plan and user fee model, which serves as the basis for the Schedule of Fees and Charges. A Council-established user fee policy framework for establishing appropriate percentages of recovery is the guideline from which fee modifications are proposed and approved annually with the budget.

**Franchise Tax:** Franchise tax revenue is generated from fees charged to various utilities for doing business within the City. The fee is usually computed as a percentage of the gross income of the utility. This revenue source is projected to generate General Fund revenue of approximately \$1.3 million for FY 06. The projection is developed from a combination of increased services/customers plus an inflationary factor averaging 3% on the historical amounts generated by utilities operating within the City limits, e.g. cable, water, garbage, gas and electric. Others are set contractually. In developing the electric and gas franchise fees, consideration was given to the changes in market conditions in the State of California, which have tended to generate higher energy costs and produce variations in consumption. However, Campbell has not experienced a significant variance in this revenue source as a result of the current economic state.

**Lease Rental Income:** The City collects rental income by leasing out space to tenants at its Community Center facility. Lease rental income is projected to be approximately \$1.3 million for FY 06, representing approximately 4.6% of net General Fund operating revenues. Rental income from this source is reasonably consistent from year to year attributable to having a number of long-term leases. Occupancy has been at or near capacity for the past several years and is expected to continue similarly for the new fiscal year. The revenue projection is based on actual lease contracts as well as market rates for available space.

**Other General Fund Revenues:** The remaining significant General Fund revenue sources consist of other rental income of \$0.7 million, operating transfers-in of \$1.3 million representing reimbursements from other funds for services provided by the General Fund, and reserves of \$2.7 million that are used to balance operating expenditures. Where appropriate, other revenue sources are projected to reflect modest inflationary increases and/or changes in activity levels.

### **REVENUE IN ALL OTHER FUNDS**

A variety of additional funds are contained within the budget and explained in greater detail later in the budget message. In summary, each fund's operating revenue meets or exceeds operating expenditures consistent with established financial policies. The tabbed dividers for each fund type list the various funds contained within that section of the budget document. Additionally, the first page for each fund is a comparative summary of revenues, expenditures and changes in fund balance. Exhibit A within each program budget provides a summary of that program's funding sources and all revenues monitored by that program. Narrative descriptions and account number references pertaining to the particular revenue sources can be found in the budget reference materials section of the budget document. Charts and graphs for General Fund revenue as well as total City revenue can be found in the introductory and financial summaries sections.

**Special Revenue Funds** consist of Gas Tax; Lighting and Landscape District; Housing and Community Development; Environmental Services; Parkland Dedication; Asset Forfeiture; Supplemental Law Enforcement; Other Grants; Other Special Revenues; and, RDA Housing. Gas Tax revenue is considered a State-shared revenue. Projections for this revenue source come directly from the State on an annual basis. Revenue in funds such as the Lighting and Landscape District and Environmental Services are based on rates that are assessed to individual properties depending upon type of service being provided or type of property. Exhibit A in each program budget details the revenues monitored by each program, and the budget reference materials section further describes the various revenues.

**Debt Service Funds** are incorporated within the budget due to various bond covenants requiring this. Local Improvement District (LID) revenue comes from the County of Santa Clara via property tax levies assessed against the properties that received the specific improvements. Certificates of Participation (COP) debt service are funded by the General Fund with an offset from the RDA. RDA debt service funds are funded with tax increment from properties located within the redevelopment project area in Campbell. Such properties start out in a blighted condition and, as they are redeveloped and improved, the RDA receives the incremental growth in property tax over the established base. Exhibit A in each program budget details the revenues monitored by each program, and the budget reference materials section further describes the various revenues.

Three **Internal Service Funds** are presented within the City's budget. Revenues in these funds are generated through charge-backs to user departments depending upon the volume of assets and type of service provided by the specific fund. Costs that get recovered include staff time, repair, maintenance, and replacement of assets managed by the particular fund.

## **EXPENDITURES AND STAFFING RESOURCES**

**Expenditure Overview – All Funds (Operating and Capital):** In accordance with the City's financial policies, annual operating revenues must meet or exceed annual operating expenditures. As previously mentioned, the FY 06 budget is a balanced budget comprised of operating and capital expenditures for both the City and the Redevelopment Agency. The combined operating and capital budget for FY 06 totals \$57.8 million which is \$4.1 million (6.6%) lower than the adopted FY 05 budget. Approximately \$3.4 million of the decrease is attributable to reductions in RDA operating and capital expenditures from the previous year related to one-time projects. City operating expenditures total \$40.9 million, and RDA operating expenditures total \$6.4 million for a combined total of \$47.3 million. This is a \$3.2 million (6.3%) decrease from the adopted FY 05 budget. Included within the RDA budget is \$0.5 million in Educational Revenue Augmentation Fund (ERAF) payments to the State of California; e.g. State takeaway.

The General Fund comprises approximately 65% of total City and RDA operating appropriations. Other City funds comprise 21%, and RDA makes up the balance at 14% of the total. Operating expenditures in the General Fund are budgeted at **\$30.8 million**, which is \$1.1 million (3.5%) lower than the FY 05 adopted budget of \$31.9 million. This decrease is net of approximately \$0.5 million of increased retirement contributions required to fund the safety and non-safety group employees. Excluding this one cost item, actual General Fund reductions were closer to \$1.6 million compared to the previous year.

As mentioned previously, an important component of the budget development process is the annual update of the City's seven-year Capital Improvement Plan (CIP). Development of the capital budget begins in the Fall and concludes with Council adoption in the Spring. Only the first year of the CIP is appropriated in this budget. The capital budget for FY 06 totals \$10.4 million which consists of \$5.2 million for actual project expenditures and another \$5.2 million in capital transfers-out from the various funding sources. Of the total actual project expenditures, the RDA will be funding \$0.2 million. Further detail on the capital improvement budget is summarized in the Capital Improvement Plan section of this document. The full CIP document is also available under separate cover through the City Manager's office.

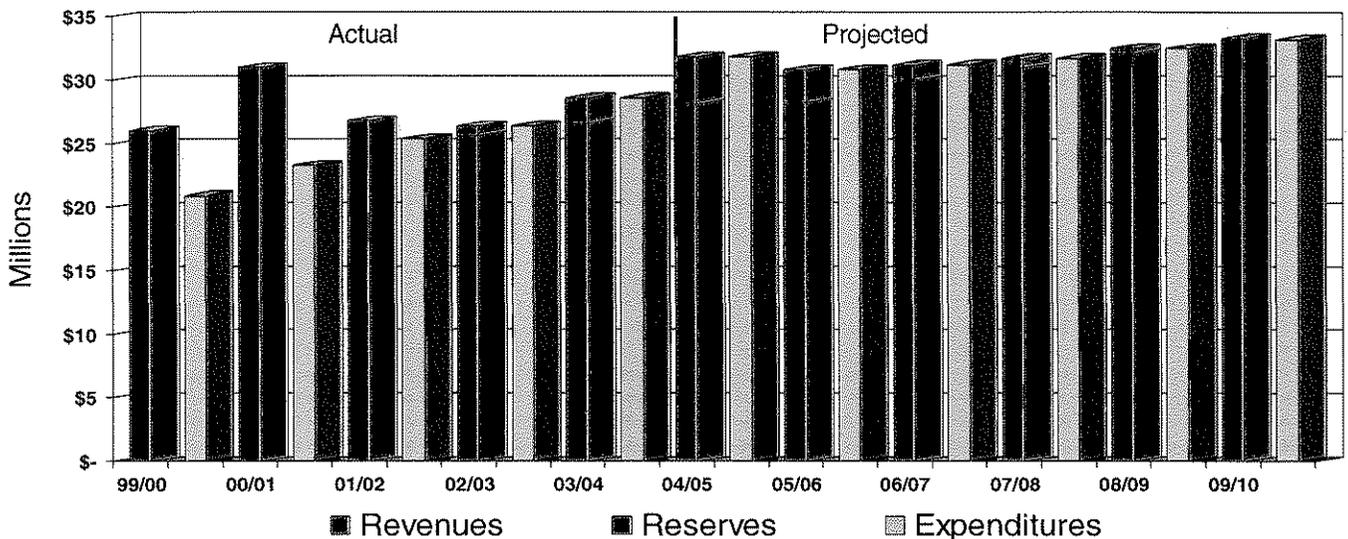
**Multi-Year Comparative Analysis of General Fund - Revenues to Expenditures:** The comparative analysis that follows reflects both the historical trend between General Fund revenues and expenditures covering the past five years and future years through FY 10. City revenues peaked in FY 01 realizing significant financial surpluses attributable to the "dot-com" era successes that had been experienced during the several years leading up to that time. Subsequently, a combination of a quickly declining economy and the September 11, 2001 terrorist action led to several years of shortfalls in a number of critical revenue sources to the City such as sales taxes, transient occupancy taxes and investment earnings. The City was fortunate to have set aside a significant portion of the surpluses it received during the "good times" in the form of a reserve for economic fluctuations which, as of the end of FY 02, had a balance of \$4.8 million. While not the only reserve available to the City, the Economic Fluctuation reserve was specifically established for dealing with periods of economic contraction. Subsequent debt financing from the RDA allowed further General Fund monies to be freed up from previously committed capital projects and be added to the reserve, growing the balance to \$10.1 million by the end of FY 03. During the past couple of years, this reserve has served the City well by providing sufficient flexibility to better weather this period of economic challenges without the need to make drastic cutbacks as has been the case with many local governments. As the economy continues a slow recovery, the City is cognizant that further expenditure reductions and revenue enhancements will likely be necessary over the next several years to maintain a balanced budget, and that reserves should not be relied upon too heavily as a means to balancing the budget. Accordingly, the City will be exploring alternative revenue strategies during FY 06 to broaden the

City's revenue base as well as looking at additional expenditure reduction options to keep costs in check over ensuing years.

The City's multi-year projection assumes revenue growth to average approximately 3.6% through FY 10 while expenditures increase between 1.2% and 2.4%. Where expenditures exceed revenues, the difference is anticipated to be balanced from reserves as discussed previously. Any on-going operating impacts related to capital projects have been included in the projections as well. Any such impacts are specifically discussed in the Capital Improvement Plan section of the budget.

The following chart depicts General Fund operating revenues and expenditures from FY 00 to 10.

**Comparative Analysis – General Fund – Revenues to Expenditures**



**Special Revenue Funds:** Funds in this category are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. These are generally created when legally mandated in accordance with State and/or Federal statutes or is otherwise restricted by the funding source. Consistent with the City's financial and administrative policies, revenues in the special revenue funds must meet or exceed expenditures, and one-time monies are not utilized to fund on-going expenditures. To the extent revenue shortfalls exist in a given year, expenditures would either be amended and/or the fund may receive subsidization from the General Fund. In any case, the goal is a balanced budget in all special revenue funds. Listed below are the major funds in this category:

**Gas Tax Fund:** Gas tax revenue is derived from State imposed taxes on the purchase of gasoline which is then appropriated to cities based on population and other factors. Revenues are restricted to the construction, improvement and maintenance of public streets and roads. Revenues are received from the State Controller's office as shared revenue. FY 06 revenue projections are provided annually by the State Controller's office and future years include an inflationary factor on the current year's projection plus or minus any known variances.

Funding availability determines the maximum appropriation in any given fiscal year. Expenditures in this fund pertain to on-going maintenance of the City's street infrastructure. Annually, the City is required to file a street report with the State. Additionally, representatives of the State audit the fund periodically. Revenue and expenditure totals for FY 06 are projected to be \$1.2 million, an increase of approximately \$0.1 million (9%) from the previous year's adopted budget. FY 06 is a balanced budget for this fund, with expenditures equaling revenues. Projections for future years utilize a modest inflationary factor approximating 2% for revenues and expenditures.

**Lighting and Landscape District Fund:** The City provides a range of services, which are eligible for funding through the City-wide annual Lighting and Landscape District (LLD) as allowed under the Lighting and Landscaping Act of 1972. Annual levies are established and assessments are collected via property tax bills. The County of Santa Clara bills, collects, and remits LLD revenue to the City of Campbell Lighting and Landscape District fund. Services that are provided include the installation, operation, and maintenance of public lighting, including traffic signals, landscaping, parks and recreational improvements, including play equipment and public restrooms, appurtenances for maintenance of the above, including curb, gutters, sidewalk, irrigation, and drainage improvements.

As with all City and Redevelopment Agency funds, LLD revenues must meet or exceed operating expenditures. For FY 06, the operating revenues and expenditures total \$2.5 million resulting in a balanced budget. This includes operating transfers-in of \$0.9 million and transfers-out of \$0.2 million. The General Fund accounts for most of the total transfers-in as a subsidy to this fund. Details related to transfers-out may be found in Exhibit E of Program 775 in the Lighting and Landscape District Fund budget worksheets. Projections for future years are based on inflationary increases approximating 2 - 3%.

**Environmental Services Fund:** This fund budgets and accounts for revenues and costs associated with administration and management of the City's solid waste collection and disposal, storm water management, and other environmental programs as needed or required. The City participates in a Solid Waste Joint Powers Authority (JPA) and utilizes a franchised solid waste and recycling provider who bills, collects, and remits revenues to the City related to services provided to Campbell residents and businesses. Any increases in rates, such as those approved for FY 06, as well as the proposed budget for solid waste and recycling services are approved annually by the City Council. The City then develops the Environmental Services budget around these fees. Fees remitted to the City include storm water, storm drain, solid waste, hazardous waste, and recycling fees. Operating revenues and expenditures for FY 06 are \$0.8 million, which is a \$0.1 million (14%) increase from the previous fiscal year's adopted budget. Future years are based on inflationary increases approximating 2 - 3%.

**Redevelopment Agency (RDA) Funds:** Redevelopment is a primary means to eliminate economic and physical blight from a designated area and to achieve desired development and private investment to revitalize the area. The designated area is commonly referred to as a redevelopment project area. Funding for redevelopment activities comes from incremental growth in property tax revenue within the project area as a result of redevelopment efforts. Such revenue can only be used to fund capital improvements and/or debt service after a 20% housing set-aside. The redevelopment operating budget is comprised of three funds; the 20% Housing Fund; the RDA Administration Fund; and the RDA Debt Service Fund.

Operating revenue and expenditures in these funds for FY 06 totals \$6.4 million, which is a \$2.4 million (27%) decrease from the previous fiscal year's adopted budget. Included in the FY 06 budget is an estimated amount of \$0.5 million in State takeaways related to ERAF payments. For future years, revenue projections utilize an average inflation factor of 2 - 4%, which takes into consideration the maximum annual increase in assessed value plus a percent for new construction or changes of ownership resulting in reappraisals. Expenditures are projected utilizing a modest inflationary factor.

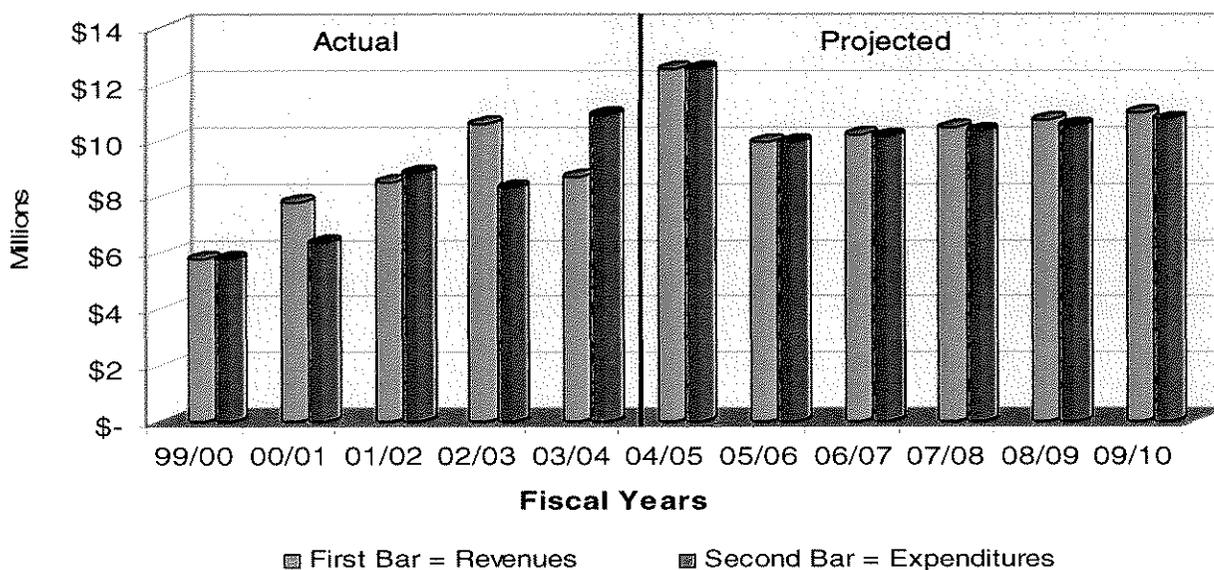
**Internal Service Funds:** The City utilizes three internal service funds (more commonly referred to as "pool funds") to finance and account for goods and services provided by one City department to other City departments on a cost reimbursement basis. These funds are: (1) motor vehicle and equipment; (2) information technologies (IT); and, (3) workers' compensation. On the internal service fund divider page the fund type and each separate fund is described. Immediately following the divider page are the revenue, expenditure and fund balance summaries by fund in addition to the individual budget exhibits by fund including revenues, funding sources, and expenditures.

The primary funding source for these funds is user charges. City and RDA program budgets contain line items for charges from the various pool funds. Included in these charges to other City departments or programs are the pro-rata share of the cost of operations of the particular fund in addition to a replacement

cost factor whenever physical assets such as vehicles, computers, etc. belong to the fund. As operating or replacement costs change or as asset inventories grow, the corresponding changes are reflected in the charges to the user departments. For FY 06, revenues and expenditures in these funds total \$3.3 million or approximately the same as the previous year's adopted budget. Revenues typically exceed expenditures by the amount established as a replacement set-aside. Annually, any assets scheduled for replacement are funded from reserves within the respective fund. This can and does result in large variances when making year-to-year budgetary comparisons. Also, the various methodologies utilized to determine reserve levels and replacement charges are periodically evaluated and modified. Projections in future years have been estimated using a modest inflationary factor.

The following is a chart depicting a comparison of revenues and expenditures for major funds other than the General Fund. Contained within the chart are the major special revenue and internal service funds. Other than debt service funds and the General Fund, these comprise the majority of the other City and RDA funds. The City has no enterprise funds. The General Fund and debt service funds are not included in this presentation because similar information is contained elsewhere in the budget document.

**Comparative Analysis of Other Major Funds Operating Revenues to Operating Expenditures**



The preceding chart reflects actual revenue and expenditures through FY 04, adopted budget for FY 05 and 06 and projections for years beyond 06. These projections are based on certain inflationary estimates with revenue and expenditure increases approximating 2-3% per year. Because the City's financial policies require that revenues must meet or exceed expenditures, the trend-line indicates that the budget is balanced from FY 06 through FY 10; including some utilization of reserves, as necessary, for the particular fund or fund type.

**Personnel Services:** Staffing resources are an integral part of the City's annual budget. The prior year's budget contained a total of 181 permanent full-time and permanent part-time positions. However, there were 10.25 full-time equivalent (FTE) positions frozen/unfunded. The number of vacant unfunded positions in FY 06 will increase by 6.1 FTE for a total of 16.35 FTE unfunded positions that will result in budgetary savings of approximately \$1.5 million primarily benefiting the General Fund. It is not intended at this point in time that any or all of these unfunded positions would be eliminated. Once the City's revenue picture improves, each position will be reviewed on an "as needed" basis, and funding could be reinstated as appropriate. Conversely, as other vacancies occur, they will be reviewed and realignments will be evaluated.

**Salaries and Benefits:** Salary and benefit summaries including charts can be found within the financial summaries section of this document, and can also be seen in the departmental budget summaries section, or on Exhibit B-1 of each program budget. These summaries reflect FTE's and budgeted expenditures for both permanent full-time, permanent part-time, and temporary staffing. Exhibit B in each program budget summarizes the various salary and benefit line-items contained within that program's budget.

The salaries and benefits category represents all personnel-related costs and makes up the largest component of the General Fund expenditures. For FY 06, salaries and benefits in the operating budget total \$21.7 million for all City funds, which is a \$0.2 million (1.0%) increase over the previous fiscal year. The impact of freezing an additional 6 FTE positions was offset by some additional funding to backfill the lost positions with temporary hours as well as the increase in retirement and health costs.

The following table summarizes the categories of compensation and benefits Citywide with a comparison to prior years' actual or adopted budget.

| Description of Salary & Benefit Categories (All Funds)  | FY 01/02 Actual | FY 02/03 Actual | FY 03/04 Actual | FY 04/05 Adopted | FY 05/06 Adopted | % Increase (Decrease) |
|---|-----------------|-----------------|-----------------|------------------|------------------|-----------------------|
| Salaries – Regular  | \$ 10,559,669   | \$11,886,325    | \$ 12,677,533   | \$ 13,616,366    | \$ 13,393,969    | (1.6%)                |
| Wages – Temporary   | 2,216,704       | 1,691,344       | 1,654,507       | 1,588,460        | 1,689,450        | 6.4%                  |
| Overtime  | 589,687         | 572,509         | 555,617         | 484,851          | 394,917          | (18.6%)               |
| Other Pays (Holiday, POST, Auto, Uniform, Meal Allowance)   | 470,236         | 535,146         | 563,391         | 587,140          | 565,107          | (3.8%)                |
| Medical / Dental / Life Insurance Premiums  | 1,362,542       | 1,474,986       | 1,638,444       | 1,747,619        | 1,964,611        | 12.4%                 |
| Public Employees Retirement Systems (PERS) *  | 9,344           | 9,733           | 216,874         | 2,366,840        | 2,661,075        | 12.4%                 |
| Other Benefits (FICA, Medicare, PARS, Unemployment, Other Benefits Pay, Disability, Workers Comp., Deferred Compensation) | 1,158,702       | 1,348,702       | 1,541,740       | 1,070,902        | 1,016,771        | (5.0%)                |
| Total Employee Services   | \$ 16,366,884   | \$ 17,518,745   | \$ 18,848,106   | \$ 21,462,178    | \$ 21,685,900    | 1.0%                  |

\* City was super-funded with PERS through 2002-2003; hence actual cost was significantly less than budget.

**Employee Services Budgeting Strategy and Forecasts:** One of the conservative budgetary strategies the City of Campbell employs is to budget salary and benefit costs at the top step of the salary range for each position. This is consistent with the City's prudent fiscal policies and results in budgetary savings on an annual basis, which in years of economic slow-downs or actual recessions, can significantly help to maintain a balanced budget. Historically, these savings have benefited the Capital Improvement Program Reserve (CIPR), a fund balance designation in the General Fund, and a major source of funding for capital projects. The FY 06 budget and fiscal forecast incorporate this budgetary strategy.

**FISCAL 2005-06 SIGNIFICANT WORK PLAN ITEMS**

The budget study sessions held with Council in March and May of this year facilitated development of work plan items for the upcoming budget year. Listed below are a summary of the more significant work plan items for FY 06:

### **City Council**

- Review issues and consider options for establishment of a campaign ethics ordinance
- Hold two neighborhood open houses

### **Legal Services**

- Assist with Round 2 revisions to zoning code
- Prepare sidewalk liability ordinance

### **City Manager**

- Coordinate a library needs assessment
- Review and update administrative policies
- Update City's website
- Conduct a revenue enhancement analysis and present recommendations to the City Council for more in-depth implementation evaluation

### **Community Development**

- Develop Historic Preservation building design guidelines
- Complete a policy and development guide for the Winchester Blvd. area
- Complete design guidelines for commercial and industrial development
- Prepare text amendments to the Zoning Ordinance as directed by the City Council

### **Finance / IT**

- Replace network servers for key Police Department applications
- Continue replacement of workstation monitors (LCD)
- Coordinate implementation of Citywide Geographical Information Systems (GIS) database layers
- Upgrade existing Pentamotion financial management system
- Assist with revenue enhancement analysis

### **Public Safety**

- Offer additional Community Emergency Response Team (CERT) classes to residents and business people throughout the City
- Participate in the Countywide Data Interoperability project
- Review D.A.R.E. program

### **Public Works**

- Design and construct SVACA Animal Shelter, Los Gatos Creek Trail Bridge, Dog Park & Ainsley Park Enhancement
- Provide project management for SCVWD well project
- Participate in Solid Waste Collection Franchise and Disposal Contract solicitation process

### **Recreation & Community Services**

- Review & update facility special event use policies, fee schedules, and fee waiver process
- Complete on-going capital projects (Fire Alarm, HVAC upgrade to Building B – CC and Police department remodel)
- Conduct market analysis for Community Center leases

### **Redevelopment Agency**

- Update the downtown development plan
- Facilitate with Charities Housing an affordable housing project
- Develop a strategy to facilitate the redevelopment of key vacant and underdeveloped properties in the downtown area

## **ACCOMPLISHMENTS OF THE PRIOR YEAR**

The FY 05 work plan contained a variety of work plan items. Listed below is a summary of some of the more significant accomplishments:

### **City Manager's Department**

- Reviewed Cable Television Rate Adjustment filings
- Conducted compensation survey for classified management classifications

### **Community Development**

- Completed the annexation process and development approvals for 24 new single-family homes on Mozart Avenue
- Completed processing for 166 planning applications
- Completed the development approvals for three major projects near new light rail stations including:
  - A new mixed-use project consisting of 45 condominium units and 4,500 square feet of retail
  - The approval of the plans for the Campbell Avenue master developer site for 22 condominium units and 15,000 sq. ft. of retail
- Awarded \$350,000 on 14 first-time homebuyer's loans
- Opened 180 health and safety case and closed 160 (includes prior year cases)
- Provided emergency shelter and support services to 130 families, shelter and/or counseling for 140 battered women and food, clothing and rent vouchers to assist 622 needy residents
- Issued permits and inspected the 30-unit Chamberlin Estates subdivision
- Issued and inspected the 20-unit Gilman Townhome project
- Issued over 1,600 combined permits and performed over 6,000 building inspections to assure compliance with Building and Safety Codes

### **Finance / IT**

- Completed transient occupancy tax audits of two hotels in the City
- Purchased and deployed replacement workstations according to proposed standards and in accordance with the City's replacement schedule
- Purchased and deployed the replacement network servers and storage equipment in accordance with City standards

### **Legal**

- Assisted with revisions to the Zoning Title of the Municipal Code
- Assisted with preparation of the Job Solicitor Program

### **Public Safety**

- Continued participation in the Silicon Valley Regional Interoperability Project
- Participated in area-wide Homeland Security exercises and other safety training including preparation for hazardous situations including Weapons of Mass Destruction (WMD)
- Participated with Building Maintenance staff on the Police Department Renovation Project

### **Public Works**

- Completed construction of Westmont Avenue Street Reconstruction
- Completed construction of McGlincy/Cristich Storm Drain Project
- Completed construction of the Collector Street Overlay Project
- Completed construction of the Campbell/Victor traffic signal project
- Completed design for the Los Gatos Creek County Dog Park
- Initiated design of the Silicon Valley Animal Control Shelter facility

### **Recreation & Community Services**

- Raise approximately \$23,000 from private sources for operation of the Campbell Historical Museum.
- Conducted a 10<sup>th</sup> Anniversary Gala celebration for the Ainsley House
- Set up a Vending machine program to generate revenues
- Started the Police Department Renovation

### **Redevelopment Agency**

- Implemented the Agency's Affordable Housing Production Plan
- Approved a purchase agreement with the Santa Clara Valley Water District for the acquisition of 511 & 555 West Campbell Avenue for an affordable housing project
- Executed an agreement with Charities Housing as the buyer and developer of 511 & 555 West Campbell Avenue
- Secured entitlements and building permits for a mixed use development on the Campbell Avenue Master Developer Site

## **STRATEGIC PLAN AND PERFORMANCE REPORTING**

In addition to allocating necessary resources for the provision of ongoing services and work plan activities, the FY 06 budget serves as the financial plan for accomplishment of the Strategic Plan vision and objectives, which are summarized within the introductory section of the document. Within the departmental budget summaries section of the document, the specific departmental chart of accounts, mission statement, on-going objectives, major work plan items, total departmental budget, staffing levels, and performance reporting are summarized.

At the beginning of each program budget section, the individual program mission statement, on-going and major work plan items are summarized, and the total program budget is detailed by type of expenditure and by line item. A review of the strategic plan objectives takes place concurrent with budget meetings in January through March of each year, thereby, providing the foundation for resource allocation in the annual operating and capital budgets. Once the major work plan items have been identified, the departments proceed with development of budgetary resources necessary to accomplish the objectives and annual work plans. Each major work plan item provides a numerical reference to the specific Strategic Plan objective that is being accomplished through that task or project thereby establishing a direct tie between the Strategic Plan and the annual budget.

The City of Campbell has developed a set of useful and reliable performance outcomes and productivity indicators whereby work input and related outcomes are measured and reported. Summaries by department are located within the departmental budget summaries section of the document. Performance reporting assists the Council in establishing policies related to the quantity, quality and appropriateness of municipal services provided by the City of Campbell. These were initially implemented in January 1996 and are revisited annually and modified as appropriate.

Performance outcomes are reported to the Council on an annual basis with prior years information provided as a benchmark for comparison. Any outcomes or indicators containing a TBD (to be determined) are still being reviewed, and if projections are shown, it is because the budget was completed prior to the year-end results being available.

## **FINANCIAL POLICIES**

The City of Campbell's Financial Policies were formally adopted by the Council in 1987 and, since that time, have been updated periodically. These policies enable consistent management of the City's fiscal resources, establish criteria to evaluate the City's financial condition, create a sound financial basis for City operations, promote public confidence, and increase the City's credibility in the eyes of bond rating agencies and potential investors. The following policies exist:

**Revenue Policies:** The development and maintenance of balanced and reliable revenue streams will be the primary revenue policy of the City. Efforts will be directed to optimize existing revenue sources while periodically reviewing potential new revenue sources. The need to promote a healthy business climate is recognized as one method to maximize existing revenue sources. Revenue estimates will be prepared on an annual basis during the preparation of the budget and shall be projected on a five-year and seven-year basis for operating and capital purposes respectively. Revenues will be estimated conservatively using accepted standards and estimates provided by the State and other governmental agencies. Alternative revenue sources will be periodically evaluated to determine their applicability to meet identified City needs. Sources of revenue will be evaluated and modified as necessary to assure a diversified and growing revenue base. Revenues from “one-time” or limited duration revenue sources will not be used to fund operating expenses. The schedule of user fees and charges and the cost allocation plan will be evaluated and, if necessary, adjusted annually to assure that they generate sufficient revenues to meet service delivery costs.

**Expenditure and Budget Policies:** Operating expenditures will be projected on a five-year basis. The “Proposition 4” expenditure limit will be calculated on an annual basis prior to the adoption of the budget and will be projected for an additional two years. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives. The budget shall provide the staff the resources necessary to accomplish City Council determined service levels. Annual budgeted operating expenditures shall not exceed annual operating revenues. A budget study session will be held annually to review the City Manager’s “narrative budget” prior to the submittal of the operating budget to the City Council.

The City Manager shall prepare and submit to the City Council annually a proposed operating budget by June 1<sup>st</sup> of each year. The annual budget (operating and capital) will be adopted by Resolution of the City Council by July 1<sup>st</sup> of each year for both the City and the Redevelopment Agency. The Finance Director has the authority to make technical corrections in compiling the adopted budget such as incorporating the results of the bargaining unit meet and confer process in years when this occurs. Budget status reports will be prepared monthly and distributed to all departments.

Because the budget is based on estimates, from time to time, it is necessary to make adjustments to fine-tune the line-items within it. Various levels of administrative control are utilized to maintain the budget’s integrity. Program managers are accountable for the line-item level of control of their individual program budgets. Department heads are accountable for the fund level of control for funds within their departments. Finance oversees the general level of accountability related to budgetary integrity through systems checks and balances and various internal controls. The City Manager can authorize budget adjustments within the adopted budget or those requiring transfers from reserves less than \$5,000, referred to as administrative budget adjustments. All budget adjustments that increase appropriations or any adjustments to capital projects must be approved by resolution of the City Council whether they are for the operating or capital budget. A General Fund mid-year budget status report will be prepared and presented to the City Council in January of each year including projections to year-end.

The City shall attempt to keep budgetary records in such a manner to qualify for the Distinguished Budget Presentation Award from the Government Finance Officer’s Association (GFOA) and the Excellence in Operating and Capital Budgeting Award from the California Society of Municipal Finance Officers (CSMFO).

**Capital Improvement Policies:** A seven-year Capital Improvement Plan shall be adopted on an annual basis. Sufficient financial commitment will be made to preserving the City’s investment in its public facilities (buildings, streets, parks, equipment, etc.) to assure preservation of these assets. The ongoing maintenance and operating costs of any proposed capital improvements will be evaluated prior to the approval of any capital improvement project and are to be incorporated as appropriate within the operating budget. Equipment replacement and maintenance shall be projected and funded throughout the life of the equipment. The annual capital improvement budget shall only include those projects that can reasonably be accomplished within the fiscal year. The City shall attempt to develop a capital improvement plan and keep

project records in such a manner to qualify for the Excellence in Capital Budgeting Award from the California Society of Municipal Finance Officers (CSMFO).

**Accounting Policies:** The City's financial records will be audited annually through an independent auditing firm. An annual financial report shall be prepared each year within five (5) months of the close of the previous fiscal year and reviewed with the City Council Finance Committee and the City Council. The auditor's annual "management letter" will be reviewed with the City Council Finance Committee for a recommendation to the City Council. Financial records shall be kept consistent with the standards of the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB). Full disclosure will be provided in annual financial statements and in bond presentations. Account status reports will be prepared monthly and distributed to all departments.

The City will change independent auditors no less frequently than every five (5) years based on a review of qualified firms and a recommendation to the City Council. The City shall attempt to keep accounting records in such a manner to receive an unqualified audit opinion and to qualify for a Certificate of Achievement for Excellence in Financial Reporting from GFOA and the Certificate of Award for Outstanding Financial Reporting from the CSMFO.

**Reserve Policies:** The City's financial policies mandate the level at which reserves shall be maintained. The operations reserve (used to fund unanticipated expenditures during the fiscal year) and the emergency reserve (used to fund physical or financial emergencies) are maintained at 5% and 10% of General Fund revenues, respectively. The reserve for economic fluctuations (used to offset economic shortfalls in major revenues such as sales tax and investment income) had a balance of \$8.9 million as of June 30, 2004, and is projected to drop to approximately \$6.0 million by June 30, 2006. The workers' compensation self-insurance reserve will be maintained at a level deemed adequate to meet projected liabilities as determined by an actuarial evaluation to be conducted at least once every three years. The liability insurance reserve will be maintained at a level deemed adequate to meet projected liabilities as determined by an actuarial evaluation to be conducted at least once every three years.

The long-term disability self-insurance reserve shall be maintained at a level deemed adequate to meet projected liabilities based on historical experience. A reserve shall be maintained sufficient to cover outstanding sick leave and vacation liability otherwise known as compensated absences. Reserves shall be evaluated annually and maintained for the replacement of identified capital equipment and/or infrastructure. Funds transferred from these reserves are replenished with the excess of revenues over expenditures at the fiscal year end or budgeted for annually in the case of internal service funds.

In addition, the City's reserve policies address funding for capital improvements not covered in specific policies. A significant funding source for the CIP is a fund balance designation in the General Fund for capital improvements. Per adopted financial policies, any General Fund revenues in excess of what is allocated to fund both the operating budget and any required reserve levels, etc., are deposited into the designation for capital improvements also referred to as the capital improvement plan reserve (CIPR).

**Cash Management Policies:** The City's adopted investment policy adheres to the provisions of California government code and is reviewed annually and revised as appropriate. Among the primary objectives stated in the policy are the maintenance of safety, liquidity and yield (in that specific order). The policy further identifies allowable investment instruments, the percentage of surplus funds that can be invested in the various types of instruments, the parties authorized to make investment decisions, and their related investment authority by dollar amount. The City's administrative procedure governing investments shall be updated and approved by the City Council annually.

A complete report on the City's investment portfolio shall be presented to the City Council monthly and to the California Debt and Investment Advisory Commission (CDIAC) on a bi-annual basis. A cash flow analysis for all funds shall be prepared monthly. The City shall periodically conduct a bid process for the provision of

banking services. The City will invest all funds based on the following criteria: 1) safety of invested funds; 2) maintenance of sufficient liquidity to meet cash flow needs; and, 3) attainment of the maximum yield possible consistent with the above priorities.

**Debt Management Policies:** Debt management can be of particular interest to readers of budget documents. A numerical presentation related to the City's debt service obligations consisting of special assessment debt, certificates of participation and tax allocation bonds may be found in the financial summaries section of the budget. To ensure the City manages its debt appropriately, policies have been adopted and are adhered to. The City restricts long-term borrowing to the funding of capital improvement projects and equipment. The term of the debt shall not exceed the expected useful life of the project.

General obligation debt may not exceed 3.75% of the City's assessed value. Presently, however, the City has no general obligation debt. The City maintains good relations with rating agencies about its financial condition. Lastly, the City uses refunding techniques where appropriate to allow for the restructuring of outstanding debt, remove or change restrictive covenants, and/or to reduce annual debt service costs in an amount sufficient to justify the costs of refunding/re-issuance.

### **BASIS OF BUDGETING**

The City budgets on a modified accrual for all funds except for its internal service funds which are budgeted on a full accrual basis. The City's *Governmental Funds* consist of the General Fund, special revenue funds, debt service funds, and capital project funds for both the City and the RDA. To summarize, under this basis, revenues are estimated for the fiscal year if they are susceptible to accrual, e.g. amounts can be determined and will be collected within the current period. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period or shortly thereafter to pay current liabilities. The primary exceptions are that depreciation and compensated absences are not budgeted. *Proprietary fund* budgets are adopted using the full accrual basis of accounting whereby revenue projections are developed recognizing revenues expected to be earned in the period, and expenditure estimates are developed for all expenses anticipated to be incurred during the fiscal year. The City's proprietary fund type consists only of internal service funds, as the City has no municipally owned utilities or other enterprise activities such as an airport or a golf course.

### **BUDGET AND FINANCIAL AWARDS**

For the twelfth consecutive year, the City's budget received national recognition by earning the Government Finance Officer's Association (GFOA) Distinguished Budget Award, a copy of which appears on the following page. To receive the Distinguished Budget Presentation Award, a city must publish a budget document that serves as a policy document, a financial plan, a communications device, and an operations guide. We believe the FY 06 budget conforms to GFOA program requirements. The City received the Excellence in Operational Budgeting Award from the California Society of Municipal Finance Officers (CSMFO). This is the eighth consecutive operating budget award the City has received from CSMFO. In addition, the City received its ninth Excellence in Capital Budgeting Award from CSMFO. Copies of these awards appear on the following page. It should also be noted that the City's Comprehensive Annual Financial Report has been an award-winning document for excellence in financial reporting at both the State and national levels for many years.

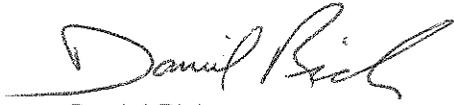
### **CONCLUSION AND ACKNOWLEDGEMENTS**

The FY 06 operating and capital budget is a conservative and balanced budget. It was developed in consideration of the City Council's strategic planning priorities. Reserve requirements continue to be maintained consistent with established financial policies. While municipal revenues have seen a significant decline over the past several years, the on-going expenditures continue to place increasing demands on available resources. These conditions can make it challenging to cover normal inflationary cost increases while attempting to provide resources for high priority discretionary expenditures such as street maintenance.

Despite the lingering impacts from a local economy that is still trying to recover and continuing uncertainty at the State budget level, I am very pleased to report that this year's budget enables the City to continue providing most of the same high quality programs and services that Campbell residents are accustomed to receiving. This has been a particularly challenging budget process given the budget imbalance that the City faced at the outset of the year coupled with the retirements of the former City Manager and Finance Director midway through the year. Accordingly, I would like to give a special thanks to Bob Kass, Public Works Director, who served as Interim City Manager for most of the six-month budget process and provided the necessary leadership to make it happen smoothly.

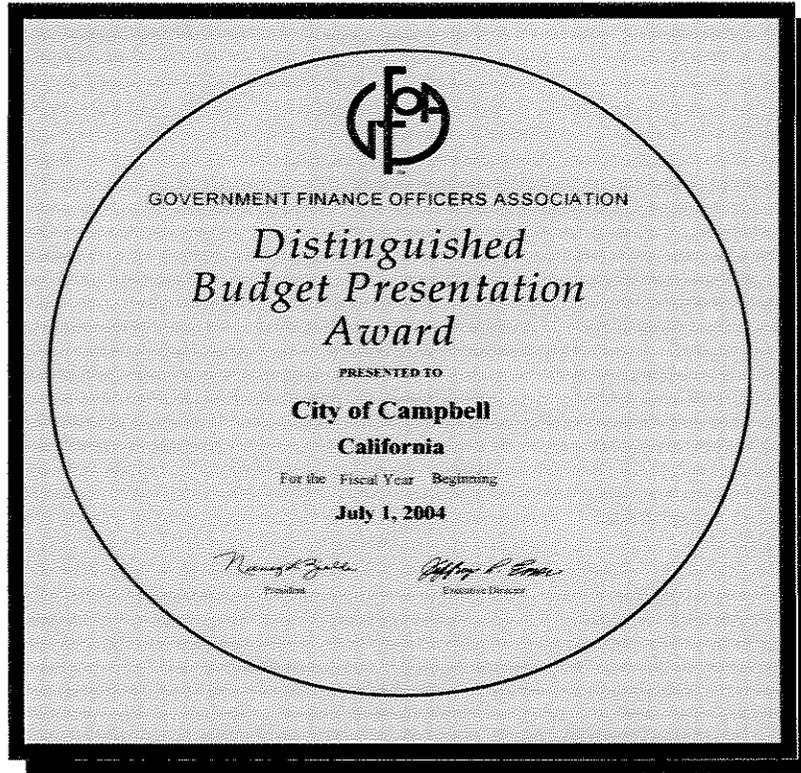
The development of this budget was made possible through the knowledge and contributions of many individuals on staff. I wish to express my appreciation and thanks to everyone who participated, especially the City Council for its involvement and support throughout the budget process. A special recognition goes out to Jesse Takahashi, Acting Finance Director, who stepped up under difficult circumstances. All of the Executive Team worked very hard on developing this budget as did the entire Finance Department. In particular, Sherrie Doherty, Executive Assistant, Mark Gaeta, Accountant and Sophie Kao, Accountant, deserve recognition for their hours of dedication and hard work in coordinating, developing, and publishing this budget document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel Rich". The signature is written in dark ink and is positioned above the printed name and title.

Daniel Rich  
City Manager

# Budget Awards



**RESOLUTION NO. 10536**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
ADOPTING THE CITY'S OPERATING & CAPITAL BUDGET  
FOR FISCAL YEAR 2005-06 (FY 06)**

**WHEREAS**, there has been submitted to the City Council a preliminary budget for the operation of all departments and facilities of the City of Campbell for FY 06, and there has been submitted to the City Council a preliminary budget for the capital expenditures related to City projects, and

**WHEREAS**, the City Council held meetings to review the proposed operating and capital budget; and the City Council took action to adopt the proposed budget;

**WHEREAS**, it is necessary to utilize a portion of the Compensated Absences Reserve to balance the FY 06 operating budget;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council that as of July 1, 2005 the amount of \$40,915,115 be fixed as the amount necessary to meet all municipal operating requirements (excluding any further changes resulting from the meet and confer process, this public hearing, and/or any miscellaneous corrections), and that the amount of \$9,941,000 be fixed as the amount necessary to meet the capital requirements of the City and that the same is hereby approved, confirmed and adopted at the combined total of \$50,856,115; and,

**BE IT FURTHER RESOLVED** that the City Council approve the usage of \$500,000 from the Reserve for Compensated Absences to balance the FY 06 operating budget as necessary, thereby granting an exception to the existing financial policy; and,

**BE IT FURTHER RESOLVED** that the Finance Director is hereby authorized to make any changes resulting from the public hearing to adopt the FY 06 operating and capital budget, modifications resulting from the meet and confer process, or any miscellaneous corrections due to more refined estimates be incorporate these changes into the final published FY 06 operating and capital budget document; and,

**BE IT FURTHER RESOLVED** that pursuant to Section 33445 of California Redevelopment Law, the City Council finds that the payment of all or part of the value of the land for and the cost of installation and construction of any buildings, facilities, structures or other improvements contemplated in the Redevelopment Agency's FY 06 budget are of benefit to the project area, that no other reasonable means of financing such buildings, facilities, structures, or other improvements are available to the community, that the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements contemplated in the Agency's FY 06 budget will assist in the elimination of one or more blighting conditions inside the project area or provide housing for low or moderate income persons; and that the payment of funds for the acquisition of land or the cost of buildings is consistent with the Redevelopment Agency's implementation plan adopted in accordance with California Redevelopment Law; and,

RESOLUTION NO. 10536 (Continued)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
ADOPTING THE CITY'S OPERATING & CAPITAL BUDGET  
FOR FISCAL YEAR 2005-06

BE IT FURTHER RESOLVED that based on the foregoing findings, the City Council consents to the payment of the Agency for the cost of land and the cost of buildings, facilities, structures, or other improvements contemplated in the Agency's FY 06 budget.

PASSED AND ADOPTED the 21st day of June, 2005, by the following roll call vote:

AYES: Councilmembers: Burr, Furtado, Watson, Kennedy

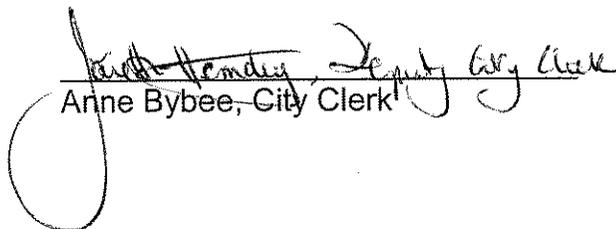
NOES: Councilmembers: None

ABSENT: Councilmembers: Hernandez

APPROVED:

  
Jane P. Kennedy, Mayor

ATTEST:

  
Anne Bybee, City Clerk

**A RESOLUTION OF THE AGENCY BOARD OF THE CITY OF CAMPBELL  
REDEVELOPMENT AGENCY ADOPTING THE OPERATING & CAPITAL BUDGET  
FOR FISCAL YEAR 2005-06 (FY 06)**

**WHEREAS**, there has been submitted to the Agency Board a Preliminary Budget for the operation of all Redevelopment Agency programs and functions for FY 06, and there has been submitted to the Agency Board a preliminary budget for the capital expenditures related to all Redevelopment Agency programs and activities for FY 06; and

**WHEREAS**, the Agency Board held meetings to review the proposed Agency operating and capital budget; and the Agency Board took action to accept the proposed budget; and

**WHEREAS**, pursuant to Health and Safety Code Section 33334.3(d) the Agency Board is to determine that the planning and administrative expenses budgeted from the Low and Moderate Income Housing Fund are necessary for the production, improvement, or preservation of low and moderate income housing.

**NOW, THEREFORE, BE IT RESOLVED** by the Agency Board that as of July 1, 2005 the amount of \$6,423,352 be fixed as the amount necessary to meet all agency operating requirements, and that the amount of \$175,000 be fixed as the amount necessary to meet all Agency capital requirements and that the same is hereby approved, confirmed and adopted at the combined total of \$6,598,352.

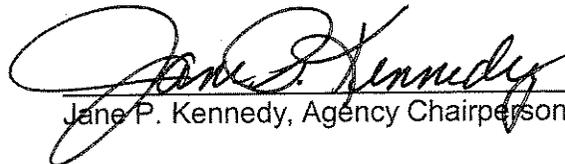
**BE IT FURTHER RESOLVED** that the Agency Board finds that the planning and administrative expenses from the Low and Moderate Income Housing Fund currently budgeted for FY 05 operating budget and in the proposed FY 06 operating budget are necessary for the production, improvement, or preservation of low and moderate income housing.

**BE IT FURTHER RESOLVED** that the Finance Director is hereby authorized to make any changes or impacts resulting from the public hearing to adopt the FY 06 operating and capital budget, modifications resulting from the meet and confer process, or any miscellaneous corrections due to more refined estimates and incorporate these changes into the final published FY 06 operating and capital budget document.

**PASSED AND ADOPTED** the 21st day of June 2005, by the following roll call vote:

**AYES:** Agency Members: Burr, Furtado, Watson, Kennedy  
**NOES:** Agency Members: None  
**ABSENT:** Agency Members: Hernandez

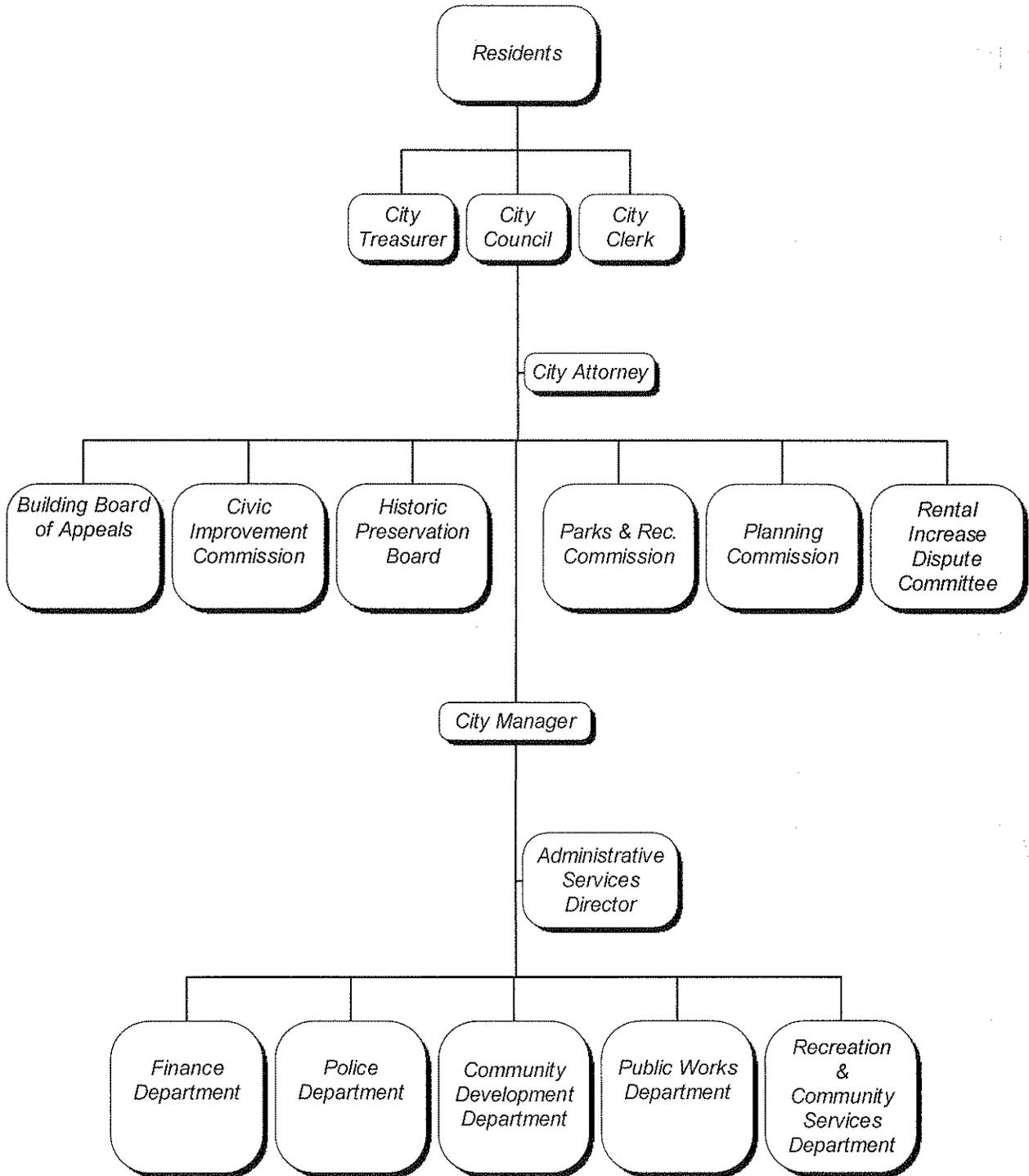
**APPROVED:**

  
Jane P. Kennedy, Agency Chairperson

**ATTEST:**

  
Anne Bybee, Agency Secretary

# General Organization 2005 - 2006



## **CITY OFFICIALS**

### **CITY COUNCIL & REDEVELOPMENT AGENCY BOARD**

Mayor - Jane P. Kennedy

Vice-Mayor - Jeanette Watson

Councilmember - Donald R. Burr

Councilmember - Daniel E. Furtado

Councilmember - Joseph D. Hernandez

Note: Mayor serves an annual term from November to November. Names and positions are as of July 1, 2005.

### **CITY ADMINISTRATIVE STAFF**

City Manager - Daniel Rich

City Clerk - Anne Bybee (Elected)

City Treasurer - Gerald Kennedy (Elected)

City Attorney - William Seligmann

Administrative Services Director - (Vacant)

Community Development Director - Sharon Fierro

Finance Director - Jesse Takahashi (Acting)

Recreation & Community Services Director - Claudia Cauthorn

Police Chief - David Gullo

Public Works Director - Robert Kass

## COUNCIL COMMITTEE RESPONSIBILITIES

| <u>Committee / Organization</u>  | <u>Mayor</u>   | <u>Vice-Mayor</u> | <u>Councilmembers</u> |                |                  |
|--|----------------|-------------------|-----------------------|----------------|------------------|
|  | <u>Kennedy</u> | <u>Watson</u>     | <u>Burr</u>           | <u>Furtado</u> | <u>Hernandez</u> |
| Advisory Commissioner Appointment Interview Committee                  | -              | 1                 | -                     | -              | 1                |
| Association of Bay Area Governments                                    | -              | 2                 | -                     | 1              | -                |
| California Identification Policy Advisory Board                        | -              | -                 | 1                     | -              | -                |
| Campbell Historical Museum & Ainsley House Heritage Campaign Committee | 1              | 1                 | -                     | -              | -                |
| CDBG Program Committee (County)  | 2              | -                 | -                     | -              | 1                |
| City Attorney Performance/Compensation Committee                       | 1              | -                 | -                     | 1              | -                |
| City Manager Performance/Compensation Committee                        | 1              | -                 | -                     | 1              | -                |
| Community Center Committee   | 1              | -                 | 1                     | -              | -                |
| County Expressway Policy Advisory Board                                | -              | -                 | 1                     | -              | 2                |
| County Library District JPA Board of Directors                         | -              | 2                 | -                     | 1              | -                |
| Downtown Committee   | -              | 1                 | -                     | -              | 1                |
| Emergency Preparedness Council   | -              | -                 | 2                     | 1              | -                |
| Finance Committee  | 1              | -                 | 1                     | -              | -                |
| Housing Bond Advisory Committee (County)                               | -              | 2                 | -                     | -              | 1                |
| Housing Rehabilitation Loan Committee                                  | -              | -                 | 2                     | 1              | -                |
| Housing, 20% Committee (Redevelopment Agency)                          | -              | -                 | 1                     | -              | 1                |
| Joint Venture Silicon Valley   | 2              | -                 | -                     | -              | 1                |
| Legislative Committee  | 1              | -                 | -                     | 1              | -                |
| NOCA (North of Campbell Avenue)  | 1              | -                 | 1                     | -              | -                |
| Open Space Committee   | 1              | -                 | 1                     | -              | -                |
| Recycling and Waste Reduction Committee                                | -              | -                 | -                     | -              | -                |
| Santa Clara Cities Association - Board of Directors                    | -              | 1                 | -                     | 2              | -                |
| Santa Clara Cities Association - Legislative Action Committee          | -              | -                 | -                     | 1              | -                |
| Santa Clara County Cities Mayor's Selection Committee                  | 1              | -                 | -                     | -              | -                |
| Santa Clara County Task Force to End Chronic Homelessness              | -              | -                 | -                     | -              | 1                |
| Santa Clara Valley Water District - County Water Commission            | -              | 1                 | -                     | 2              | -                |
| Santa Clara Valley Water District - Flood Control Advisory Committee   | -              | -                 | -                     | 1              | -                |
| School District Liaison (Elementary)                                   | -              | -                 | -                     | 1              | 1                |
| School District Liaison (High School)                                  | -              | 1                 | 1                     | -              | -                |
| Silicon Valley Animal Control Authority (SVACA)                        | 1              | -                 | 2                     | -              | -                |
| Sister City Committee  | 1              | -                 | 1                     | -              | -                |
| SOCA (South of Campbell Avenue)  | 1              | -                 | 1                     | -              | -                |
| Solid Waste Commission   | -              | -                 | -                     | -              | -                |
| SVMG Housing Solutions Report Steering Committee                       | -              | -                 | -                     | -              | 1                |
| Valley Transportation Authority (VTA) Board                            | -              | -                 | -                     | -              | -                |
| Valley Transportation Authority Policy Advisory Committee              | -              | 2                 | -                     | -              | 1                |
| Vasona Corridor Joint Policy Advisory Board                            | 1              | -                 | -                     | 2              | -                |
| West Valley Mayors & Managers  | 1              | -                 | -                     | -              | -                |
| West Valley Sanitation District  | 2              | -                 | 1                     | -              | -                |
| West Valley Solid Waste Authority JPA                                  | -              | 2                 | 1                     | -              | -                |

(1) = Member    (2) = Alternate

## **COMMISSIONS, COMMITTEES AND ADVISORY BOARDS**

### **Planning Commission**

Elizabeth Gibbons, Chairperson  
Bob Alderete, Vice Chairperson  
George P. Doorley  
Mark A. Ebner  
Tom Francois  
Michael Rocha  
Robert A. Roseberry

### **Parks & Recreation Commission**

John Medalen, Chairperson  
Jean LaDuc, Vice Chairperson  
Bruce Baker  
Jim Cramer  
Joseph R. Kilmer  
Tim Mason  
Susan Osorio

### **Civic Improvement Commission**

Jacquie Davidson, Chairperson  
Frank Jewett, Vice Chairperson  
Kurt Arends  
Joan Goldstein  
Burch Harper  
Jeff Hofstrand  
Art Ring

### **Building Board of Appeals**

Dietrich VonDohlen, Chairperson  
Jeff Bowsby  
James C. Malone  
Jim Morelan  
Todd Zeman

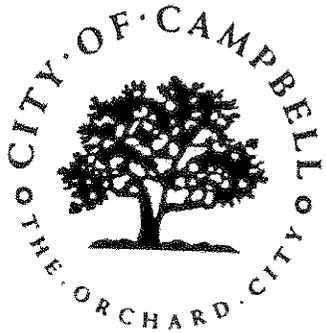
### **Historical Preservation Board**

Mark Sandoval, Chairperson  
Susan Blake, Vice Chairperson  
Trish Forsman  
JoElle Hernandez  
Joanna Herz

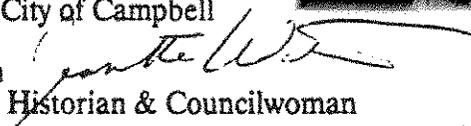
### **Rental Increase Dispute Fact Finding Committee**

Stanley Raider, Chairperson  
Eric Bracher  
John W. Figueroa  
Miriam Robinson  
Vacant

Note: Names and positions as of July 1, 2005.



**TO:** Benjamin and Mary Campbell  
Founders of the City of Campbell

**FROM:** Jeanette Watson   
Unofficial Town Historian & Councilwoman

**SUBJECT:** *CAMPBELL'S HERITAGE FROM 1846 TO TODAY*

---

Although we never met, I feel as though I know so much about you. Mr. Campbell, I know that your ancestors came from Scotland and were quite frugal. I want you to know that we who lead the City today are thrifty, too, as the enclosed budget document will show. We can't do all that we should for our citizens. The State and Feds empty our pockets from time to time. I guess you must have felt frustrated when you were having your troubles trying to establish a clear title to your property in the 1850's and 60's. Everybody wanted your money -- and your land -- from squatters to the government. I'm glad you finally got title to it in May, 1870.

Mr. Campbell, I know that in the pioneering days of 1846, you walked most of the way from Missouri to what would become the State of California. You were not the oldest son so you didn't get to do some of the fun things your older brother did; but, you had a great time, and when you saw our valley, you knew it would be your home forever. Things haven't changed much. We aren't the biggest city or even close. We are the best, however, and those of us who have learned how great Campbell is haven't left. Our valley still has its peaceful hills that seem blue in the early morning. Ocean breezes still bring their cooling fog. Sunlight dances in our hair on most days.

Mr. and Mrs. Campbell, you learned that the soil here is exactly right for fruit trees, so orchards flourished everywhere. The orchards are gone now, but because of the wonderful climate and job opportunities, there are 38,000 people who live here. When our City officially incorporated in March, 1952, the City fathers used the motto "Campbell, the Orchard City" on the City seal. Our heritage of orchards and canneries which provided work for so many people lives in our hearts and minds.

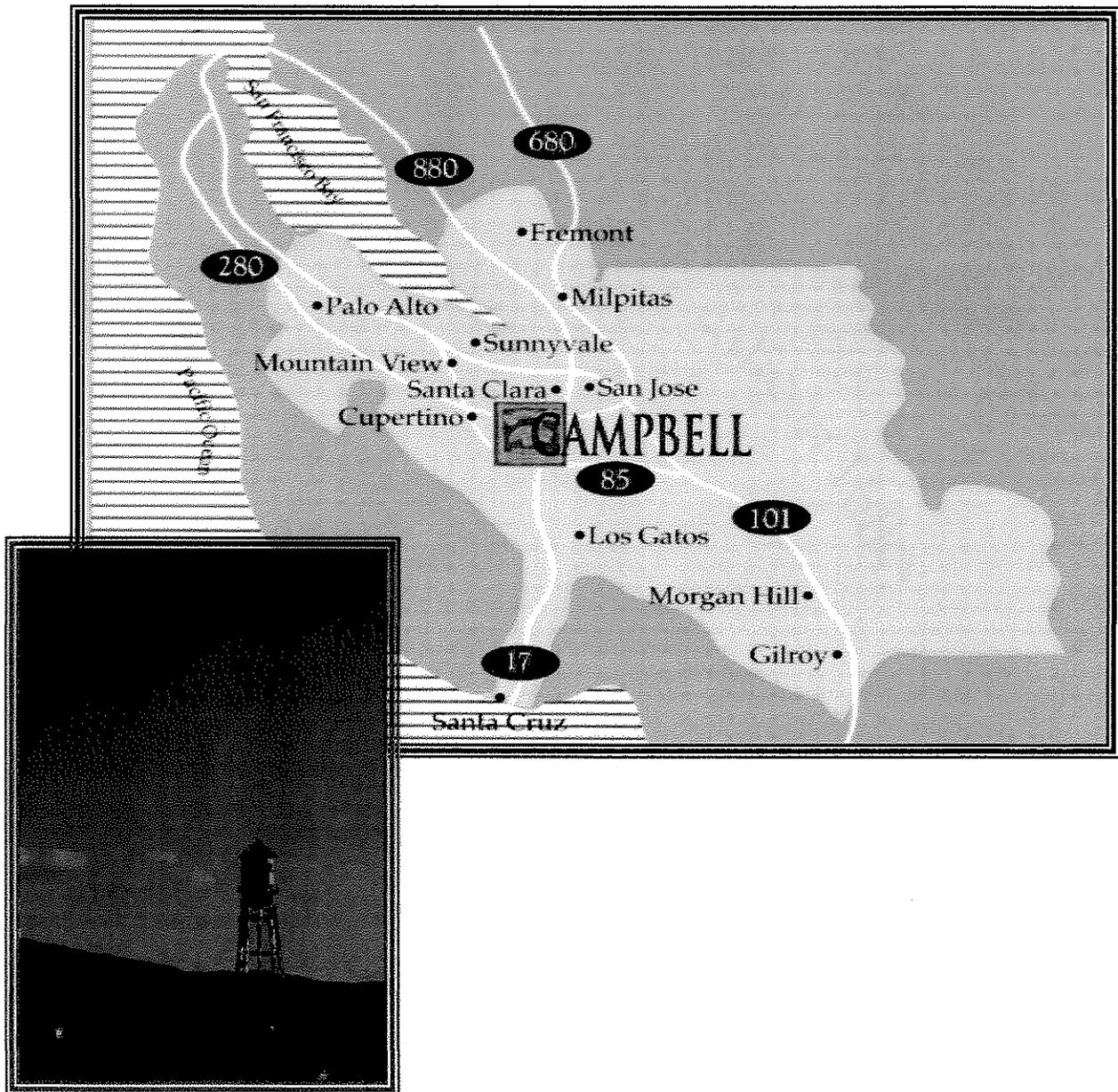
I have to admit one thing that we failed to do, however. You established your town in 1888 according to your beliefs: that of a prohibitionist. Well, I'm sorry to say your town has various establishments that carry you - know - what; but, we have a wonderful program for our kids called DARE which is encouraging them to resist the temptation of drugs and alcohol.

You'd be happy to know that we've had women on our City Council since 1985. It took thirty-three years to accomplish that feat. I'm sure that

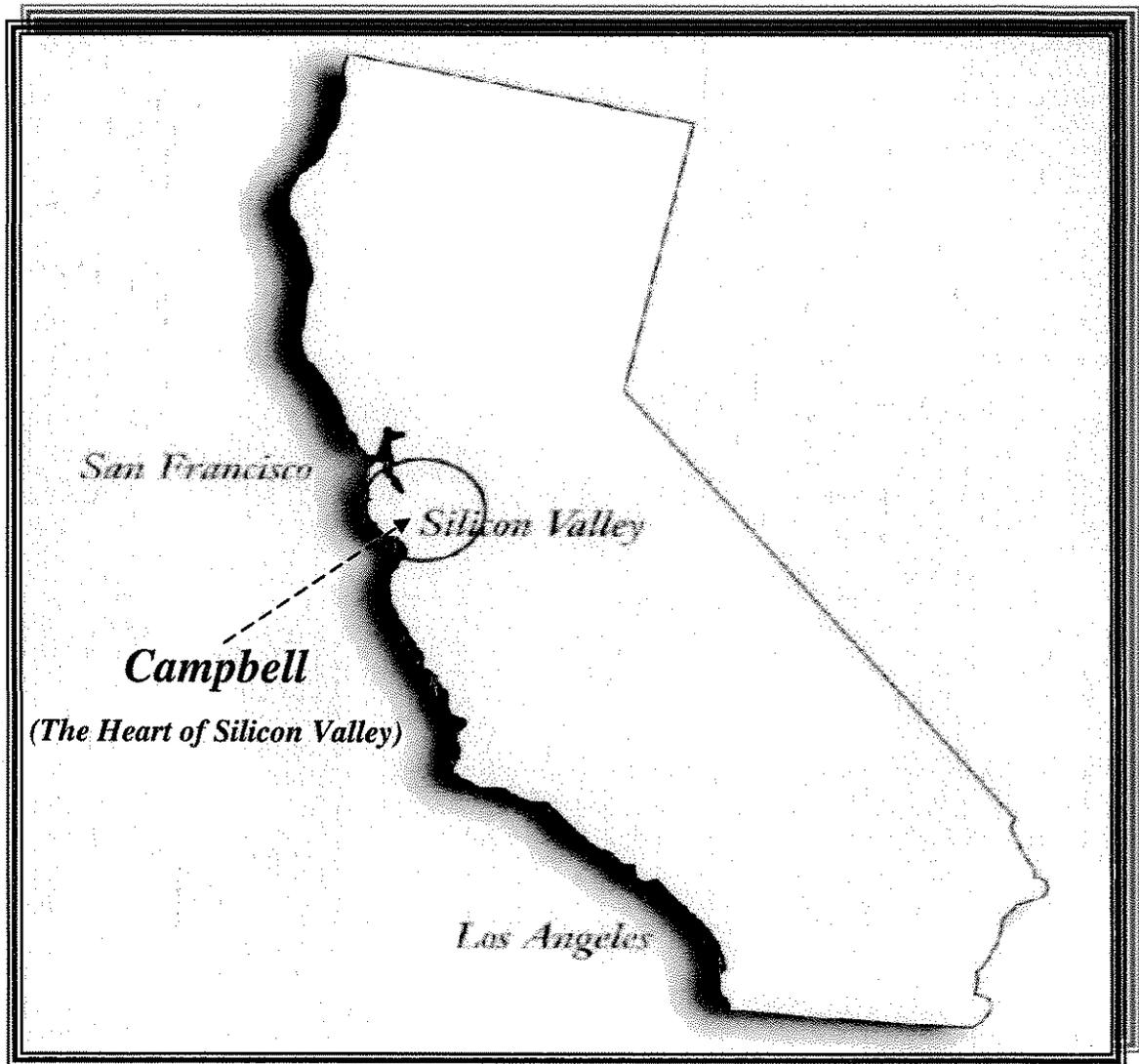
surprises you because there were three women on the first "town-council" which was established in 1892 at an Old Settler's Day celebration. However, the town wasn't incorporated so it didn't count. In 1888, when you recorded your first subdivision, you hoped it would be an incorporated city someday, but the earliest attempt in 1906 failed. However, your celebration continues and is the second oldest public celebration in the State; and, we're a city besides!

When you helped establish the first water company, the bank, and the Board of Trade, I wonder if you ever realized how your town would grow and develop. This note is just to thank you for giving us a good example to follow. In your town, you knew everyone. I don't know everyone, but as Will Rogers said, "I never met a stranger."

Your faithful servant, JMW

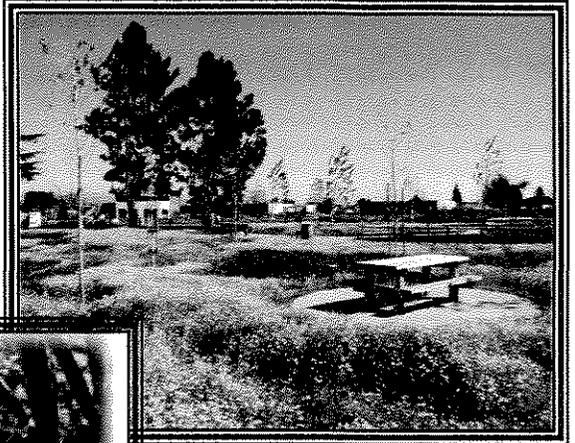
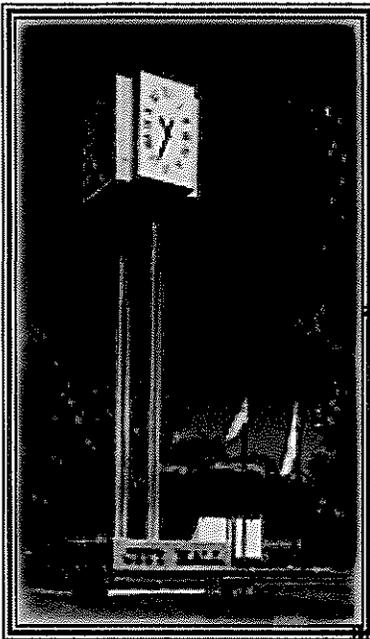


## Campbell Community Profile – Demographic Statistics (General)



- 50 Miles South of San Francisco
- Surrounded on Three Sides by San Jose
- 6.5 Square Miles
- Incorporated - March, 1952
- General Law City
- Council/Manager Form of Government
- Population – 38,300 (As of 1/1/05)
- 22,700 Registered Voters
- 15,715 (69%) Votes Cast in the Last General Election
- Public Safety – 1 Police Department
- Public Safety – 75 Police Employees
- Public Safety – 2 Fire Stations
- Public Safety – Fire – Services Contracted with County of Santa Clara

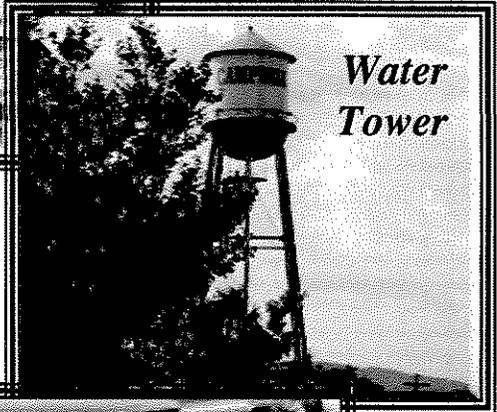
# Campbell Community Profile – Demographic Statistics (Infrastructure)



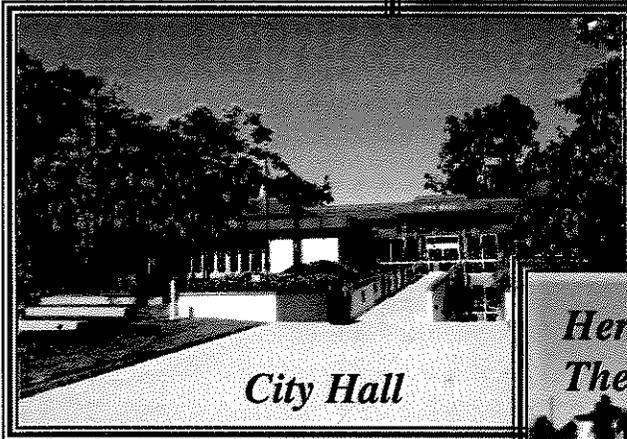
*Edith Morley Park*



*John D. Morgan Park*



*Water Tower*



*City Hall*

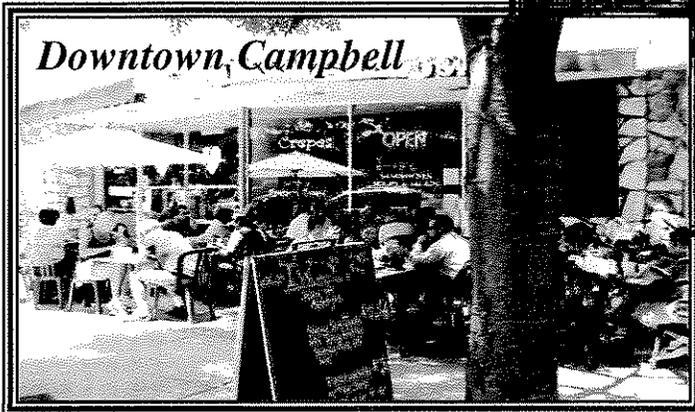
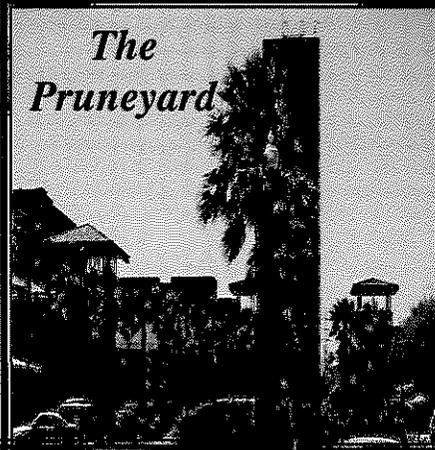
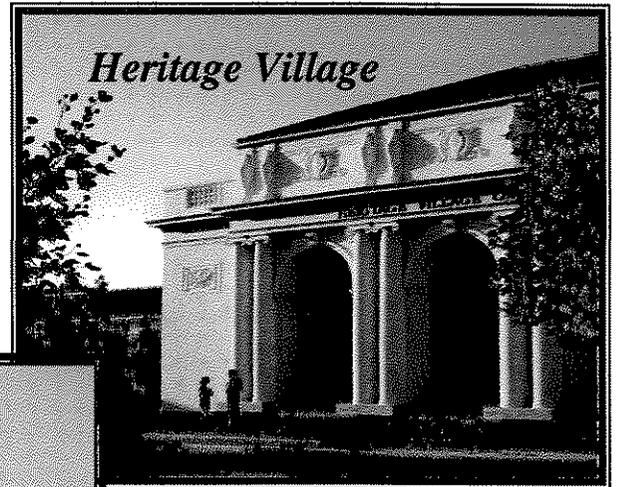
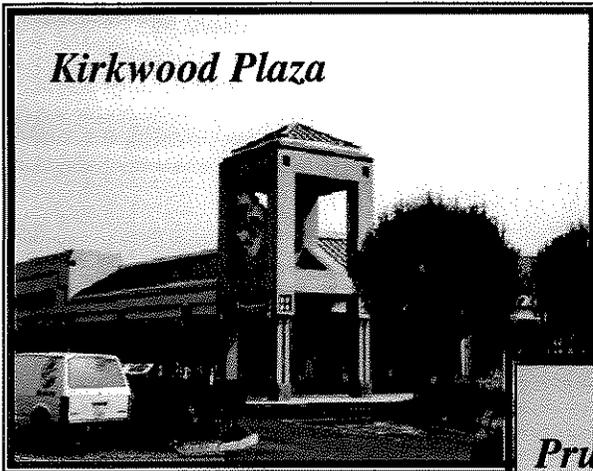


*Heritage Theatre*

| <u>Category</u>                                   | <u>2005</u>  | <u>2004</u>  | <u>2003</u>  | <u>2002</u>  |
|---|--------------|--------------|--------------|--------------|
| Miles of Streets (Major / Secondary)              | 14.3 / 74.0  | 14.3 / 74.0  | 14.3 / 74.0  | 14.3 / 74.0  |
| Miles of Sewers (Storm / Sanitary) <sup>(1)</sup> | 41.5 / 484.0 | 41.5 / 484.0 | 41.5 / 484.0 | 41.5 / 484.0 |
| Miles of Sidewalks                                | 74.5         | 74.5         | 74.5         | 74.5         |
| Street Lights                                     | 2,362        | 2,362        | 2,362        | 2,325        |
| Parks - Number of Acres                           | 85.95        | 85.95        | 85.95        | 85.95        |
|   | 33           |              |              |              |

<sup>(1)</sup> West Valley Sanitation District

# Campbell Community Profile – Demographic Statistics (Employment & Education)



| <u>Category</u>   | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|-------------|-------------|-------------|-------------|
| Jobs per Household <sup>(2) (5) (8)</sup>                               | 1.35        | 1.35        | 1.35        | 1.35        |
| Employed Residents <sup>(5)</sup>                                       | 27,840      | 27,840      | 25,053      | 25,053      |
| Mean Household Income <sup>(5)</sup>                                    | \$97,400    | \$97,400    | \$97,400    | \$97,400    |
| % of Adults over 25 with Bachelor's Degree or Higher <sup>(6) (9)</sup> | 48.00%      | 48.00%      | 42.20%      | 42.20%      |

<sup>(1)</sup> California Department of Finance

<sup>(2)</sup> Campbell Community Development Dept.

<sup>(3)</sup> Contracted Services

<sup>(4)</sup> West Valley Sanitation District

<sup>(5)</sup> ABAG Projections

<sup>(6)</sup> CACI, Inc.

<sup>(7)</sup> SCC Association of Realtors

<sup>(8)</sup> 2000 Census

<sup>(9)</sup> Claritas Inc. Report - 3/14/05

## Campbell Community Profile – Demographic Statistics (Housing)



***Apartments***



***Single Family Homes***



***Condominiums***

| <u>Category</u>   | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|-------------|-------------|-------------|-------------|
| Average Household Size <sup>(5) (8) (9)</sup>                         | 2.3         | 2.3         | 2.38        | 2.38        |
| Number of Households <sup>(1) (5) (8)</sup>                           | 16,444      | 16,384      | 16,365      | 16,381      |
| Median Age  | 37.3        | 35.2        | 36.9        | 36.9        |
| Median Home Value <sup>(7)</sup>                                      | \$810,000   | \$575,000   | \$561,978   | \$617,500   |
| % of Households with Income of \$75,000 or Greater <sup>(6) (9)</sup> | 43.01%      | 36.50%      | 36.50%      | 36.50%      |

<sup>(1)</sup> California Department of Finance

<sup>(2)</sup> Campbell Community Development Dept.

<sup>(3)</sup> Contracted Services

<sup>(4)</sup> West Valley Sanitation District

<sup>(5)</sup> ABAG Projections

<sup>(6)</sup> CACI, Inc.

<sup>(7)</sup> SCC Association of Realtors

<sup>(8)</sup> 2000 Census

<sup>(9)</sup> Claritas Inc. Report - 3/14/05

## **Principal Taxpayers**

(Listed Alphabetically)

Aetna Life Insurance ~ Commercial Real Estate  
Bay Apartment Communities, Inc. ~ Residential Real Estate  
Brian Avery Trustee, et. Al. ~ Residential Real Estate  
EQR - Connor LLC ~ Residential Real Estate  
La Valencia Apartments LTD ~ Residential Real Estate  
Lincoln Bascom Office Center ~ Commercial Real Estate  
MP Hacienda, Inc. ~ Industrial  
OTR Trust - Commercial Real Estate  
P COM, Inc. ~ Unsecured Property  
Pruneyard Associates LP ~ Commercial Real Estate

## **Major Employers**

(100 or More Employees - Listed Alphabetically)

Adorno Construction, Inc. ~ Construction (150)  
Century 21 Alpha ~ Real Estate Agents (100)  
City of Campbell ~ Government (171)  
Durham Transportation, Inc ~ Service (126)  
Elephant Bar ~ Restaurant (140)  
Fry's Electronics, Inc. ~ Retail (244)  
Home Depot ~ Retail (257)  
Mervyns ~ Retail (175)  
Mohler, Nixon & Willaims Accountancy ~ Service (113)  
Nova Salon Systems ~ Wholesale (103)  
P-Com, Inc. ~ Manufacturer (113)  
Pacific netsoft, Inc. ~ Service (179)  
Rock Bottom Brewery ~ Restaurant (100)  
Ron Witherspoon, Inc. ~ Manufacturing (106)  
Qualcom Inc. ~ Service (145)  
S B C C, Inc. ~ Service (118)  
Sanco Pipelines, Inc. ~ Construction (100)  
Universal Janitorial Maintenance ~ Service (100)  
West Valley Construction ~ Construction (100)  
Whole Foods ~ Retail / Grocery (218)

## **Top 40 Sales Tax Producers**

(Listed Alphabetically)

Arco AM/PM Mini-Mart ~ Service Station  
Barnes & Nobel Bookstore ~ Stationery/Books  
Chevron Station ~ Service Station  
Diversified Fire Products ~ Services  
Economy Lumber ~ Building Materials  
Elephant Bar - Restaurant  
E-Plus Technology ~ Office Equipment  
Fry's Electronics ~ Appliance Store  
Gardenland Power Equipment ~ Business Services  
Home Depot ~ Building Materials  
Huffman Koos (dba Breuner's) ~ Home Furnishings  
Joe Escobar Diamonds ~ Jewelry Store  
Longs Drugs Stores ~ Drug Store  
Marshall's Department Store ~ Department Store  
Mervyn's Department Store ~ Department Store  
Nob Hill Foods ~ Grocery Store  
Nova ~ Chemical Products  
Octane Addict ~ Service Station  
Officemax ~ Office Equipment Store  
Outback Steakhouse ~ Restaurant  
PetSmart ~ Specialty Store  
Railway Distributing ~ Building Materials  
Rasputin Records ~ Music Store  
Rock Bottom Brewery ~ Restaurant  
Ross Dress for Less ~ Department Store  
Rotten Robbie ~ Service Station  
RV Cloud Company ~ Building Materials  
Safeway Stores ~ Grocery Store  
San Jose Camera Shop ~ Camera Store  
Shell Service Stations ~ Service Station  
Sierra Pacific Turf Supply  
Staples ~ Office Equipment  
Summerwinds Garden Center ~ Nursery  
Tower Records & Video ~ Music Store  
Trader Joe's ~ Grocery Store  
Trudy's ~ Women's Apparel  
USA Service Stations ~ Service Station  
Walgreens Drug Store ~ Drug Store  
Whole Foods Market ~ Grocery Store



# 2005 - 2006 Budget Calendar



## December - 2004

- 12/2 Distribute Calendar to Executive Team @ Retreat
- 12/6 Schedule Budget Meetings with CM & Department Heads
- 12/9 CDBG Study Session - Public Hearing (CIC)
- 12/15 Distribution of Bldg. Maint. / IT / PW Request Forms
- 12/15 Begin Work on Salary/Benefits with Human Resources
- 12/20 Mid-Year Changes Due to Finance
- 12/20 Sub-Grant Applications Distributed

## January - 2005

- 1/10 Begin Work on Internal Service Fund Schedules
- 1/13 CDBG - Presentations by Non-Profits - Public Hearing (CIC)
- 1/13 Motor Pool/Vehicle Equipment Requests due to P.W. Director
- 1/13 Building Maintenance Requests Due to Building Maintenance Supervisor
- 1/13 Public Facility Maintenance Requests Due to P.W. Director
- 1/13 Mid-Year Update Finalized
- 1/31 Personnel Requests due to Human Resources Manager

## February

- 2/1 Mid-Year Update to Council - FY 04/05 General Fund
- 2/2 Dept'l. Goals/Objectives/Mission Statements Due to C.M.
- 2/14 Round I Budget Worksheets Due to Finance by 10:00 a.m.
- 2/14 Revised Fee Schedule Due to Finance
- 2/14 Revenue Documentation Forms Due to Finance
- 2/14 Funding Recommendations CDBG - CIC Final Public Hearing
- 2/17 Department Presentations Due to Finance - For Study Session
- 2/24 Funding Recommendations CDBG - Council Public Hearing
- 2/24 Sub-Grant Applications Due to City Manager's Office

## March

- 3/1 CDBG Council Approval
- 3/3 Distribute Budget Study Session Packets to Council
- 3/3 Design Budget, CAFR & CIP Covers
- 3/7 Proofed Round I Copies Due to Finance by 10:00 a.m.
- 3/9 Finalize User Fee Model Update
- 3/10 Sub-Grant CDBG Study Session Funding Recommendations (CIC)
- 3/10 Social Service Sub-Grant Public Hearing (CIC)
- 3/16 Narrative Budget Study Session (Room 34 - Community Center - 5:30 p.m.)
- 3/21 Dept'l. Meetings With City Manager (3/21 - 3/25)
- 3/28 Finalize Fee Schedule / Resolution (For 2nd Meeting in April)

## April

- 4/4 Order Budget, CAFR & CIP Covers
- 4/4 Round II Changes Due to Finance by 10:00 a.m.
- 4/11 Preliminary Budget Presentation Development (4/11 - 4/15)
- 4/12 Present Draft CIP to Planning Commission
- 4/14 Social Service Sub-Grant Final Public Hearing (CIC)
- 4/19 Public Hearing & Final Adoption of Fee Resolution
- 4/19 Fee Schedule Report Approved by City Council
- 4/21 Budget Draft Report and Presentation to City Manager
- 4/29 Distribution of Preliminary Budget Binder to Council

## May

- 5/3 Social Service Sub-Grant Council Approval
- 5/3 Budget Study Session (Library Community Room)
- 5/17 Adoption of 7-Year CIP

## June

- 6/7 Special Council Meeting - Preliminary Budget Approval (6:00 p.m.)
- 6/21 Public Hearing & Final Adoption of Operating/Capital

| Dec 2004 |    |    |    |    |    |    |
|----------|----|----|----|----|----|----|
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| 19       | 20 | 21 | 22 | 23 | 24 | 25 |
| 26       | 27 | 28 | 29 | 30 | 31 |    |

| Jan 2005 |    |    |    |    |    |    |
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| 23       | 24 | 25 | 26 | 27 | 28 | 29 |
| 30       | 31 |    |    |    |    |    |

| Feb 2005 |    |    |    |    |    |    |
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| 12       | 13 | 14 | 15 | 16 | 17 | 18 |
| 19       | 20 | 21 | 22 | 23 | 24 | 25 |
| 26       | 27 | 28 |    |    |    |    |

| Mar 2005 |    |    |    |    |    |    |
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| 12       | 13 | 14 | 15 | 16 | 17 | 18 |
| 19       | 20 | 21 | 22 | 23 | 24 | 25 |
| 26       | 27 | 28 | 29 | 30 | 31 |    |

| Apr 2005 |    |    |    |    |    |    |
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| 16       | 17 | 18 | 19 | 20 | 21 | 22 |
| 23       | 24 | 25 | 26 | 27 | 28 | 29 |
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| May 2005 |    |    |    |    |    |    |
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| 22       | 23 | 24 | 25 | 26 | 27 | 28 |
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| Jun 2005 |    |    |    |    |    |    |
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| Jul 2005 |    |    |    |    |    |    |
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| 23       | 24 | 25 | 26 | 27 | 28 | 29 |
| 30       | 31 |    |    |    |    |    |

| Aug 2005 |    |    |    |    |    |    |
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| 19       | 20 | 21 | 22 | 23 | 24 | 25 |
| 26       | 27 | 28 | 29 | 30 | 31 |    |

| Sep 2005 |    |    |    |    |    |    |
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| 16       | 17 | 18 | 19 | 20 | 21 | 22 |
| 23       | 24 | 25 | 26 | 27 | 28 | 29 |
| 30       | 31 |    |    |    |    |    |

| Oct 2005 |    |    |    |    |    |    |
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| 9        | 10 | 11 | 12 | 13 | 14 | 15 |
| 16       | 17 | 18 | 19 | 20 | 21 | 22 |
| 23       | 24 | 25 | 26 | 27 | 28 | 29 |
| 30       | 31 |    |    |    |    |    |

| Nov 2005 |    |    |    |    |    |    |
|----------|----|----|----|----|----|----|
| S        | M  | T  | W  | T  | F  | S  |
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| 5        | 6  | 7  | 8  | 9  | 10 | 11 |
| 12       | 13 | 14 | 15 | 16 | 17 | 18 |
| 19       | 20 | 21 | 22 | 23 | 24 | 25 |
| 26       | 27 | 28 | 29 | 30 |    |    |

## **SUMMARY OF BUDGET PROCESS**

The City of Campbell adopts an annual budget. There is one document containing both summary and detailed information on revenues and expenditure appropriations for the Fiscal Year beginning July 1, and ending June 30. In addition to the operating budget, the City Council adopts a seven-year Capital Improvement Plan (CIP) from which new projects for the first year become an integral part of the proposed operating/capital budget. Typically, this process begins in late September with the distribution of CIP request forms and instructions and ends in mid April or early May with Council's formal adoption of the seven-year CIP. Although a CIP document is prepared separate from the budget document, the CIP information is incorporated into the budget document resulting in an operating/capital budget. The operating and capital budget is appropriated for both the City as a whole and the Redevelopment Agency (RDA). The document is detailed and the budget is managed and accounted for by line-item, by individual program, by fund.

The formal operating budget preparation process begins in mid December with distribution of budget packets containing the appropriate forms and instructions to assist the preparer. If desired, a budget kick-off meeting is scheduled for the purpose of outlining the budget calendar, as well as the process, procedures and forms to be used in the development of the budget. More importantly, this ensures that the budget is prepared in accordance with fiscal policies/guidelines and objectives established by the City Council. The time frames provided in the budget calendar reflect early involvement of City staff and the City Council in review and discussion of policy direction, goals and objectives concurrent with development of financial projections and service level requirements. With this approach, the necessary components that guide the process are incorporated into the proposed budget prior to formal submission to the City Council. Readers may be interested to know that all appropriations, excluding Capital Projects, lapse at year-end. This means that this budget only contains new appropriations for the Fiscal Year.

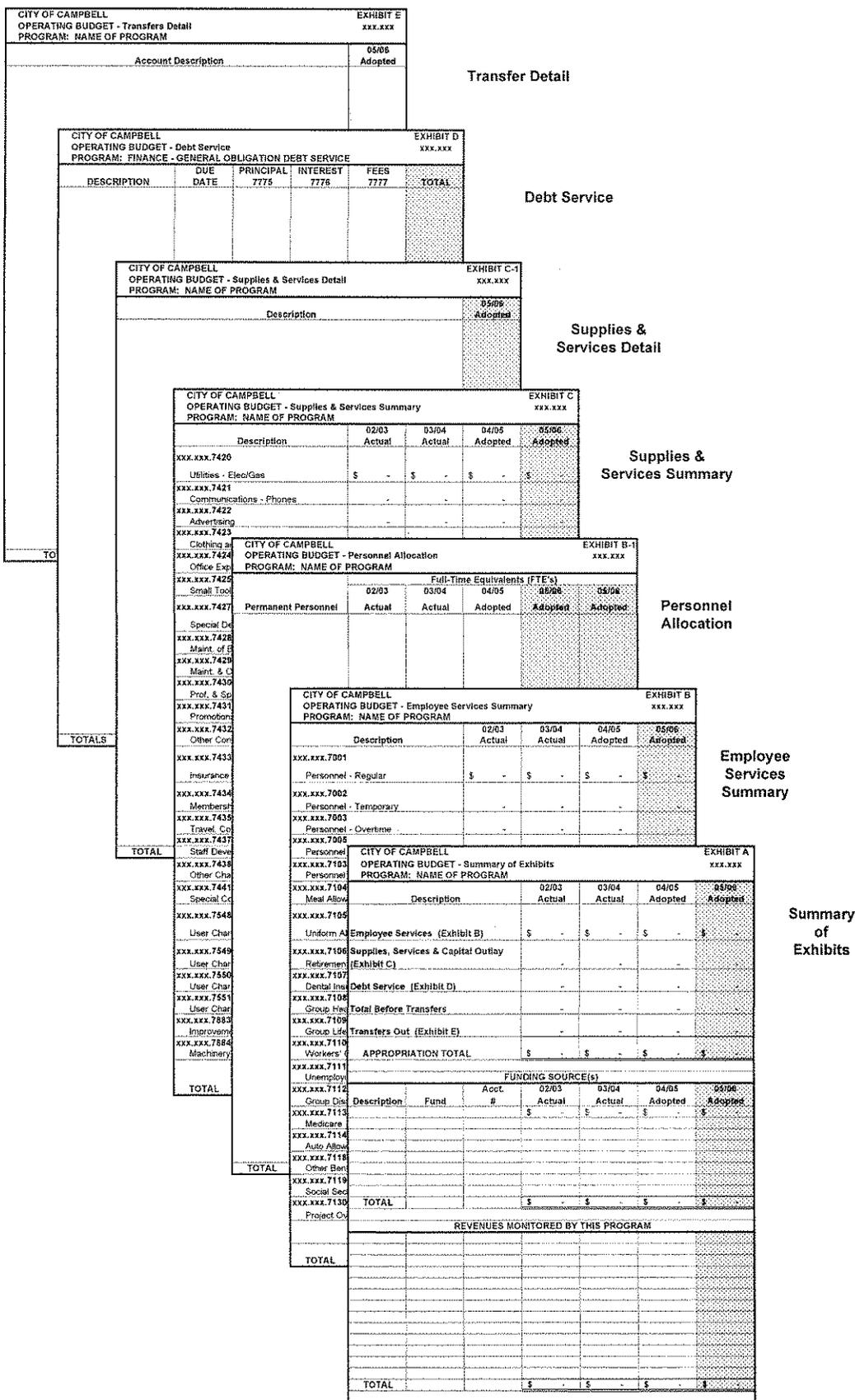
## **BUDGET AMENDMENTS**

Because the budget is an estimate, from time to time it is necessary to make adjustments to fine-tune the line-items within it. Various levels of administrative control are utilized to maintain the budget's integrity. Program Managers are accountable for the line-item level of control of their individual program budgets for operating revenues and expenditures as well as capital projects. Department Heads are accountable for the fund level of control for funds within their departments. Finance oversees the general level of accountability related to budgetary integrity through systems checks and balances and various internal controls. Budget adjustments can consist of two basic types; administrative adjustments or those requiring additional appropriations. The City Manager can authorize budget adjustments within the adopted budget or those requiring transfers from reserves of less than \$5,000. These are referred to as administrative budget adjustments. All budget adjustments that increase appropriations or any adjustments to capital projects must be approved by Resolution of the City Council whether they are for the operating or capital budget.

A General Fund mid-year report will be presented to the City Council in January of each year. Budget amendments resulting from that review will be authorized by Resolution of the City Council. The City shall attempt to keep budgetary records in such a manner to qualify for the Distinguished Budget Presentation Award from the Government Finance Officer's Association (GFOA) and the Excellence in Operating and Capital Budgeting Award from the California Society of Municipal Finance Officers (CSMFO).

The City Council has established formal Financial and Administrative Policies. These policies require a review of the General Fund (the City's largest fund) at the mid-point of the fiscal year. All appropriation adjustments are approved at that time by Resolution of the City Council and implemented by the Finance Department. Excerpts from the Financial Policies Summary are incorporated within the Summary budget document. The policies have been modified slightly with changes in management; however, in all cases, they have become more, rather than less restrictive.

# BUDGET EXHIBITS FLOW CHART



## BUDGET EXHIBITS

### Summary of Exhibits

**Exhibit A:** This is a three-part summary. The first section, the **Summary of all Expenditures by Major Category**, summarizes total appropriations by program. It is considered to be the program's use of funds. The next Section of the form is the **Funding Source Summary** or source of funds. It identifies the major sources of funding for the program such as General Fund, Gas Tax, Etc.

The source and use sections must be equal in total dollars. In the unlikely circumstance that the two do not equal, budgeting a non-operating funding source such as beginning fund balance may be required.

**Revenues Monitored by the Program.** This third section of the form reflects revenue accounts that are projected and monitored by the respective program. Revenue titles and account numbers in addition to historical and projected data are reflected in this section. Total revenues may be less than, equal to, or greater than the preceding two sections of the form. Revenue documentation forms for each revenue account are completed to support both the revenue projection and fee resolution changes.

### Employee Services Summary

**Exhibit B:** This exhibit is completed by the Finance Department once final salary and benefit information is available. Department heads and managers contact Finance when specific salary and benefit information is needed.

### Personnel Allocation Detail

**Exhibit B-1:** This two-part exhibit serves as the detail to salary accounts #7001 and #7002 in Exhibit B. The top half of this form is for permanent personnel, and the bottom half is for temporary and contract personnel. The current fiscal years' full-time equivalents (FTE's) and related salary dollars (not including benefits) are identified in the shaded columns.

### Supplies and Services Summary

**Exhibit C:** The line-item detail information that supports this exhibit is contained in Exhibit C-1. Line item total from Exhibit C-1 are brought forward to this exhibit. Both exhibits are equal in total dollars.

### Supplies and Services Detail

**Exhibit C-1:** In this single exhibit, each line-item should contain narrative regarding the specific types of expenditures budgeted. Sub-total by line-item are totaled and transferred to the appropriate location on Exhibit C. Both exhibits are equal in total dollars.

### Debt Service Detail

**Exhibit D:** Redevelopment and Finance are the only two program areas that use this exhibit to identify principal and interest payments related to debt service.

### Transfers Detail

**Exhibit E:** This exhibit provides narrative similar to that reflected on Exhibit C-1. The primary difference is that this from pertains to interfund transfers. The information provided on this form rolls forward to the appropriate section of Exhibit A. The recipient fund and program number in addition to the intended use of the transferred funds is provided.

## CAMPBELL STRATEGIC PLAN

### Community Vision

*Campbell will remain a friendly community and develop a stronger sense of identity, characterized by the active involvement of its citizens and businesses in all aspects of community life.*

*It will be a safer, more well-balanced small town with connected neighborhoods set in an attractive and comfortable environment.*

*Campbell City government will be increasingly fiscally self-reliant, provide more effective basic municipal services and foster regional cooperation and local partnerships.*

### Community Goals

*To have a safe, clean, comfortable and healthy environment.*

*To be a physically connected and involved community with a strong sense of identity.*

*To have attractive residential neighborhoods and business districts.*

*To retain a friendly, small-town atmosphere.*

*To maintain a fiscally self-reliant City government with effective basic municipal services.*

# CAMPBELL STRATEGIC PLAN ELEMENTS & OBJECTIVES

## 1.0 Land Use

- 1.1. A Balanced small town.
- 1.2. Land-Use patterns that minimize conflicts.
- 1.3. Availability of a range of housing types.
- 1.4. Identifiable City boundaries.
- 1.5. An attractive community with an enhanced image.
- 1.6. Interconnected neighborhoods and community resources.
- 1.7. An economically diverse and viable community.
- 1.8. A vibrant downtown that serves as the focal point of the community.

## 2.0 Financial Health

- 2.1. Up-to-date, effective financial management policies.
- 2.2. A diversified and reliable revenue base.
- 2.3. Effective City services at appropriate service levels, using resources in the most cost efficient manner.

## 3.0 Transportation

- 3.1. Safe residential neighborhoods.
- 3.2. Economically viable shopping areas.
- 3.3. Streets that safely and comfortably accommodate pedestrians and bicycles.
- 3.4. Streets that are safe, clean and well maintained.
- 3.5. Regional improvements that meet the transportation needs of Campbell residents and businesses.
- 3.6. Streets that serve the needs of adjacent land uses.
- 3.7. Streets that operate efficiently and effectively.
- 3.8. Local serving streets that reflect a "small-town" atmosphere.

## 4.0 Public Safety

- 4.1. An improved feeling of safety within the community.
- 4.2. Reduced crime and calls for service.
- 4.3. An effective working relationship with other governmental and social agencies that enables the City to attack the causes of crime.
- 4.4. A reduced number of traffic accidents and associated injuries.
- 4.5. An effective emergency preparedness program.

## 5.0 Community Services / Recreation

- 5.1. Leisure services that enhance community health and opportunities for interaction.
- 5.2. Enhanced recreational opportunities for Campbell residents.
- 5.3. Safe, attractive, and efficient parks and buildings that operate for maximum community use, benefit and enjoyment.
- 5.4. Information and referral services that locate programs and services not directly provided by the City.
- 5.5. Effective working relationships with local schools and service organizations that enable us to address the needs of at-risk youth.
- 5.6. Increased financial self-reliance of the City's Recreation and Community Services Department to support programs and services.
- 5.7. Enhanced community spirit, pride, activities and interaction among Campbell citizens and partnerships with local community groups, service organizations, agencies and private parties to assume co-sponsorship of community spirit events and activities.

## CAMPBELL STRATEGIC PLAN ELEMENTS & OBJECTIVES

### 6.0 Open Space/Cultural/Historical

- 6.1. Sufficient open space to meet the needs of the community and partnerships with schools and other special districts for public use of open space lands.
- 6.2. Additional open space in each of the areas identified as deficient in the open space element of the City's General Plan.
- 6.3. A balance of active and passive uses for the City's open space areas.
- 6.4. Sufficient locally originated historic and cultural activities/opportunities in the community.

- 7.2. Programs to prevent illegal disposal of hazardous waste materials.
- 7.3. Participation in water quality protection programs and water conservation efforts.
- 7.4. Participation in local and regional efforts to improve air quality through traffic congestion management.

### 8.0 Community Participation

- 8.1. A community where residents and business are well informed about community issues and programs.
- 8.2. Clear and effective communication between the City organization and the Campbell Community.
- 8.3. Participation of residents and businesses in government activities.

### 7.0 Environmental Programs

- 7.1. Extend life of landfill space through increased recycling and conservation efforts.

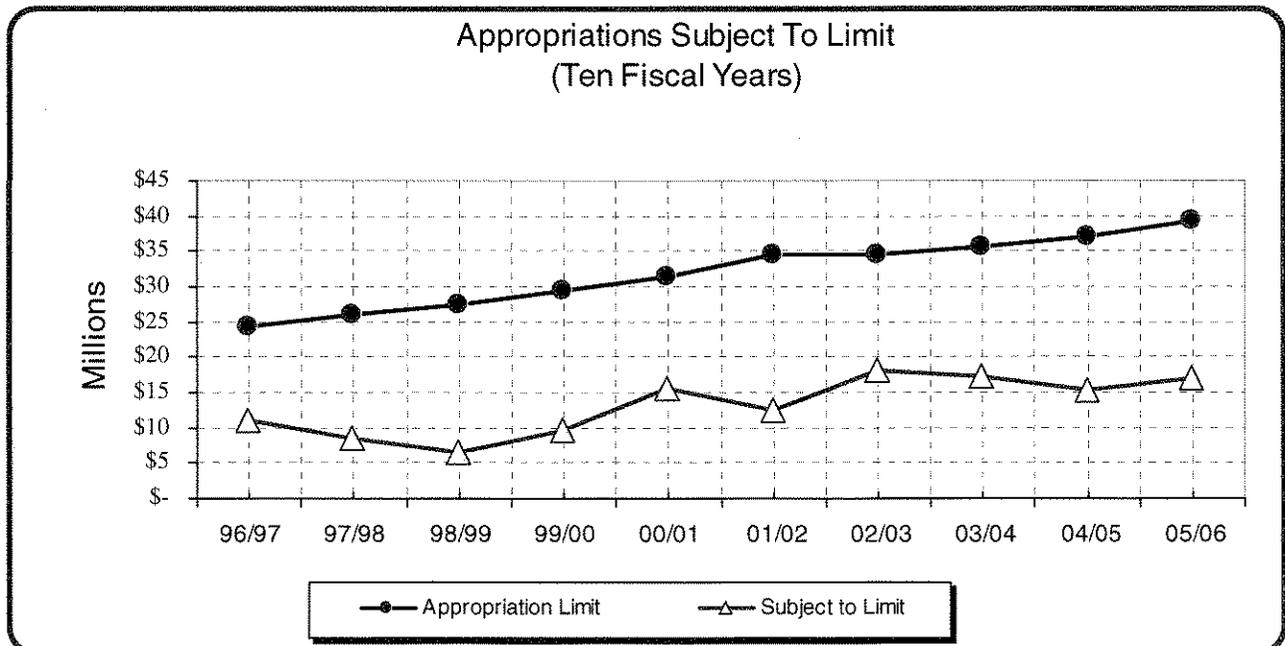


## GANN APPROPRIATIONS LIMIT

Article XIII B of the California State Constitution as enacted by Proposition 4, the Gann initiative of 1979, mandates a limit on the amount of proceeds of taxes that state and local governments can receive and appropriate (authorize to spend) each year. The purpose of this law is to limit government spending by putting a cap on the total proceeds of taxes that may be appropriated each year. The original Article XIII B was further modified by Proposition 111 and SB 88 approved by California voters in June of 1990. Proposition 111 allows cities more flexibility in choosing certain inflation and population factors to calculate the limit.

The limit is different for each agency and the limit changes each year. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978-79 in each agency, modified for changes in inflation and population in each subsequent year. Proposition 111 has modified those factors to allow cities to choose either the growth in California Per Capita Income or the growth in non-residential assessed valuation due to new construction in the City. Alternatively, the City could select a population growth factor represented by the population growth in Santa Clara County. Each year the City establishes its appropriations limit for the following fiscal year. The City of Campbell's appropriation limit for fiscal 2005-06 of \$39.4 million was adopted by Council via Resolution #10528 June 21, 2005.

When a city's proceeds of taxes (less statutory exclusions) exceed the legal limit, excess tax revenue must be returned to the State or citizens through a process of refunds, rebates, or other means that may be determined at that time. The fiscal 2005-06 calculations indicate the City of Campbell will again be significantly below the appropriations or spending limit. The City's appropriations limit of \$39.4 million for fiscal 2005-06 is approximately \$2.4 million higher than the fiscal 2004-05 limit of \$37.0 million. For fiscal 2005-06, the City's proceeds of taxes are projected to be \$19.0 million. However, exclusions totaling \$1.9 million result in appropriations subject to limitation of \$17.1 million, which calculates to be 43.4% of the legal limit. This is \$22.3 million or 56.6% under the legal appropriations limit for fiscal 2005-06. Any future amendments to the adopted appropriations from "proceeds of taxes" will be subject to the limit and will be calculated accordingly. As a result of the City's Gann calculations being so far under the legal limit, restraints on current or future budget deliberations are not contemplated.

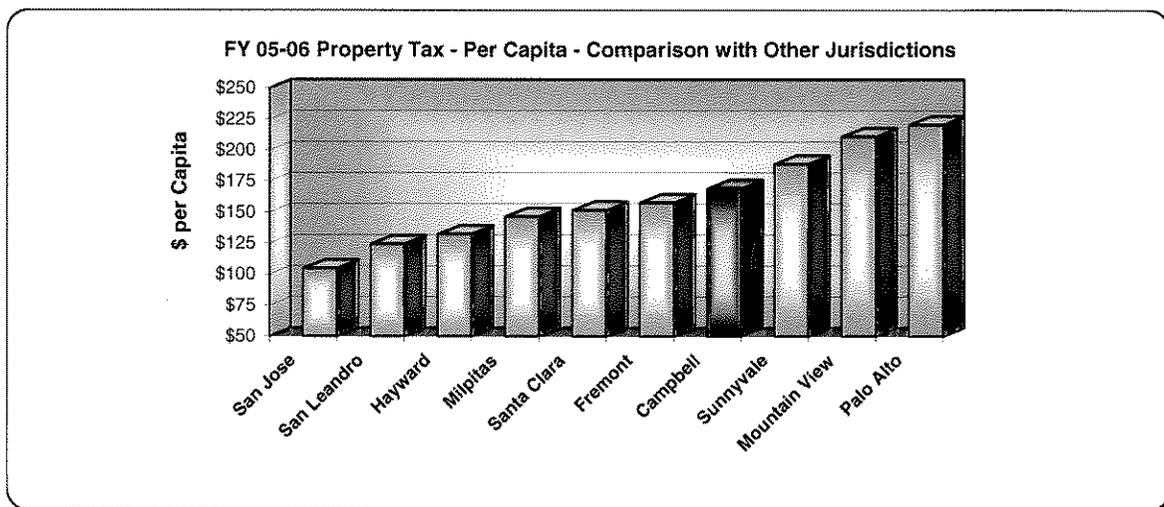


**Property Tax Revenue  
Comparison With Other Jurisdictions  
FY 01-02 through FY 05-06**

| City                 | Actual<br>2001-02 | Actual<br>2002-03 | Actual *<br>2003-04 | Budgeted<br>2004-05 | Budgeted**<br>2005-06 |
|----------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|
| <b>Campbell</b>      | \$3,723,461       | \$3,770,091       | \$3,798,505         | \$4,188,400         | \$6,500,000           |
| % of General Fund    | 12%               | 12%               | 12%                 | 13%                 | 21%                   |
| Per Capita           | 96.28             | 98.69             | 99.44               | 109.07              | 169.27                |
| <b>Fremont</b>       | \$31,516,000      | \$33,036,823      | \$33,153,000        | \$36,089,000        | \$36,089,000          |
| % of General Fund    | 29%               | 31%               | 30%                 | 33%                 | 33%                   |
| Per Capita           | 152.13            | 158.38            | 157.85              | 171.83              | 171.83                |
| <b>Hayward</b>       | \$17,491,000      | \$18,728,438      | \$19,344,000        | \$19,204,000        | \$19,204,000          |
| % of General Fund    | 20%               | 22%               | 23%                 | 23%                 | 23%                   |
| Per Capita           | 121.49            | 129.41            | 133.41              | 132.44              | 132.44                |
| <b>Milpitas</b>      | \$9,395,144       | \$10,008,699      | \$10,794,800        | \$9,367,000         | \$9,367,000           |
| % of General Fund    | 17%               | 20%               | 24%                 | 21%                 | 21%                   |
| Per Capita           | 149.85            | 159.63            | 168.93              | 146.59              | 146.59                |
| <b>Mountain View</b> | \$14,261,679      | \$15,110,347      | \$15,111,020        | \$15,291,738        | \$15,291,738          |
| % of General Fund    | 17%               | 19%               | 21%                 | 21%                 | 21%                   |
| Per Capita           | 199.83            | 209.16            | 211.02              | 213.54              | 213.54                |
| <b>Palo Alto</b>     | \$13,231,000      | \$13,821,000      | \$14,100,000        | \$13,600,000        | \$13,600,000          |
| % of General Fund    | 11%               | 11%               | 12%                 | 11%                 | 11%                   |
| Per Capita           | 219.06            | 228.45            | 228.53              | 220.42              | 220.42                |
| <b>San Jose</b>      | \$82,286,000      | \$95,108,000      | \$92,438,000        | \$97,918,000        | \$97,918,000          |
| % of General Fund    | 12%               | 15%               | 15%                 | 15%                 | 15%                   |
| Per Capita           | 89.64             | 102.82            | 99.08               | 104.95              | 104.95                |
| <b>San Leandro</b>   | \$6,999,648       | \$7,303,756       | \$7,522,013         | \$7,810,000         | \$10,125,000          |
| % of General Fund    | 10%               | 11%               | 12%                 | 12%                 | 16%                   |
| Per Capita           | 86.07             | 89.76             | 92.44               | 95.98               | 124.43                |
| <b>Santa Clara</b>   | \$14,821,000      | \$16,683,604      | \$17,228,401        | \$17,414,000        | \$16,271,000          |
| % of General Fund    | 12%               | 14%               | 15%                 | 15%                 | 14%                   |
| Per Capita           | 142.37            | 157.69            | 160.71              | 162.44              | 151.78                |
| <b>Sunnyvale</b>     | \$20,360,778      | \$22,817,384      | \$23,868,187        | \$24,091,920        | \$25,027,206          |
| % of General Fund    | 22%               | 26%               | 28%                 | 28%                 | 29%                   |
| Per Capita           | 151.97            | 171.79            | 180.14              | 181.82              | 188.88                |

\* 03/04 Actual information for Campbell Only - 03/04 Budgeted Information for All Other Agencies as Actual Information Unavailable at Time of Printing

\*\* 05/06 Budgeted Information for Campbell Only - 04/05 Information Used for Other Agencies as 05/06 Information Unavailable at Time of Printing

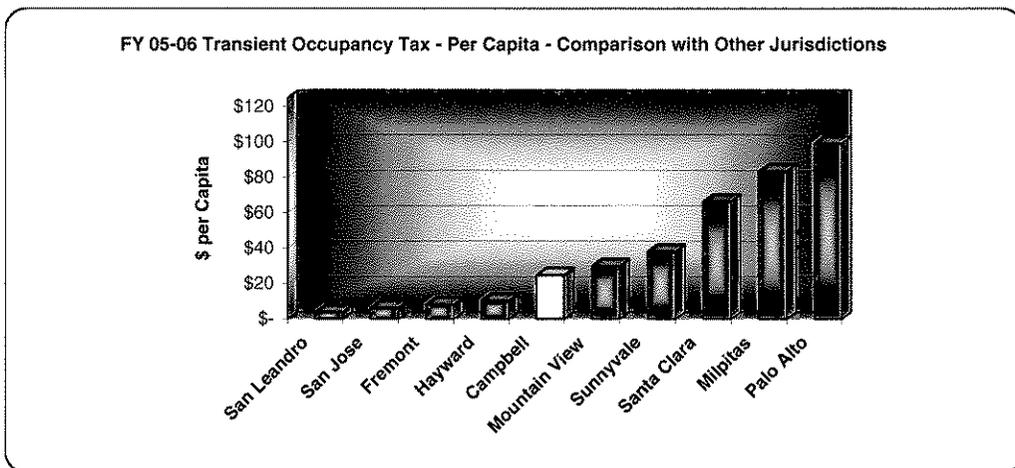


## Transient Occupancy Tax Comparison With Other Jurisdictions FY 01-02 through FY 05-06

| City                 | Actual<br>2001-02 | Actual<br>2002-03 | Actual *<br>2003-04 | Budgeted<br>2004-05 | Budgeted**<br>2005-06 |
|----------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|
| <b>Campbell</b>      | \$1,053,949       | \$970,000         | \$882,464           | \$1,506,600         | \$950,000             |
| % of General Fund    | 3%                | 3%                | 3%                  | 5%                  | 3%                    |
| Per Capita           | 27.25             | 25.39             | 22.98               | 39.34               | 24.80                 |
| <b>Fremont</b>       | \$2,175,000       | \$1,798,758       | \$1,977,000         | \$1,700,000         | \$1,700,000           |
| % of General Fund    | 2%                | 2%                | 2%                  | 2%                  | 2%                    |
| Per Capita           | 10.50             | 8.62              | 9.41                | 8.09                | 8.09                  |
| <b>Hayward</b>       | \$1,481,000       | \$1,214,604       | \$1,500,000         | \$1,200,000         | \$1,200,000           |
| % of General Fund    | 2%                | 1%                | 2%                  | 1%                  | 1%                    |
| Per Capita           | 10.29             | 8.39              | 10.34               | 8.28                | 8.28                  |
| <b>Milpitas</b>      | \$5,790,650       | \$4,953,379       | \$5,328,600         | \$4,679,000         | \$4,679,000           |
| % of General Fund    | 11%               | 10%               | 12%                 | 11%                 | 11%                   |
| Per Capita           | 92.36             | 79.00             | 83.39               | 73.22               | 73.22                 |
| <b>Mountain View</b> | \$2,873,870       | \$2,367,384       | \$2,400,000         | \$2,136,000         | \$2,136,000           |
| % of General Fund    | 3%                | 3%                | 3%                  | 3%                  | 3%                    |
| Per Capita           | 40.27             | 32.77             | 33.51               | 29.83               | 29.83                 |
| <b>Palo Alto</b>     | \$6,615,000       | \$5,333,000       | \$5,549,000         | \$5,800,000         | \$5,800,000           |
| % of General Fund    | 5%                | 4%                | 5%                  | 5%                  | 5%                    |
| Per Capita           | 109.52            | 88.15             | 89.94               | 98.98               | 98.98                 |
| <b>San Jose</b>      | \$6,819,000       | \$5,800,000       | \$6,718,500         | \$5,846,000         | \$5,846,000           |
| % of General Fund    | 1%                | 1%                | 1%                  | 1%                  | 1%                    |
| Per Capita           | 7.43              | 6.27              | 7.20                | 6.27                | 6.27                  |
| <b>San Leandro</b>   | \$81,060          | \$174,031         | \$281,000           | \$310,000           | \$310,000             |
| % of General Fund    | 0.12%             | 0.27%             | 0.44%               | 0.48%               | 0.48%                 |
| Per Capita           | 1.00              | 2.14              | 3.45                | 3.81                | 3.81                  |
| <b>Santa Clara</b>   | \$11,253,395      | \$7,889,562       | \$8,947,000         | \$7,106,000         | \$7,106,000           |
| % of General Fund    | 9%                | 7%                | 8%                  | 6%                  | 6%                    |
| Per Capita           | 108.10            | 74.57             | 83.46               | 66.29               | 66.29                 |
| <b>Sunnyvale</b>     | \$6,263,317       | \$5,093,149       | \$4,577,119         | \$5,034,831         | \$5,034,831           |
| % of General Fund    | 7%                | 6%                | 5%                  | 6%                  | 6%                    |
| Per Capita           | 46.75             | 38.34             | 34.54               | 38.00               | 38.00                 |

\* 03/04 Actual information for Campbell Only - 03/04 Budgeted information for All Other Agencies as Actual information Unavailable at Time of Printing

\*\* 05/06 Budgeted information for Campbell Only - 04/05 Information Used for Other Agencies as 05/06 Information Unavailable at Time of Printing

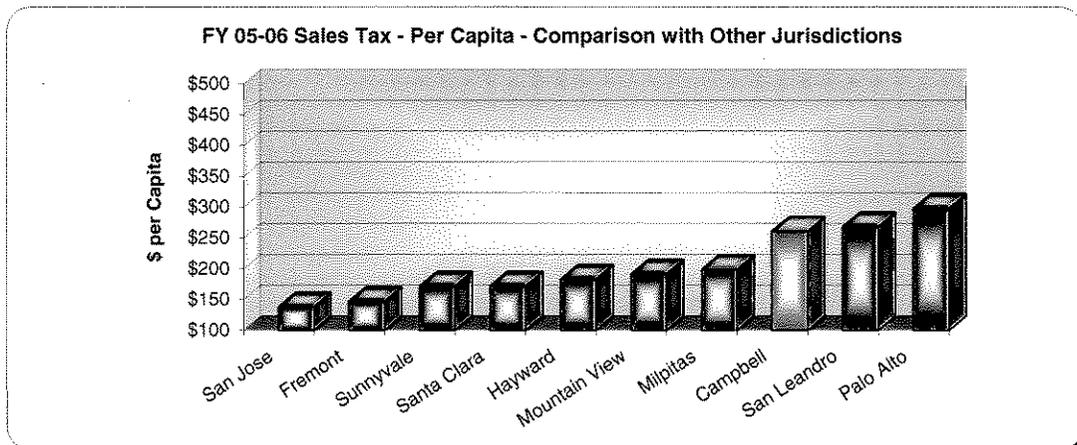


**Sales Tax  
Comparison With Other Jurisdictions  
FY 01-02 through FY 05-06**

| City                 | Actual<br>2001-02 | Actual<br>2002-03 | Actual *<br>2003-04 | Budgeted<br>2004-05 | Budgeted**<br>2005-06 |
|----------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|
| <b>Campbell</b>      | \$9,690,416       | \$8,997,381       | \$ 10,684,234       | \$11,590,000        | \$10,000,000          |
| % of General Fund    | 32%               | 29%               | 34%                 | 37%                 | 32%                   |
| Per Capita           | 250.58            | 235.53            | 278.24              | 301.82              | 260.42                |
| <b>Fremont</b>       | \$29,146,000      | \$28,202,974      | \$26,605,000        | \$30,772,000        | \$30,772,000          |
| % of General Fund    | 27%               | 27%               | 24%                 | 28%                 | 28%                   |
| Per Capita           | 143.15            | 136.14            | 127.55              | 146.52              | 146.52                |
| <b>Hayward</b>       | \$30,040,000      | \$25,779,520      | \$25,780,000        | \$26,500,000        | \$26,500,000          |
| % of General Fund    | 34%               | 30%               | 31%                 | 32%                 | 32%                   |
| Per Capita           | 208.65            | 178.13            | 177.79              | 182.76              | 182.76                |
| <b>Milpitas</b>      | \$11,898,435      | \$9,568,227       | \$11,336,200        | \$12,411,000        | \$12,411,000          |
| % of General Fund    | 22%               | 19%               | 25%                 | 28%                 | 28%                   |
| Per Capita           | 190.11            | 152.88            | 181.12              | 198.30              | 198.30                |
| <b>Mountain View</b> | \$16,715,021      | \$14,327,643      | \$13,771,800        | \$13,681,290        | \$13,681,290          |
| % of General Fund    | 20%               | 18%               | 19%                 | 19%                 | 19%                   |
| Per Capita           | 234.21            | 198.33            | 192.32              | 191.05              | 191.05                |
| <b>Palo Alto</b>     | \$20,084,000      | \$18,041,000      | \$17,400,000        | \$18,335,000        | \$18,335,000          |
| % of General Fund    | 17%               | 14%               | 14%                 | 15%                 | 15%                   |
| Per Capita           | 332.52            | 298.20            | 282.01              | 297.16              | 297.16                |
| <b>San Jose</b>      | \$138,058,000     | \$127,457,000     | \$128,818,000       | \$128,488,000       | \$128,488,000         |
| % of General Fund    | 21%               | 20%               | 20%                 | 20%                 | 20%                   |
| Per Capita           | 150.39            | 137.79            | 138.07              | 137.71              | 137.71                |
| <b>San Leandro</b>   | \$23,177,634      | \$20,938,399      | \$22,093,750        | \$21,765,000        | \$21,765,000          |
| % of General Fund    | 33%               | 33%               | 34%                 | 34%                 | 34%                   |
| Per Capita           | 285.01            | 257.33            | 271.53              | 267.49              | 267.49                |
| <b>Santa Clara</b>   | \$40,104,098      | \$33,814,782      | \$36,000,000        | \$35,239,000        | \$35,239,000          |
| % of General Fund    | 32%               | 28%               | 31%                 | 31%                 | 31%                   |
| Per Capita           | 385.25            | 319.61            | 335.82              | 328.72              | 328.72                |
| <b>Sunnyvale</b>     | \$25,787,528      | \$22,766,997      | \$21,400,000        | \$22,740,513        | \$22,740,513          |
| % of General Fund    | 28%               | 26%               | 25%                 | 27%                 | 27%                   |
| Per Capita           | 192.47            | 171.41            | 161.51              | 171.63              | 171.63                |

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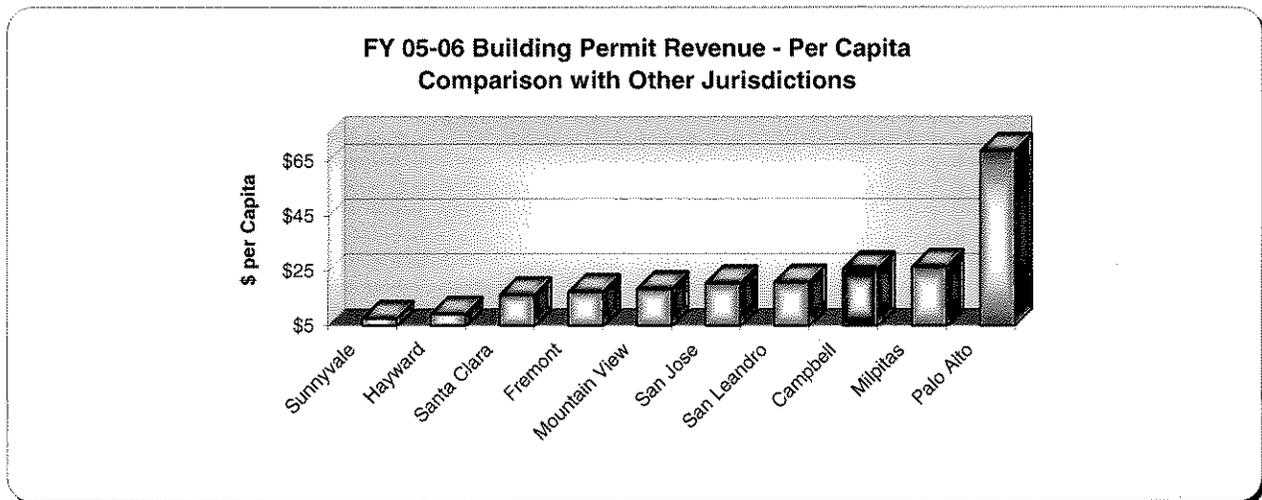


**Building Permit Revenue  
Comparison With Other Jurisdictions  
FY 01-02 through FY 05-06**

| City                 | Actual<br>2001-02 | Actual<br>2002-03 | Actual *<br>2003-04 | Budgeted<br>2004-05 | Budgeted**<br>2005-06 |
|----------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|
| <b>Campbell</b>      | \$503,243         | \$659,844         | \$835,638           | \$986,500           | \$875,000             |
| % of General Fund    | 2%                | 2%                | 3%                  | 3%                  | 3%                    |
| Per Capita           | 13.01             | 17.27             | 21.76               | 25.69               | 22.79                 |
| <b>Fremont</b>       | \$3,348,000       | \$1,379,409       | \$1,542,016         | \$1,897,123         | \$1,897,123           |
| % of General Fund    | 3%                | 1%                | 1%                  | 2%                  | 2%                    |
| Per Capita           | 16.05             | 6.66              | 7.39                | 9.03                | 9.03                  |
| <b>Hayward</b>       | \$1,520,000       | \$1,249,809       | \$950,000           | \$1,788,250         | \$1,788,250           |
| % of General Fund    | 2%                | 1%                | 1%                  | 2%                  | 2%                    |
| Per Capita           | 10.56             | 8.64              | 6.55                | 12.33               | 12.33                 |
| <b>Milpitas</b>      | \$1,872,461       | \$1,270,407       | \$1,661,100         | \$1,651,000         | \$1,651,000           |
| % of General Fund    | 3%                | 3%                | 4%                  | 4%                  | 4%                    |
| Per Capita           | 29.92             | 20.30             | 26.54               | 26.38               | 26.38                 |
| <b>Mountain View</b> | \$1,768,130       | \$1,174,524       | \$927,600           | \$148,555           | \$148,555             |
| % of General Fund    | 2%                | 2%                | 1%                  | 0%                  | 0%                    |
| Per Capita           | 24.77             | 16.26             | 12.95               | 2.07                | 2.07                  |
| <b>Palo Alto</b>     | \$3,602,861       | \$4,429,000       | \$4,306,489         | \$4,540,414         | \$4,540,414           |
| % of General Fund    | 3%                | 4%                | 4%                  | 4%                  | 4%                    |
| Per Capita           | 59.65             | 73.21             | 69.80               | 73.59               | 73.59                 |
| <b>San Jose</b>      | \$4,900,000       | \$5,800,000       | \$6,500,000         | \$8,000,000         | \$8,000,000           |
| % of General Fund    | 1%                | 1%                | 1%                  | 1%                  | 1%                    |
| Per Capita           | 5.34              | 6.27              | 6.97                | 8.57                | 8.57                  |
| <b>San Leandro</b>   | \$1,735,743       | \$1,240,229       | \$1,485,750         | \$1,504,025         | \$1,504,025           |
| % of General Fund    | 3%                | 2%                | 2%                  | 2%                  | 2%                    |
| Per Capita           | 21.34             | 15.24             | 18.26               | 18.48               | 18.48                 |
| <b>Santa Clara</b>   | \$1,673,866       | \$1,715,812       | \$1,750,000         | \$1,850,000         | \$1,850,000           |
| % of General Fund    | 1%                | 1%                | 2%                  | 2%                  | 2%                    |
| Per Capita           | 16.08             | 16.22             | 16.32               | 17.26               | 17.26                 |
| <b>Sunnyvale</b>     | 1,529,362         | \$940,146         | \$1,029,662         | \$1,029,662         | \$1,029,662           |
| % of General Fund    | 2%                | 1%                | 1%                  | 1%                  | 1%                    |
| Per Capita           | 11.41             | 7.08              | 7.77                | 7.77                | 7.77                  |

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**Franchise Fee Revenue  
Comparison With Other Jurisdictions  
FY 01-02 through FY 05-06**

| City                 | Actual<br>2001-02 | Actual<br>2002-03 | Actual *<br>2003-04 | Budgeted<br>2004-05 | Budgeted**<br>2005-06 |
|----------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|
| <b>Campbell</b>      | \$1,249,678       | \$1,199,010       | \$1,238,588         | \$1,256,200         | \$1,265,000           |
| % of General Fund    | 5%                | 4%                | 4%                  | 4%                  | 4%                    |
| Per Capita           | 30.61             | 31.00             | 32.42               | 32.71               | 32.94                 |
| <b>Fremont</b>       | \$6,540,000       | \$7,467,000       | \$6,872,912         | \$7,204,000         | \$7,204,000           |
| % of General Fund    | 7%                | 7%                | 7%                  | 7%                  | 7%                    |
| Per Capita           | 32.12             | 36.67             | 33.18               | 34.54               | 34.30                 |
| <b>Hayward</b>       | \$5,612,000       | \$5,393,572       | \$5,715,000         | \$6,822,000         | \$6,822,000           |
| % of General Fund    | 6%                | 6%                | 7%                  | 8%                  | 8%                    |
| Per Capita           | 38.97             | 37.46             | 39.49               | 47.05               | 47.05                 |
| <b>Milpitas</b>      | \$2,882,412       | \$2,673,944       | \$2,761,100         | \$2,802,000         | \$2,802,000           |
| % of General Fund    | 5%                | 5%                | 6%                  | 6%                  | 6%                    |
| Per Capita           | 46.05             | 42.72             | 44.12               | 44.77               | 44.77                 |
| <b>Mountain View</b> | \$2,959,725       | \$2,764,649       | \$2,905,450         | \$2,970,593         | \$2,970,593           |
| % of General Fund    | 4%                | 3%                | 4%                  | 4%                  | 4%                    |
| Per Capita           | 39.36             | 38.74             | 40.22               | 41.48               | 41.48                 |
| <b>Palo Alto</b>     | \$529,272         | \$317,000         | \$394,000           | \$394,000           | \$394,000             |
| % of General Fund    | 0.43%             | 0.26%             | 0.31%               | 0.33%               | 0.33%                 |
| Per Capita           | 8.65              | 5.25              | 6.51                | 6.39                | 6.39                  |
| <b>San Jose</b>      | \$34,432,000      | \$32,093,000      | \$32,406,000        | \$32,162,000        | \$32,162,000          |
| % of General Fund    | 6%                | 5%                | 5%                  | 5%                  | 5%                    |
| Per Capita           | 38.47             | 34.96             | 35.03               | 34.47               | 34.47                 |
| <b>San Leandro</b>   | \$3,516,617       | \$3,329,375       | \$3,399,000         | \$3,432,300         | \$3,432,300           |
| % of General Fund    | 5.14%             | 4.81%             | 5%                  | 5%                  | 5%                    |
| Per Capita           | 43.90             | 40.94             | 41.77               | 42.18               | 42.18                 |
| <b>Santa Clara</b>   | \$3,128,273       | \$2,409,630       | \$2,345,000         | \$2,393,000         | \$2,393,000           |
| % of General Fund    | 2%                | 2%                | 2%                  | 2%                  | 2%                    |
| Per Capita           | 30.40             | 23.15             | 22.16               | 22.32               | 22.32                 |
| <b>Sunnyvale</b>     | \$5,494,040       | \$5,226,408       | \$5,393,252         | \$5,336,106         | \$5,336,106           |
| % of General Fund    | 5%                | 6%                | 6%                  | 6%                  | 6%                    |
| Per Capita           | 41.70             | 39.01             | 40.60               | 40.27               | 40.27                 |

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**FY 04-05 Franchise Fee Revenue - Per Capita - Comparison with Other Jurisdictions**

