



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

I am pleased to present the fiscal year 2010-11 (FY 11) operating and capital budget. The budget 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 that the Council and staff are committed to providing to the Campbell community.

The City has managed through difficult economic times for the past 8 years with the most recent year presenting the greatest challenge to-date. Described by many economists and experts as the Great Recession, and likely the worst economic period since the Great Depression, the past couple of years have been very damaging to the fiscal health of many municipalities. From the collapse of the housing and credit markets to a significant rise in unemployment to the troubles in the corporate financial world, the recession has been unprecedented in scope and magnitude, affecting markets and economies around the world. In the latter half of FY 10, however, it appears the bad economic news has subsided with stabilization in the housing and credit markets while unemployment has also appeared to level out. While the economy has ceased from deteriorating further, it has not yet showed significant progress of recovery. In fact, because unemployment is still in double digits, it is widely believed a sustained recovery will take many years to occur.

After experiencing additional shortfalls in revenues this past year, the City, once again, was forced to undertake significant cost cutting steps on top of the \$4 million cuts it had already made over the preceding 5-6 years. This led to the development of another set of budget correction strategies consisting of more than 130 separate items and totaling close to \$3.2 million (Exhibit 3 of this letter contains the details of the budget correction strategy). Among other things, it involved freezing additional positions, voluntary and involuntary work hour reductions, and offering early retirement incentives. As a result, the budget was balanced without the need to draw from the City's Reserve for Economic Fluctuations. This reserve is specifically established to buffer the City from significant downturns in the economy lasting more than a single year. The City's reserve policies require that whenever this reserve falls below \$4 million or the City's five-year financial projections indicate the reserve will fall below this minimum, a plan be submitted to the Council by the following year's budget adoption to get back to the target within five years.

The budgeted level of proposed expenditures are considered necessary and proper, taking into consideration the City's Strategic Plan objectives of providing quality services to our residents. Reserve requirements have been maintained consistent with established and updated financial policies. The result is an overall budget that continues most of the program and service levels from the prior year, which the residents of Campbell have indicated are important to them. However, there are a number of service level reductions incorporated in this year's budget as a result of the budget correction strategies.

## BUDGET SUMMARY

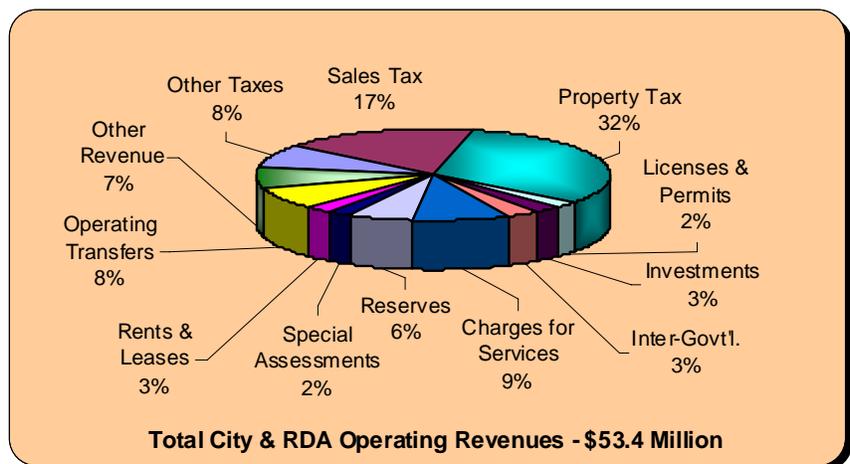
The combined FY 11 operating and capital budget totals \$60.1 million, comprised of \$49.8 million for the City and \$10.3 million for the Redevelopment Agency (RDA). Related revenue sources total \$60.6 million comprised of \$50.2 million for the City and \$10.4 million for the RDA, indicating a balanced budget in which total revenues, including the use of reserves, meet or exceed total expenditures. Excluding capital transfers, the City's budget would be \$46.2 million and the RDA's budget would be \$10.3 million. The excess of total combined revenue over expenditures is attributable to building a small surplus into the General Fund budget to replenish the Economic Fluctuation Reserve over the next 5 years.

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

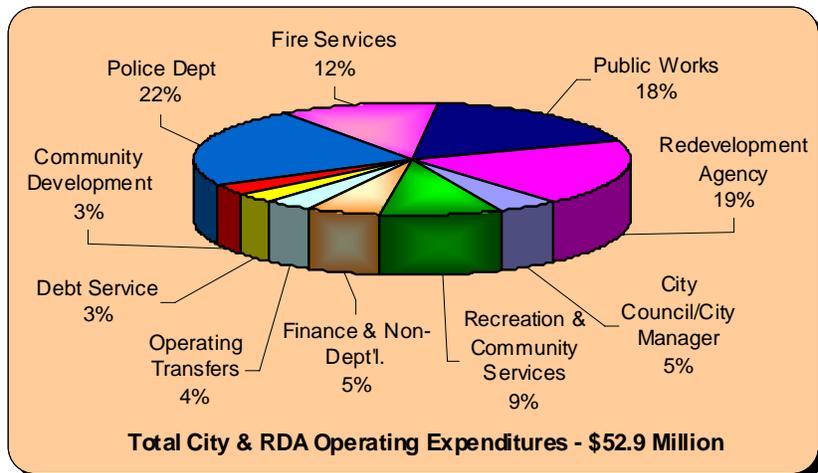
	FY 2010 - 11			FY 2009 - 10			\$ Change Operating Budget	% Change
	Operating Budget	Capital Budget	Total Adopted Budget	Operating Budget	Capital Budget	Total Adopted Budget		
City	\$ 42,610,006	\$ 3,580,000	\$ 46,190,006	\$ 45,250,915	\$ 2,458,250	\$ 47,709,165	\$ (2,640,909)	-5.8%
Capital Transfers	-	3,580,000	3,580,000	-	2,364,500	2,364,500	-	n/a
<b>Total City</b>	<b>42,610,006</b>	<b>7,160,000</b>	<b>49,770,006</b>	<b>45,250,915</b>	<b>4,822,750</b>	<b>50,073,665</b>	<b>(2,640,909)</b>	<b>-5.8%</b>
RDA	10,331,628	-	10,331,628	8,070,709	-	8,070,709	2,260,919	28.0%
Capital Transfers	-	-	-	-	93,750	93,750	-	n/a
<b>Total RDA</b>	<b>10,331,628</b>	<b>-</b>	<b>10,331,628</b>	<b>8,070,709</b>	<b>93,750</b>	<b>8,164,459</b>	<b>2,260,919</b>	<b>28.0%</b>
<b>Total City &amp; RDA</b>	<b>\$ 52,941,634</b>	<b>\$ 7,160,000</b>	<b>\$ 60,101,634</b>	<b>\$ 53,321,624</b>	<b>\$ 4,916,500</b>	<b>\$ 58,238,124</b>	<b>\$ (379,990)</b>	<b>-0.7%</b>

Overall, the total operating budget is 0.7% lower than the previous year. **The City's operating budget, by itself, is lower by \$2.6 million (5.8%).** The RDA expenditures increase is attributable to a higher tax sharing obligation to the County and other taxing jurisdictions in addition to an expected **\$0.5 million State takeaway.**

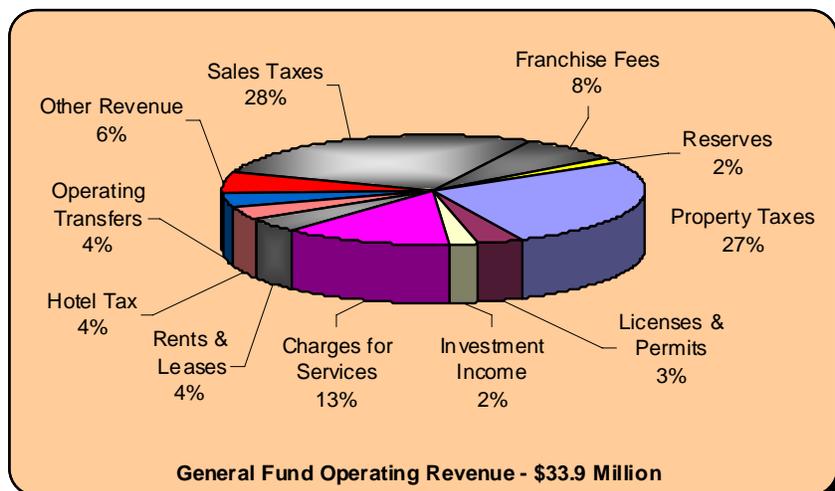
**Operating Budget:** The total operating portion of the budget is \$52.9 million, comprised of \$42.6 million for the City and \$10.3 million for the RDA. Related revenue sources total \$53.4 million comprised of \$43.0 million for the City and \$10.4 million for the RDA. The budget reflects expenditures 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 on-going operating revenues that are 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 11 operating budget relies on a total of \$3.1 million in non-recurring revenues, reserves and fund balances, to fund operating expenditures. The largest component is \$2.2 million from RDA tax increment reserves needed to fund tax sharing obligations and the State takeaway. An additional \$0.5 million in General Fund reserves will be used to fund specific expenditures. No funding from the Economic Fluctuations Reserve is contemplated this year.



**General Fund operating revenues and expenditures are budgeted at \$33.9 million and \$33.5 million, respectively, representing a \$2.0 million reduction in expenditures from the FY 10 adopted budget.** The \$0.4 million difference represents budgeted surplus intended to replenish the Reserve for Economic Fluctuations back to its target of \$6 million over the next five years.



**Capital Budget:** The City's Capital Improvement Plan (CIP) is used both as a short and medium-range plan for the acquisition, improvement and/or renovation of City assets, infrastructure in particular. The CIP is reviewed and updated annually by a committee of senior management staff. It includes projects and equipment items valued 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.

The CIP is presented on a five-year horizon in which project scheduling is dependent upon various factors including the urgency of need, availability of funding and staff workload to name a few. The first year of the CIP is incorporated within the operating / capital budget document, and formally appropriated by the City Council. The remaining years function as a project planning and budgeting tool. Any expected operating budget impacts resulting from the CIP are

incorporated into the operating budget.

The City has historically funded various capital projects with General Fund surpluses. Current projections, however, indicate the City anticipates only modest surpluses that are designated for replenishing the Economic Fluctuations Reserve for the next several years. Therefore, the number and scope of proposed capital projects compared to previous years will be reduced.

There are 8 capital projects proposed for funding in FY 11. Project expenditures of \$3.58 million plus related inter-fund transfers of an additional \$3.58 million total \$7.16 million in capital appropriations for the City and RDA combined. The largest component of the projects is \$1.5 million for the rehabilitation of Hacienda Avenue with an additional \$1.1 million for improvements to Winchester Blvd. The full CIP, along with details of specific projects, can be found in the Capital Improvement Plan tab of this document.

## **REVENUES**

Estimating revenues for the coming year was an extremely difficult task in light of the poorly performing economy. Program managers evaluated comparative historical data in conjunction with necessary inflationary adjustments, changes in volume or activity, and any fee increases. Then, current and forecasted activity changes, based on the latest available information, were taken into consideration to adjust estimates up or down as needed. **Total budgeted revenue for FY 11 is \$60.6 million**, including capital funding sources of \$7.2 million. This reflects an increase of \$1.8 million (3.1%) from the previous year. In looking at only the operating budget component, total revenue is \$53.4 million, down \$0.3 million 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 generally one-time and long-term in nature, and they are funded with non-operating revenue so there is no impact on the operating budget funding sources. The operating and capital budgets contain transfers-in totaling \$4.1 million and \$3.6 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.

**General Fund:** Contained within the budget are a variety of funds, each with its own source(s) of revenue. The budget document is organized by operating department, then by program within the department. The General Fund is the City's largest single fund where the majority of services are budgeted. It funds general services such as police, fire, parks, streets and administration. Therefore, the focus of this section of the budget message is on the General Fund. General Fund operating revenue, excluding capital funding sources and use of operating reserves/beginning fund balances, is estimated to be \$32.5 million, **a decrease of \$1.9 million (5.5%) from the previous year's adopted budget.** Almost all of this decrease is due to reduced sales tax revenue estimates.

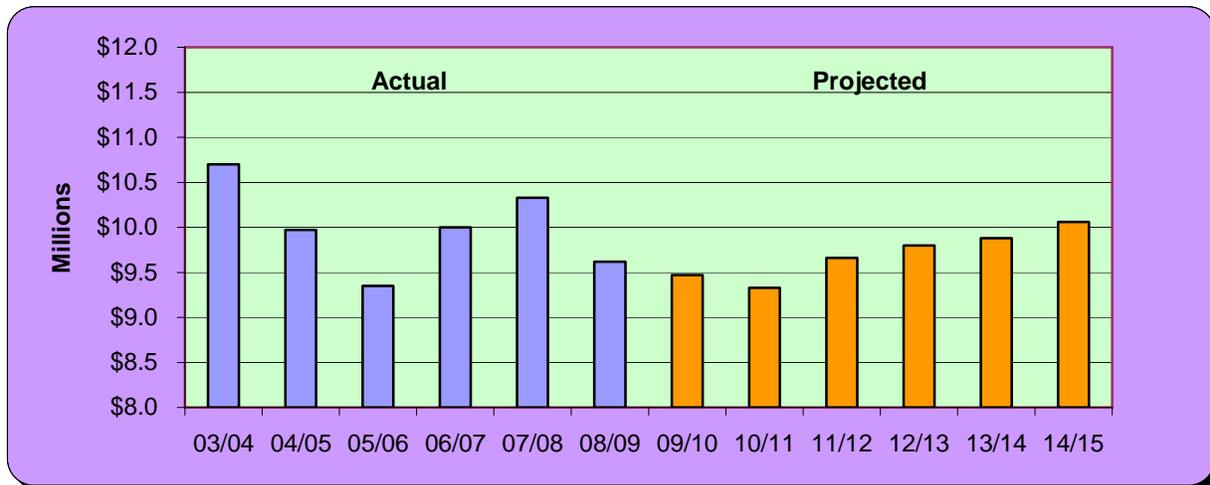
**Sales Tax:** Sales tax, the single largest revenue source for the General Fund, comprises approximately 28% of its net operating revenue base. Net revenues exclude reserves, which are not considered to be an on-going revenue source. The sales tax base is comprised of over 1,300 diverse businesses throughout the City. While most of the City's largest sales tax producers can be considered stable businesses, they are still subject to fluctuations from

regional and national economic conditions which can have a direct impact on the sales tax revenue base. The loss of any one of these top revenue generators would have a significant financial impact to the City.

Growth in the sales tax base is limited because the City is largely “built out” with little room for new retail development and growing reliance on “in-fill” projects of smaller scale and redevelopment of existing parcels. In addition, increased regional competition and the impact of electronic commerce continue to erode the revenues of some of the City’s larger existing sales tax producers. By comparison, other Silicon Valley cities and the State overall have seen higher levels of sales tax growth, on average, due to their capacity to accommodate new retail business when the economy expands. Campbell has also not seen significant growth in its business-to-business segment compared to neighboring cities, making the City’s largest revenue source one of the most challenging to deal with in future years.

Consequently, the FY 11 budget of \$9.3 million is a net \$2 million (17.3%) lower than the adopted FY 10 budget and slightly lower than FY 10 estimated actual. Because the economy is expected to remain weak for the next couple of years, future revenue increases are expected to be modest at best. In fact, revenue growth from existing retail businesses is projected to be 0% for FY 12 based on the latest data available from the City’s sales tax consultant and recent trends. Only because of a couple of new retail developments anticipated to be completed in FY 12 does the projected revenue increase. Beyond next year, the growth assumption is a paltry 1% based on a slight improvement in the economy.

**Sales Tax Trends – General Fund**



The graph above reflects actual sales tax performance for the past seven fiscal years and projected revenue through FY 15.

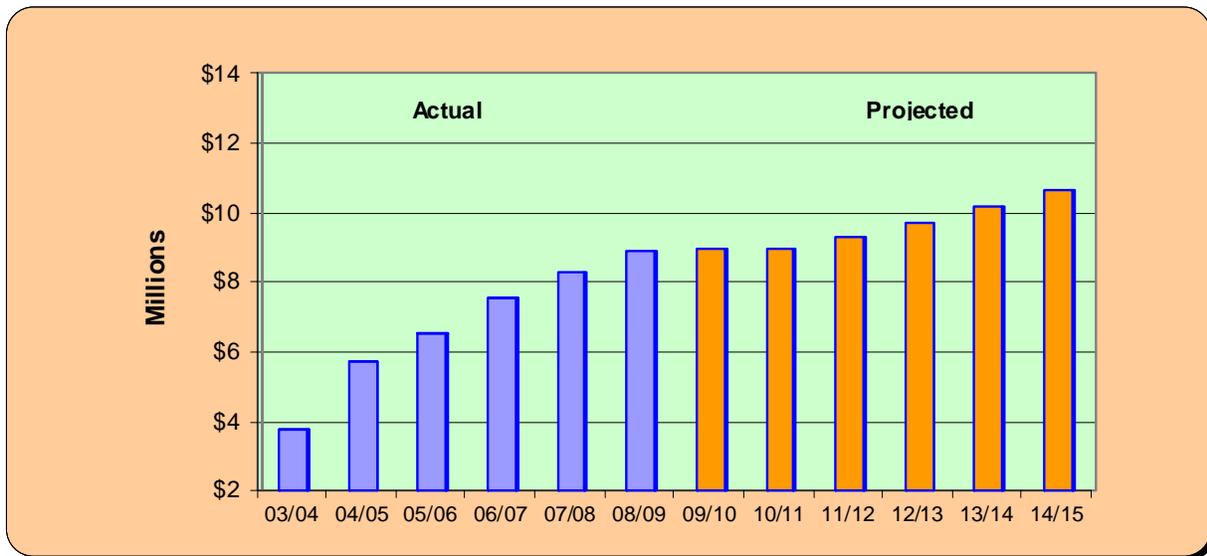
**Property Tax:** Property tax revenue is the second largest source of revenue to the General Fund, estimated at \$9 million or 27% of net operating revenue for FY 11. This is an increase of \$0.2 million (2%) from the previous fiscal year’s adopted budget but essentially flat (0% growth) from estimated FY 10 revenues. This is due to the unprecedented decline in assessed values in parts of Silicon Valley that began a couple of years ago and has yet to fully recover. The County Assessor indicated negative County-wide growth has only occurred four times in the past 75

years, primarily during the years immediately following the Great Depression of 1929. Clearly, this is an anomaly to the usual positive growth which typically results from the general desirability of the region and the limited housing supply compared to overall demand. Despite the ongoing difficulties in the housing market, it is expected that housing in the Silicon Valley will eventually recover, but this could take several more years. In recent months, real estate sales and housing prices in many parts of Silicon Valley have been up indicating a rebound has already begun.

Beginning in fiscal year 1993, and continuing for the past 16 years, the City has cumulatively lost in excess of \$16 million in property tax revenue due to State legislated takeaways. Under the enabling “Education Revenue Augmentation Fund” (ERAF) legislation, the State, as a means to fix a significant budgetary deficit, began diverting local government property tax revenues to the ERAF to help fund its fiscal obligation to schools. The *ongoing* impact to the City is approximately \$1.5 million in annual lost revenue for which there is no end in sight.

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. The significant jump from FY 04 to FY 05 is attributable to legislative action taken by the State that reduced the City’s vehicle license fee and replaced it with additional property tax revenue taken from the State’s ERAF fund. As discussed, although projected to have no growth next year, future projections anticipate a return of modest growth over the next several years.

**Property Tax Trend – General Fund**



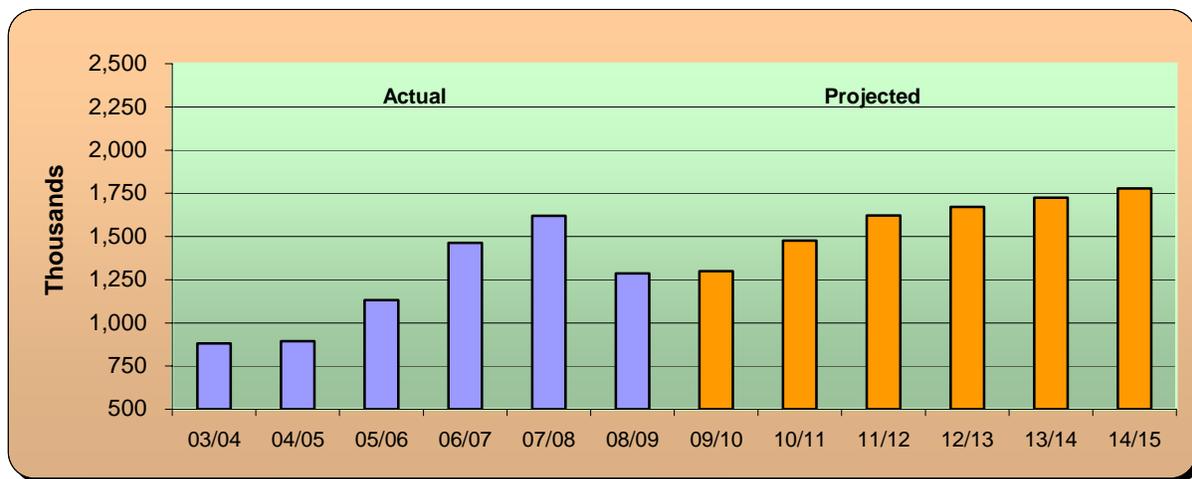
**Transient Occupancy Tax:** This tax, more commonly referred to as hotel/motel tax, or simply TOT, is derived from a 10% tax that is applied to the room rates of the City’s hotels/motels. TOT revenue for FY 11 is budgeted at \$1.5 million, reflecting a \$0.2 million increase from the revised FY 10 projections. The expected increase is due, in part, to a new 162 room hotel that finished construction and opened mid-way through FY 10. The City’s existing hotel/motel revenue is anticipated to also increase slightly based on seeing evidence that this sector has already hit bottom and should be able to at least meet revenue levels from the previous year based on recent data. A ballot measure, contemplated for the November, 2010 election, would increase

the tax rate from 10% to 12%, effective January 1, 2011. This increase has not been included in the long-term projections of revenue.

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%. In recent years, occupancy rates have been in the range of 50-75%, however, the most recent two quarters show occupancy to be increasing as average room rates have dropped considerably.

The following chart depicts historical activity and projections for current and future years. The projections also include the anticipated revenues from the new hotel.

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



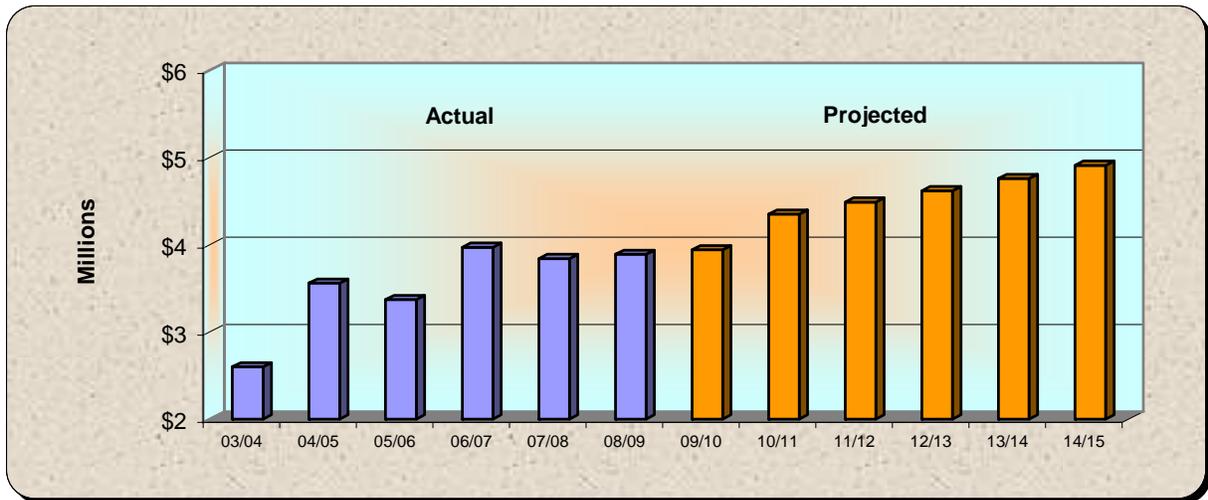
**Charges for Services:** Charges for services include revenues derived from a variety of sources, the largest being Recreation program fees that consist of classes/lessons, trips/tours, preschool and theater revenues. Other fees are charged for Police and Fire services; engineering services; zoning review and business license processing.

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 in conjunction with the budget process. During FY 10, a comprehensive user fee study was performed and most of the recommendations were approved by Council and incorporated into the budget estimates which resulted in increases for many fees in FY 11.

In addition to the cost of providing the service, other factors such 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 combined revenue for all user fees and charges is anticipated to generate \$4.3 million for the General Fund during FY 11, an increase of 10.5% from the previous fiscal year.

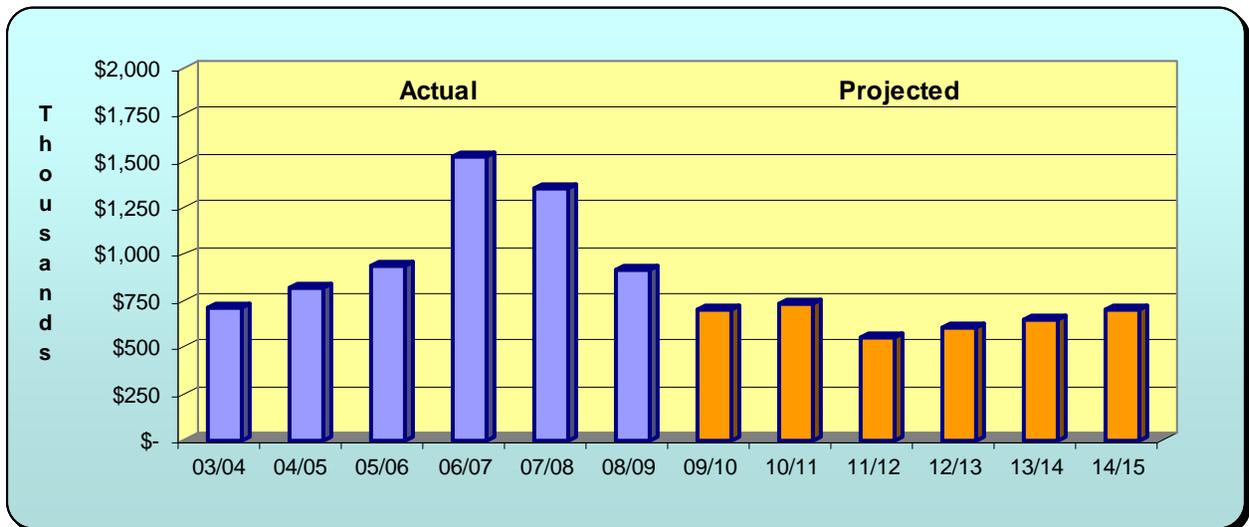
The following chart depicts historical activity and projections for current and future years:

### Charges for Services Trend – General Fund



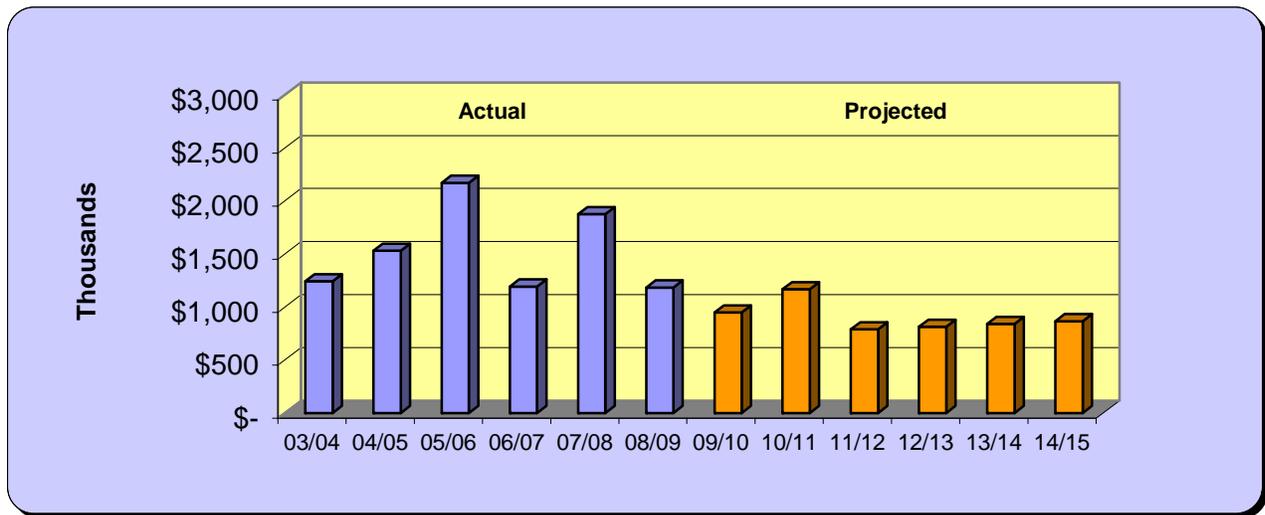
**Investment Income:** Investment income comprises approximately 2.1% of General Fund net operating revenue and is estimated to be \$0.7 million for FY 11, about the same as estimated FY 10 revenue but a decrease of \$0.2 million or 19% from the previous year's adopted budget. Investment earnings are expected to decrease due to the Federal Reserve Bank keeping short-term interest rates low to try and stimulate increased economic output. Average interest rate yields are expected to be lower in FY 11 than they were in FY 10. For example, in May 2010, the yield from the City's Local Agency Investment Fund was 0.6% compared to 1.5% in May 2009. The following chart depicts historical activity and projections for current and future years:

### Investment Income Trend – General Fund



**Licenses & Permits:** Revenues in this category are comprised primarily of construction permits and advanced plan check fees. Also included are fire permits and other Building Division fee revenues. Total revenues from this category can fluctuate significantly with the level of development activity from year to year and serve as one measure of how the economy is faring. Budgeted FY 11 revenues are \$1.2 million compared with \$0.8 million budgeted in FY 10, an increase of 39%. This is due to a significant development project that is anticipated to occur during the year while the overall expectation for development and construction activity continues to be soft. Revenues from this source have declined in recent years, due to the poor economy, and future projections indicate construction activity will continue to lag for sometime to come.

**Licenses & Permits – General Fund**



**Lease Rental Income:** The City collects rental income by leasing out space to tenants at its Community Center facility. Lease rental income in FY 11 is projected to be approximately the same as in FY 10 at \$1.4 million, representing approximately 4.2% 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. However, it is expected that due to the severity of the economy, occupancy levels may see a modest decline. The revenue projection is based on actual lease contracts and estimated market rates for available space.

**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 \$2.6 million for FY 11. This is an increase of \$0.2 million from the previous year. 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.

**Other General Fund Revenues:** The remaining significant General Fund revenue sources consist of other miscellaneous income of \$0.8 million, operating transfers-in of \$1.4 million, representing reimbursements from other funds for services provided by the General Fund, and reserves of \$0.5 million that are used to fund operating expenditures. Where appropriate, other revenue sources are projected to reflect modest inflationary increases and/or changes in activity levels.

### **Revenue - Other Funds**

A variety of other funds are contained within the budget and explained in greater detail further in the budget message. In summary, each fund's operating revenue meets or exceeds operating expenditures consistent with established financial policies. 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 this document. Charts and graphs for General Fund revenue as well as total City revenue, other than what is presented in this budget message, can be found in the financial summaries section of the budget document. Because this budget is organized by program, funds other than the General Fund are included in the respective operating department's section of the budget along with the General Fund programs. Each program is identified with the fund number at the beginning of each section.

**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. Total operating revenues for Special Revenue funds for FY 11 are \$5.2 million, down \$0.2 million from the previous year due to decreased operating transfers-in from other funds.

**Debt Service Funds** are incorporated within the budget due to various bond covenant requirements. 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. For presentation purposes, the RDA debt service fund is grouped along with other RDA funds under the Redevelopment Agency tab in the budget document. Total funding sources for Debt Service funds, excluding the RDA fund, for FY 11 are \$1.7 million. The RDA Debt Service funding sources for FY 11 are \$8.3 million.

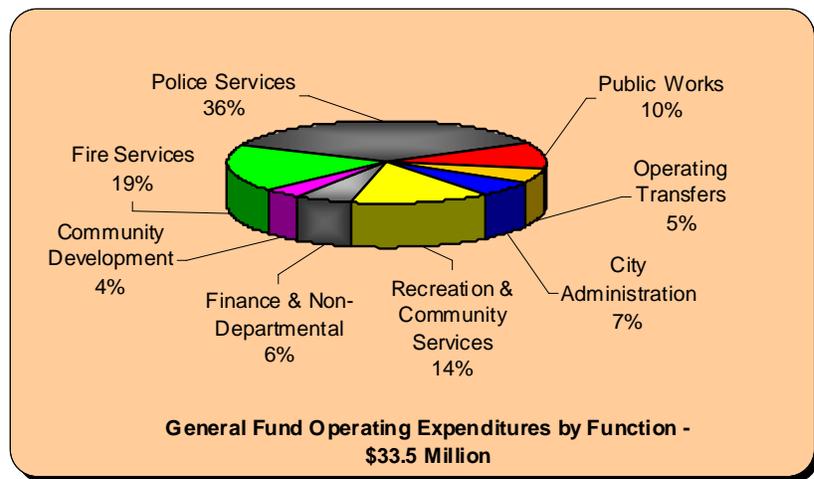
Three **Internal Service Funds** (Motor Vehicle, Information Technology and Workers' Compensation) are presented within the City's budget. Revenues in these funds are generated primarily through charge-backs to user departments depending upon the volume of assets and type of service provided by the specific fund. Costs that get recovered include staff time, repair,

maintenance, claims payout and replacement of assets managed by the particular fund. Total revenues for Internal Service funds for FY 11 are \$2.2 million, down \$0.6 million from the previous year. This is due to reduced charges for all funds resulting from reduced appropriations.

## **EXPENDITURES**

As previously noted, the FY 11 budget is comprised of operating and capital expenditures for both the City and the Redevelopment Agency totaling \$60.1 million. City operating expenditures total \$42.6 million, and RDA operating expenditures total \$10.3 million for a combined total of \$52.9 million.

The General Fund comprises approximately 63% of total City and Redevelopment Agency operating expenditures. Other City funds comprise 17%, and RDA makes up the balance at 20% of the total. **Operating expenditures in the General Fund are budgeted at \$33.5 million, which is 5.6% less than the FY 10 adopted budget.** This is net of a \$0.5 million increase in the City's fire contract.



**Employee Services:** Staffing resources are an integral part of the City's annual budget. Page 13 of this budget ("City and Community Information" tab) captures the currently frozen/unfunded positions for the City which total more than 15% of the workforce. The current number of budgeted permanent positions proposed in FY 11 is 155, down seven positions from FY 10.

**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.

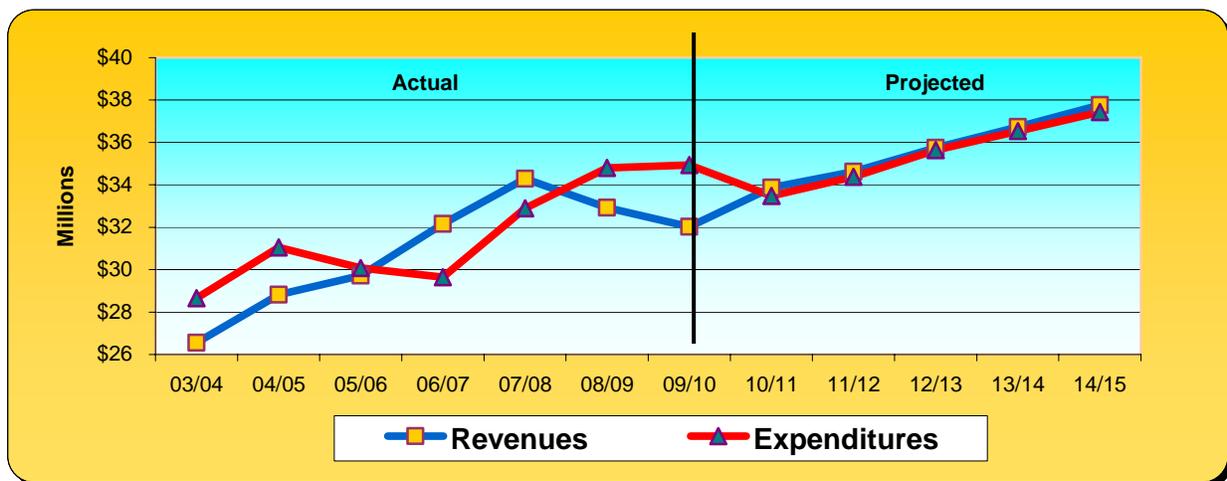
The salaries and benefits category represents all personnel-related costs and makes up the largest component of the General Fund expenditures. In fact, personnel costs are approximately 43% of the total budget and 57% of the General Fund. This number is relatively low compared to many other cities because fire personnel are provided by contract with the County, so do not show up as City personnel costs. For FY 11, salaries and benefits in the operating budget total \$22.7 million for all City funds, which is a \$1.6 million (6.6%) decrease from the previous fiscal year. The largest contributing factor to the overall decrease was the Budget Correction Strategy that reduced wage expense through voluntary separation incentives, freezing additional positions, shortening work weeks for some, reorganizing departments, and implementing employee furloughs.

In addition, the City Council, the City Manager, the City Attorney, Department Heads and all but two labor groups, who received previously negotiated increases, did not receive any salary increase in the FY 11 budget.

**MULTI-YEAR COMPARATIVE ANALYSIS**

**General Fund - Revenues and Expenditures:** The comparative analysis that follows reflects the historical trend between General Fund revenues and expenditures covering the past six years as well as projections through FY 15. City revenues declined sharply following a peak in FY 01 after the “dot-com” era. Subsequently, increased costs combined with the lower revenues to create several years of budget deficits. Two years of significant expenditure cutbacks coupled with a slight growth in revenues brought back the budget into a surplus in FY 07 & FY 08. However, this did not last long as the economy entered into the Great Recession and faltered once again, this time even more severely, while at the same time the City’s fire services contract saw a 35% increase over 3 years creating several years of new deficits. The City developed its Budget Correction Strategy that, once again, aligned expenditures with the lowered revenue levels. The following chart depicts actual and projected General Fund operating revenues and expenditures:

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



**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 20% of the revenue is set aside for affordable housing. 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 for FY 11 totals \$10.4 million, which is a \$2.1 million (25%) increase from the previous fiscal year’s adopted budget. Operating expenditures are \$10.3 million, a \$2.2 million

(27%) increase from the previous fiscal year's adopted budget. The majority of the increase is for higher expected tax-sharing obligations to various recipients of property tax pass-through payments. Additionally, the State has legislated another "take-away" of \$0.5 million during FY 11. This is on top of the \$2.1 million take-away in FY 10. For future years, revenue projections utilize an average inflation factor of 3%, 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; (2) Information Technology (IT); and, (3) Workers' Compensation.

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 and computers 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 11, revenues and expenditures in these funds total \$2.2 million. Expenditures are \$0.5 million (15%) lower than the previous year's adopted budget due to reduced replacement of various pool fund assets compared to the previous year. 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. 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.

**Special Revenue Funds** Funds in this category are used to account for the proceeds of specific revenue sources that are legally restricted 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, in turn, gets appropriated to cities based on population and other factors. Revenues are restricted for the construction, improvement and maintenance of public streets and roads. Revenue projections are provided annually by the State Controller's office and future years include an inflationary factor on the current year's projection and adjusted for any known variances.

Expenditures in this fund are used for on-going maintenance of the City's street infrastructure. Gas Tax funds, however, are insufficient to fully maintain the City's roads. Revenue and expenditure totals for FY 11 are projected to be \$1.3 million, a decrease of 7% over the previous year's adopted budget. Projections for future years utilize a modest inflationary factor approximating 2.5% for revenues and 1.5% for 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, and other equipment for maintenance of the above, including curb, gutters, sidewalks, irrigation, and drainage improvements.

In FY 11, the operating revenues and expenditures total \$2.6 million. This includes operating transfers-in of \$0.7 million and transfers-out of \$0.1 million. The General Fund accounts for most of the total transfers-in as a subsidy to this fund. In other words, revenues from the assessment are not sufficient to cover the cost of services funded by the LLD. 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 1.5%.

**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. Fees remitted to the City include storm water, storm drain, solid waste, hazardous waste, and recycling fees. Operating revenues and expenditures for FY 11 are \$0.9 million, the same as the previous fiscal year's adopted budget. Future years' costs are based on inflationary increases approximating 1.5%.

## **ECONOMIC AND FISCAL ISSUES FACING THE CITY**

The nation was in one of the longest and deepest recessions experienced since the Great Depression during the second half of FY 08 and through most of FY 09. Due to the nature of municipal government, it generally takes between 1 to 1 ½ years for the City to feel the economic impact of these events. Thus, in FY 09 and FY 10, the City felt the brunt of the damage. This environment has resulted in a major source of **revenue instability** caused by: 1) the prolonged economic weakness which has eroded consumers' ability to make retail purchases, 2) the ongoing hit to key City revenues such as development revenue, sales tax and investment income, and 3) State of California-imposed ERAF (Educational Revenue Augmentation Fund) take-aways of the City's property tax revenues. At the same time, contractual obligations such as fire services and retirement costs, have continued to exert upward pressure on operating expenditures. As a result, the City has been constantly challenged to close a **structural budget deficit** in which on-going revenues are insufficient to fully fund on-going expenditures.

In response to the latest crisis, the City developed a **Budget Correction Strategy** comprised of 130 separate items, totaling \$3.2 million, which made significant reductions in expenditures by paring back employee costs while enhancing revenues, primarily through fee increases. The strategy also built in a modest surplus over the next five years to gradually replenish the City's Economic Fluctuations Reserve back to its targeted level of \$6 million.

The California and San Francisco Bay Area economies experienced positive growth in FY 10 due to improvement in the troubled housing market from the previous year. Silicon Valley has seen its residential market values improve as well. The average home price in Santa Clara County, for example, increased 29% from \$611,014 in January, 2009 to \$790,611 in January, 2010. Campbell has experienced similar increases during this time period.

The unemployment rate is also an important economic statistic as to the state of the economy in general. As of June 2010, the State seasonally adjusted unemployment rate was 12.3% compared to 11.6% the prior year. For Santa Clara County, the unadjusted rate was 11.3%, slightly lower than last year's June rate of 11.6%. Campbell has historically trended better than both the County and the State in its unemployment rate. In fact, as of June 2010, **Campbell's unemployment rate was 9.7%**, unadjusted, down from 10% 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.

**Growth and new development** within the City pose continuing opportunities and challenges. The City of Campbell is essentially "built out", meaning there are no significant areas of undeveloped land in the city limits available for improvement. Therefore, the challenge is to focus on "in-fill" projects, consisting of smaller individual parcels of land dispersed throughout the City or redevelopment of existing structures whose current use may be enhanced by new development. Four such projects have been approved but not yet built due to the harsh economy. The City's goal is to preserve the quality of life for Campbell residents and provide a variety of balanced land uses via established standards for residential, commercial and industrial development. Strategies include developing and **retaining a diversified and stable economic base**, marketing the community to targeted businesses, and working to retain and grow existing businesses.

Related to the issue of growth and new development, an area of particular concern is **limited retail growth**. The City's largest source of revenue is sales tax, which is used to fund a variety of City services such as police patrol and emergency response, fire and paramedic services, road improvements and other amenities such as parks and senior services. The existing sales tax base is expected to see 0-1% growth over the next several years and, only slightly better growth thereafter.

FY 11 is anticipated to see only slight improvement in the volume of residential and commercial development as construction activity in the region remains sluggish. However, the City has prepared itself to address the overall impacts on the community of future development projects so that they remain manageable and environmentally balanced. The health of the broader economy will also help shape the level of new development activity. In this regard, there has been a significant emphasis placed on **environmental sustainability** and doing what we can to preserve it, including minimizing the City's carbon footprint. The City's practices qualified it as a certified "Green" organization, and it is committed to further exploring a variety of green policies and practices.

The City is also committed to providing reasonable health care coverage to its employees. As the general population ages, more reliance is placed upon the health care system to provide comprehensive coverage for employee and their families. Unfortunately, the **cost of providing health care and other post-retirement benefits coverage** continues to escalate year after year, typically outpacing the City's revenue growth. Accordingly, the City, like all employers, has

to consider how to balance the level of on-going benefits it can offer with the cost of providing them. Based on an actuarial valuation, the City is committed to pre-funding its obligation for providing retired employees health benefits and has budgeted \$251,000 in FY 11 to partially fund this obligation.

Employee retirement costs have also been an ongoing challenge to maintaining a balanced budget. One of the initiatives undertaken during the past year was to try and reduce these costs while still remaining competitive in the marketplace. The City made significant strides in **pension reform** by negotiating with its labor groups for a lower second tier of retirement benefits for new hires that will help make it financially sustainable for the long-term. While this will not result in a large savings in this budget year or even the next year, as the workforce turns over, increasingly larger savings will accumulate over time.

**Succession planning** is a growing issue as more and more of the “baby-boom” generation is attaining the age of retirement and the number of retirees is anticipated to increase over the next five years. This is the situation in Campbell where a significant number of staff, including senior management, is at or near retirement age. The challenge to the City is in being able to manage the loss of institutional knowledge, ensure sufficient resources are available to replace these positions and enable a smooth transition with minimal disruption in operations. The City has been able to take advantage of such transitions to do organizational restructuring and realize savings where feasible. It is anticipated this will continue for several more years.

Another ongoing challenge is the need to maintain the City’s **infrastructure, particularly its streets and sidewalks**. More than \$18 million dollars have been invested in the City’s street infrastructure over the past 12 fiscal years, and work will continue into FY 11 with additional dollars set aside for this purpose. While the overall condition of streets has been good for the past several years, a significant amount of resources are required to maintain a “good” condition rating on an on-going basis. Consistent funding for maintaining this level will continue to be a challenge for the City. The City received Federal Stimulus funds last year that were utilized for street maintenance. However, these were one time funds and much more is needed to adequately maintain the infrastructure at current levels.

The City also has a significant amount of other **unmet capital needs**. The capital improvement plan contains a long list of desired but unfunded projects (see capital improvement plan tab). In addition, there is another approximately \$1.7 million of annual lifecycle and maintenance needs that were identified as not being adequately met. Consequently, the City will be unable to initiate or complete these projects until such time as additional funding becomes available.

**Deployment of technology** remains an important ongoing issue for the City. To maintain the City’s current and proposed standards of performance as well as protect systems from outside attacks and viruses, constant attention and resources are required to ensure systems remain stable and reliable for all users. Additionally, the City’s technology infrastructure is aging and many components are reaching end of life. With limited resources available for capital replacements as well as operating budgets, due to the tough economic environment, equipment is being stretched to maximum life-cycle expectancy and bumping up against capacity issues. The City’s Technology Master Plan is being revised in the context of revisiting technology expectations in light of the limited funding resources.

## **FISCAL 11 MAJOR WORK PLAN ITEMS**

Departmental work plan items for the upcoming budget year were presented and discussed with the City Council at a study session on May 18<sup>th</sup>. Major work plan items, in addition to a list of the ongoing responsibilities of each department, can be found within the department program sections of the budget document.

## **FY 10 SIGNIFICANT ACCOMPLISHMENTS**

Despite the ongoing constraints of the budget and lower number of employees, the City was able to realize numerous significant accomplishments during the past year. The key accomplishments, summarized by department, are shown in Exhibit 1 to this budget message.

## **STRATEGIC PLAN AND PERFORMANCE REPORTING**

In addition to allocating necessary resources for the provision of ongoing services and work plan activities, the budget serves as the financial plan for accomplishment of the Strategic Plan vision and objectives, which are summarized within the City and Community Information section of the document.

At the beginning of each program budget section, the individual program mission statement, ongoing and major work plan items are listed, and the total program budget is detailed by type of expenditure and by line item. Once the major work plan items have been identified, the departments proceed with development of budgetary resources necessary to accomplish the ongoing objectives and annual work plans. Many of the major work plan items are based on meeting Strategic Plan objectives and, therefore, are the link between the Strategic Plan and the annual budget.

Performance measures, which track and report work input and related outcomes, are located within each respective program budget section of the document and help Council, staff, and the community to assess trends and strive for continual improvement. Performance reporting assists the Council in establishing policies and priorities related to the quantity, quality and appropriateness of municipal services provided by the City of Campbell. Changes in resource levels can often also be articulated in terms of the impact on performance measures.

## **FINANCIAL POLICIES**

The City of Campbell's Financial Policies were last updated by the City Council in FY 09. Their purpose is to enable consistent management of the City's fiscal resources, establish criteria in which 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 policies are detailed in Exhibit 2 of this budget message.

## **BASIS OF BUDGETING**

The City budgets on a modified accrual basis for all funds except for its internal service funds which are budgeted on a full accrual basis. This is consistent with the City's basis of accounting as reported in its Comprehensive Annual Financial Report (CAFR). 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.

*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.

**Level of Budgetary Control:** The City's budget is a working document that is utilized throughout the organization. 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 up to \$10,000 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 is a process that takes place over six months and is summarized by the budget calendar located in the City & Community Information section of this document. The City's financial policies establish a process whereby a budget study session is held with the City Council during the annual budget development process. This meeting is generally held during March/April timeframe. Council is presented with an overview of the City's fiscal condition and proposed work plans for the upcoming year. Because of the significant deficit that confronted the City, the process was modified to include two community meetings, an on-line public survey and employee meetings. Additionally, a special Council budget workshop was convened to discuss possible strategies. A study session was held on May 4<sup>th</sup> to discuss the recommended Budget Correction Strategy that was ultimately adopted.

This budget document is arranged by department/function, then by program. 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, along with 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.

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 communication tool, and a financial management instrument. It is a working tool that contains a considerable amount of information that is utilized at every level of the City organization throughout the fiscal year.

## **BUDGET AND FINANCIAL AWARDS**

For the 17<sup>th</sup> consecutive year, the City's budget received national recognition by earning the Government Finance Officer's Association (GFOA) "Distinguished Budget Award", a copy of

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 11 budget conforms to GFOA program requirements. The City also received the "Excellence in Operational Budgeting Award" from the California Society of Municipal Finance Officers (CSMFO). This is the 13<sup>th</sup> consecutive operating budget award the City has received from CSMFO. 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 development of the FY 11 operating and capital budget presented significant challenges due to the unprecedented fiscal environment we face, especially after numerous years of budget cutting. It was only through the cooperation of the City's employees, input and support from our community, and clear guidance and direction of the City Council, were we able to balance service levels with available resources and come up with a balanced budget that does not rely on future reserves. Despite our success in putting together this budget, the City will continue to face tough times for several more years as the economy slowly gets back on its feet. This will require the continued collaboration of all City staff, together with clear direction from the City Council and input from our community to determine our priorities and to allocate available resources to those programs and services that are most important to preserve. The success we've had to date in managing scarce resources is a key reason Campbell remains a vibrant and desirable place to live and work.

The development of this budget was made possible through the knowledge and contributions of many individuals on staff. I wish to thank everyone who participated in the budget process this year, from the Executive Team to line employees, the City Council and members of the community. In particular, I would like to express my sincere appreciation to all Campbell employees, who came together and, once again, made significant sacrifices to address the City's budget challenges. I am proud to work with such a dedicated and collaborative group of professionals. Finally, the Finance Department, under the direction of Jesse Takahashi, deserves recognition for the dedication and hard work required in coordinating, developing, and publishing this budget document.

Respectfully submitted,

  
Daniel Rich  
City Manager

**FY 10 SIGNIFICANT ACCOMPLISHMENTS**

**City Council:**

- Implemented new City information booth at Farmers Market.

**City Manager's Department:**

- Developed options on increasing youth engagement in City government.
- Presented report on elected versus appointed City Clerk and City Treasurer positions.
- Provided technical support to IT for webcasting.
- Promoted Women of Distinctions Awards.
- Analyzed and presented options to City Council on new revenue requiring voter approval.
- Developed and presented a Budget Correction Strategy to City Council.
- Participated in review of elected City Clerk position.
- Began exploring feasibility of paperless agenda process.
- Conducted negotiations with Millmen & Industrial Carpenters (MIC) and Campbell Municipal Employees Association (CMEA), including furloughs and a two-tier pension plan.
- Offered and implemented a Voluntary Separation Plan and a Voluntary Reduction of Hours Program.
- Conducted classification audits for requested positions.
- Assisted and complied with CalPERS audit requirements.
- Conducted benchmark position total compensation salary surveys for affected bargaining units and unrepresented employees.
- Participated in creation and implementation of the Santa Clara County Leadership Academy.
- Enrolled and participated in Santa Clara County Works Program for Subsidized Employment.
- Completed mandatory Federal EEOC-4 reporting for all employees.

**Recreation & Community Services:**

- Completed participation in the design input/process for Orchard City Banquet Hall and Stojanovich Family Park.
- Developed strategies for improved financial stability of the Heritage Theatre.
- Completed the update of the Museum's Strategic Plan.
- Successfully relocated the Nutrition Program to Room M-50.
- Participation in the design input/process for Orchard City Banquet Hall.
- Completed review of all fees and charges and updated fee schedules.
- Reviewed and updated all facility use policies.

**Recreation & Community Services continued:**

- Inventoried emergency supplies and relocated the downsized ARK on-site at the Community Center.
- Participation in the design input/process for Stojanovich Family Park.
- Completed the update of the Museum's Strategic Plan.
- Installed a new temporary exhibit "The Many Faces of Fun" at the Ainsley House.
- Installed an outdoor informative text panel at the Ainsley House.
- Museum and Day Camp partnered to offer 3 weeks of a new Summer History Camp.
- Worked with non-profit support group to provide \$50,000 in support of Museum staff and programs.
- Participation in the development of strategies for improved financial stability of the Heritage Theatre which will reduce the annual General Fund subsidy.
- Expanded Swim Team to maintain an active base of 225 swimmers.
- Participation in the design input/process for Stojanovich Family Park.
- Expanded Pre-K program and youth classes to generate additional revenue and make best use of specialized pre-school rooms.

**Finance:**

- Completed set up of an IRS approved trust for pre-funding the City's obligation for post retirement health benefits.
- Issued a joint Request for Proposal with the Town of Los Gatos to conduct a comprehensive user fee and cost allocation study, and completed the study.
- Reviewed the feasibility of implementing a convenience fee to recover costs on credit card payments.
- Supported development of comprehensive Budget Correction Strategy
- Upgraded the Nortel Meridian Telephone System and Call Pilot Voice Messaging Platform.
- Designed specifications, obtained bids, and purchased equipment for Network Attached Storage for Police Department digital files and implemented the VieVu digital video system storage system.
- Completed an evaluation of the Emergency Operations Center technology environment and designed an independent computer network that will be connected to City systems.
- Completed negotiations with the County of Santa Clara to host a Geographical Information System (GIS) and implemented the system.
- Successfully migrated the first City application from a stand-alone server to a VMware environment.
- Configured an Electronic Report Distribution (CJIC Datawatch) for Police Department.
- Implemented an online system that allows licensed contractors to apply and pay for certain types of permits via the Internet.

**Finance continued:**

- Assisted with an online website promoting Campbell businesses ([www.shopincampbell.com](http://www.shopincampbell.com)).
- Working with the City Manager's Office, identified and negotiated with a vendor to provide live webcasting and the ability to store archived videos of City Council and Planning Commission meetings.
- Implemented the IworQ Work Order Management system for Public Works and provided staff training.
- Renegotiated numerous vendor contracts for on-going equipment maintenance and support reducing costs by 5% – 25%.
- Initiated and developed an ongoing fee for service relationship with the City of Monte Sereno to provide technology services.

**Community Development:**

- Evaluated fee structure and focused on areas of potential change.
- Implemented Ordinance regarding late night uses in the P-D Zoning.
- Listed additional Heritage Trees.
- Revised submittal requirements of development applications.
- Completed series of Parking Ordinance update study sessions with Planning Commission and conducted one joint study session with Council.
- Certified Housing Element update and received State acceptance.
- Digitized and archived over 3,000 Permits (Plans & Documents), including all of 2007.
- Began creation of 25 new Building Inspection Handouts related to Codes & Construction.
- Re-organized and updated the Building Division Resource Library.
- Established code Enforcement Policy and Procedures.

**Legal Services:**

- Adoption of Revised Massage ordinance.

**Public Safety:**

- Assisted with the transition of the Silicon Valley Regional Interoperability Project Joint Funding Agreement and its assets to the Silicon Valley Regional Interoperability Authority Joint Powers Agreement.
- Participated in the planning and implementation of the South Bay Information Sharing System (COPLINK).
- Conducted a series of Personal Emergency Preparedness (PEP) classes for the community.
- Received funding from a federal grant and a donation from the Santa Clara County Specialized Enforcement Team to acquire two License Plate Readers at not cost to the City.

**Public Safety continued:**

- Focused resources on gang enforcement by completing a multi-year, major investigation of the Nuestra Familia gang resulting in dozens of criminal convictions; helped start the South Bay Gang Alliance; and provided training to hundreds of local law enforcement officers on how to conduct effective gang investigations.
- Received training accreditation through HIDTA (High Density Drug Trafficking Area- a federal program) and provided training classes to over 300 members of law enforcement including DA's, detectives, and corrections personnel.
- Investigated an organized crime ring responsible for vehicle arsons, witness intimidation, and extortion operating between Santa Clara and Monterey Counties. Case still active.
- Conducted educational and undercover sting operations to enforce tobacco laws.
- Used ABAG Risk Mitigation Grant Funds to purchase Vie-Vu personal video cameras for all patrol officers and worked with IT to identify and purchase a large capacity storage device to store the video recordings.
- Worked in conjunction with SVACA to develop guidelines to assist the general public in understanding the processes related to dangerous dogs.

**Public Works:**

- Completed inventory of public right-of-way and City facilities for ADA Transition Plan update.
- Completed installation of pedestrian countdown signals at all signalized intersections except those at rail crossings.
- Successfully applied for a \$1.12 million grant for Winchester Boulevard Improvement project and initiated design.
- Approved final plans and specifications, awarded contracts and began construction of the East Campbell Avenue Improvement Project and Orchard City Banquet Hall renovation project.
- Approved conceptual design of Stojanovich Family Park and began preparation of final design plans and specifications.
- Completed resurfacing and curb ramp installation – Bascom Avenue (ARRA) and Leigh Avenue (Prop 1B).
- Completed design and construction of Salmar Avenue sidewalks.
- Conducted RFP process and awarded contract for Energy Efficiency and Solar Feasibility Study.
- Repainted the historic Campbell Water Tower.
- Completed renovation of Room M-50 at the Campbell Community Center and relocated the Senior Nutrition Program.

**Redevelopment Agency:**

- Adopted the 2010 thru 2015 RDA Five Year Implementation Plan.

FINANCIAL POLICIES

**Revenue Policies:** The development and maintenance of balanced and reliable revenue streams will be the primary revenue objective 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 major revenue categories will be projected on a five-year basis. 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 that improves the City's ability to handle fluctuations in individual sources. Revenues from "one-time" or limited duration revenue sources will not be used for ongoing operating expenses. Fees and charges for services will be evaluated and, if necessary, adjusted annually to assure that they generate sufficient revenues to meet service delivery costs. The City will establish user charges at a level generally related to the full cost (operating, direct, indirect, and capital costs) of providing the service, unless Council determines that a subsidy from the General Fund is in the public interest. The City will also consider market rates and charges levied by other municipalities of similar size for like services in establishing rates, fees, and charges. Enterprise and Internal Service Funds will be self-supporting.

**Expenditure and Budget Policies:** Major expenditure categories 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 City will operate on a current funding basis. Expenditures will be budgeted and controlled so as not to exceed current revenues plus the planned use of any accumulated fund balances. The City will take corrective action at mid-year when expenditure and revenue projections are such that an operating deficit is projected at fiscal year end. Corrective action may include the use of contingency reserves. The City will establish a purchasing policy that specifies the thresholds and scope of purchasing authorizations required.

Annual budgeted operating expenditures shall not exceed annual operating revenues, including budgeted use of reserves. At least one budget study session will be held annually prior to the introduction of the budget to the City Council. The City Manager shall prepare and submit to the City Council annually a proposed operating and capital budget by June 1<sup>st</sup> of each year, and the budget will be adopted by June 30 of each year. A mid-year budget status report will be presented to the City Council no later than February of each year. Budget adjustments within the adopted budget of less than \$10,000, or requiring a transfer from reserves of less than \$5,000, may be approved by the City Manager; otherwise, City Council approval is required.

Budget status reports are 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

FINANCIAL POLICIES

**Reserve Policies:** The City's financial policies mandate the levels at which reserves shall be maintained. The **General Fund Emergency Reserve** shall be maintained at a level of 10% of General Fund revenues and used only in case of dire need as a result of physical or financial emergencies as determined by the City Council.

The **General Fund Operating Reserve** shall be maintained at a level of \$1 million. This reserve may be used to meet necessary, but unbudgeted, expenditures during the fiscal year, including mid-year budget adjustments, and/or to cover minor unanticipated revenue shortfalls. Funds drawn from this reserve during the year shall be replenished with the adoption of the ensuing fiscal year budget.

A **Economic Fluctuations Reserve** shall be maintained, with a target of \$6 million, to provide budget stabilization during an economic downturn that could otherwise result in significant reductions in service levels and/or organizational staffing. This reserve shall not be less than \$2 million. However, if the reserve balance falls below \$4 million, or the City's five-year financial projections indicate the reserve will fall below this minimum requirement at any time during this period, City staff shall present to Council, by the following year's budget adoption, a plan to return to the target amount within five years.

A **Capital Improvement Program Reserve** shall be maintained at a level to cover unbudgeted capital improvement costs, to fund future capital and infrastructure improvements, and to fund anticipated one-time expenditures in the operating budget. This reserve shall be targeted at \$5 million, including an annual funding target of \$1.5 million specifically for infrastructure needs. Any unappropriated General Fund surplus, not needed to fund other reserves at fiscal year-end, shall be applied to this reserve.

A reserve shall be maintained sufficient to cover 50% of **outstanding compensated absences**.

Reserves for the replacement of **Motor Pool and Information Technology Pool** assets shall be evaluated annually and maintained at sufficient levels to provide for the replacement of approximately 50% of the equipment based on accumulated depreciation and estimated replacement costs. 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 two years.

The **General Liability Insurance Reserve** will be maintained at a level deemed adequate to meet projected liabilities. This level may be determined by an actuarial evaluation or derived from estimates provided by the City's third party risk pool provider, subject to a minimum level equal to 100% of the self-insured retention (SIR). Other reserves required by law, contractual obligation or Generally Accepted Accounting Principles (GAAP) shall be provided for. Lastly, the City Manager may, at his/her discretion, establish additional reserves and/or recommend annual reserve fund replenishments, deemed necessary and prudent to ensure the fiscal health of the City, subject to City Council approval.

**Capital Improvement Policies:** A five-year Capital Improvement Plan shall be approved on an annual basis with first year projects adopted in conjunction with the operating budget. 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

FINANCIAL POLICIES

to the approval of any capital improvement project. Equipment replacement and maintenance shall be projected and funded throughout its useful life. The annual capital improvement budget shall only include those projects which funding source is reasonably assured and can be started within the fiscal year indicated.

The capitalization threshold used in determining if a given piece of equipment qualifies for capitalization is \$5,000 per item with a useful life of greater than two years. Groups of items with individual values of less than \$5,000 each will not be capitalized unless the items are purchased by an internal service fund and are anticipated to be replaced in the aggregate. Adequate insurance will be maintained on all capital assets. A periodic replacement cost evaluation will be performed to insure that coverage limits are reasonable. The capitalization threshold used in determining if an improvement, building or other asset acquisition for infrastructure qualifies for capitalization is \$100,000 with a useful life of greater than two years.

**Cash Management Policies:** The City's administrative procedure governing investments shall be updated and approved by the City Council annually. Investments will be made in accordance with the separately adopted investment policy. A complete report on the City's investment portfolio shall be presented to the City Council monthly. 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.

The City will seek local, state and federal grant funding opportunities to secure funding for both operating and capital projects. Any grants provided to other agencies/organizations by the City will contain sufficient control elements to ensure their consistent use within specified guidelines and requirements. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. The City will establish a fraud policy that will aid in the detection and prevention of fraud as it applies to cash management as well as any impropriety in the handling of other financial transactions.

**Accounting Policies:** The City's financial records will be audited annually by a reputable independent certified public accounting firm. An annual financial report shall be prepared each year within six (6) months of the close of the previous fiscal year and reviewed with the City Council Finance Committee and the City Council consistent with the requirements of Statement on Auditing Standards 112 and 114.

Operating budget revenue and expenditure status reports will be prepared monthly and distributed to all department directors so that they may effectively and continuously evaluate their financial performance in a timely manner.

The auditor's annual Written Communication on Internal Control Structure will be reviewed with the City Council Finance Committee by the audit firm for a recommendation to the City Council consistent with the requirements of Statement on Auditing Standards 112. Financial records and reporting will be maintained in accordance with Generally Accepted Accounting Principles (GAAP) and the requirements of the Governmental Accounting Standards Board (GASB) and the GFOA. Full and continuing disclosure will be provided in annual financial statements and in bond representations. The City shall attempt to keep accounting records in

FINANCIAL POLICIES

such a manner to receive an unqualified audit opinion and to qualify for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (G.F.O.A.).

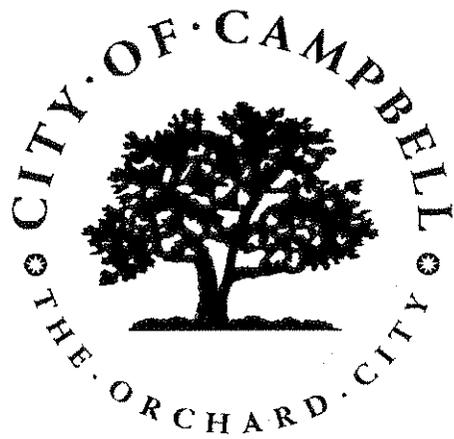
The City will solicit an RFP for audit services no less frequently than every five (5) years. Additionally, an audit firm may be retained for a maximum of 2 consecutive five-year terms. The Council Finance Committee, City Manager, and Finance Director will review the qualifications of prospective firms and make a recommendation to the City Council.

**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.

The City will restrict long-term borrowing to the funding of capital improvement projects and equipment. The term of debt shall not exceed the expected useful life of the capital improvement project or equipment. General obligation debt will not exceed 3.75% of the City's assessed value in accordance with State law. Where possible, the City will use special assessment, revenue, or other self-funding debt instead of general obligation bonds.

The City will maintain good communications with bond rating agencies about its financial condition. The City will use refunding techniques where appropriate to allow for the restructuring of its current outstanding debt to remove or change restrictive covenants, and/or to reduce annual debt service in an amount sufficient to justify the costs of refunding/re-issuance. The City may use short-term debt to cover temporary or emergency cash flow shortages. All such short-term borrowing will be subject to Council approval.

The City may issue inter-fund loans in lieu of outside debt instruments to meet short-term cash flow needs. Loans will be permitted only if excess funds are available. The prevailing interest rate on such loans will be established by the Finance Director. All terms of such loan including, but not limited to, the principal amount, interest rate and duration will be subject to Council approval and must be documented by Memorandum.



**MEMORANDUM**



**City of Campbell**  
City Manager's Department

**To:** Honorable Mayor and City Council

**Date:** April 26, 2010

**From:** Daniel Rich, City Manager

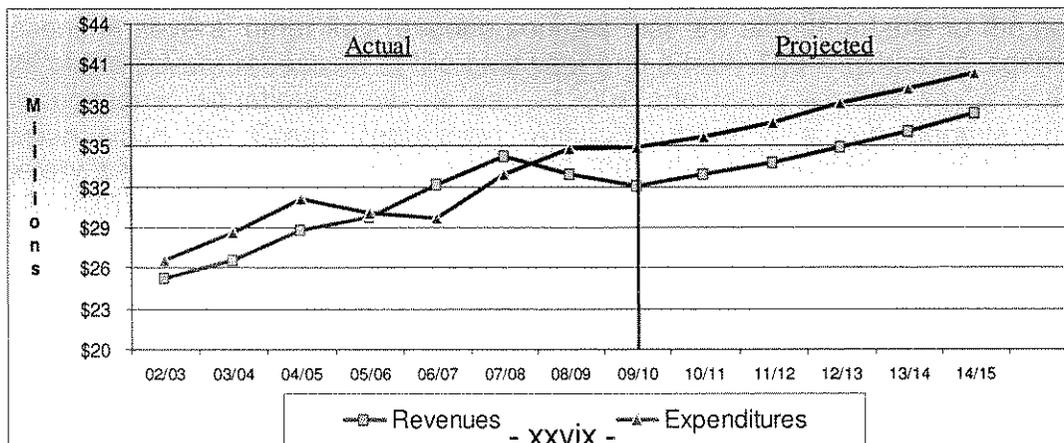
**Subject:** FY 11 Budget Correction Strategy

**BACKGROUND**

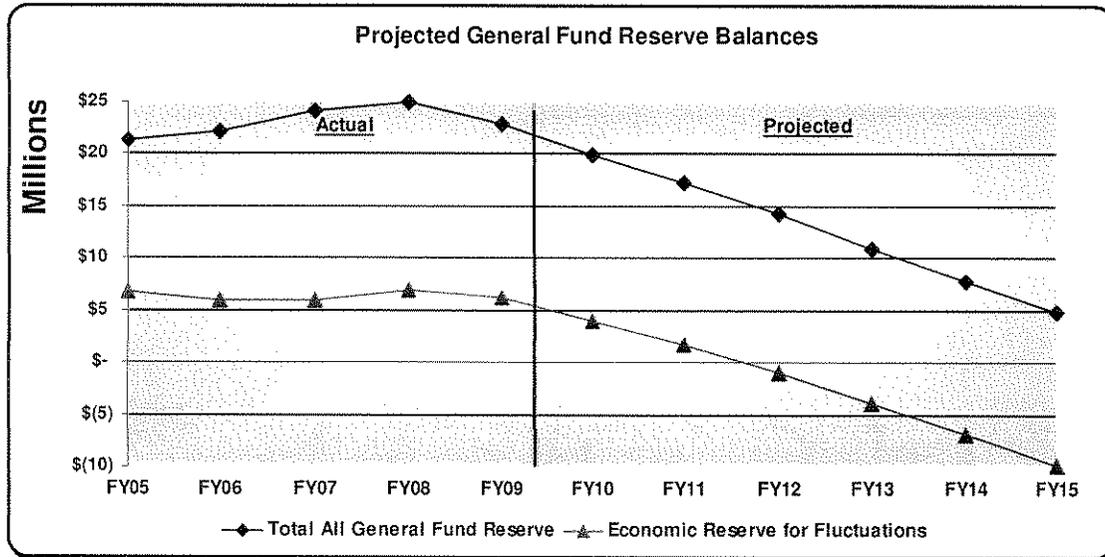
For most of the past seven years, the City has been dealing with unfavorable fiscal conditions in which the local economy has continued to struggle. While there are some signs that the national economy is starting to improve, this is not currently reflected in the City's revenues or financial projections. Most economists believe it will be a long, slow recovery.

At the FY10 Midyear Study Session in February, staff reported that the City's fiscal situation had deteriorated dramatically due to the loss of significant sales tax revenue and reductions in several other key revenue sources that are all attributable to the continuing effects of the severe recession of the past year and a half. The City has not seen the likes of this economic situation since the early 1990s and many experts say it is the worst recession since the Great Depression. Although there is a considerable amount of budgetary savings expected this year (\$745,000), the anticipated shortfall in revenues (\$2,322,000) will cause the General Fund to reach an estimated total deficit close to \$2.9 million. This is \$1.6 million worse than the budgeted deficit adopted on July 1. The impact to the Economic Fluctuations Reserve (EFR) is an estimated use of \$2.1 million by yearend, up from a budgeted amount of \$542,000. As a result, the EFR is expected to be reduced to \$4.13 million by June 30, 2010, essentially triggering our financial policy on reserves that requires the development of a plan that would restore the reserve to its \$6 million target level within 5 years.

As the chart from the Midyear Study Session below shows, ongoing revenues are insufficient to meet ongoing expenditures for the foreseeable future. Consequently, the City would be required to continue to use reserves for as far as the projections go. In other words, despite all our previous cuts and frozen positions, and the passage of Measure O, we are again faced with a structural budget deficit, which is not a sound financial practice, nor is it sustainable. Projections in February estimated draws on the EFR of between \$2.3 and \$3.3 million in each of the next five years.



As can be seen on the following chart, unless there is a change in course, the City will totally run out of Economic Fluctuations Reserves in FY 12. Clearly that is not an advisable or sustainable financial strategy.



At the Midyear Study Session, staff outlined, and Council concurred, with a general approach to developing a Budget Correction Strategy (BCS). Key components of the process included target correction goals for each department, a Council Budget Workshop, two community meetings and three employee meetings to share information and gather suggestions, meetings with labor representatives, a management retreat, a user fee study, and an online survey.

At the Budget Workshop in March, Council reviewed the following budget principles, which provided general guidance to staff for the development of a BCS:

Approach

- ✓ Follow prudent financial policies, including setting appropriate reserve target levels
- ✓ Strategies must be realistic and sustainable
- ✓ Reductions will be service based vs. across-the-board
- ✓ Impacts on services will be assessed and prioritized
- ✓ Everything is on the table
- ✓ The plan should include expenditure reductions and revenue enhancements as appropriate
- ✓ Long-term service and capital needs should be considered

Prioritization

1. Maintain soft freeze on vacant positions and explore early separation incentives and voluntary reduction in hours
2. Additional cuts to supplies/services where feasible
3. Increase existing revenue/cost recovery where possible

4. Consider service reductions via reductions to temporary positions first where appropriate
5. Further reduce or eliminate services (impacting employee hours and/or positions)
6. Seek new revenue (via ballot measure)

## **DISCUSSION**

A comprehensive Budget Correction Strategy has now been developed and can be found in Attachment A. The goal of the Strategy is to resolve the structural deficit and gradually replenish the Economic Fluctuations Reserve back to its target level. It is the intent that these strategies would preclude the need for additional and more painful budget adjustments over this period of time, although cost containment will continue to be necessary.

After reviewing initial lists provided by members of the Executive Team, as well as suggestions from employees and residents, the attached recommended Budget Correction Strategy and "B List" of alternatives was developed. This was a very challenging undertaking given that the City has already made millions of dollars of cuts over the past seven years and 19 permanent positions (more than 10% of the workforce) were already frozen before this fiscal year.

The proposed BCS uses a number of approaches to resolve the structural budget deficit, including freezing additional positions and restructuring departments as deemed appropriate, taking advantage of vacancies and voluntary separations; reducing work hours based on voluntary requests; reducing hours involuntarily based on service needs and priorities; reducing supplies/services expenses; renegotiating vendor contracts; and reducing some service levels. Modest across the board personnel savings are also being recommended, and will be necessary for several years, but no layoffs of permanent staff are proposed.

While management has worked hard to minimize the impact of these changes on the community and employees, given the \$4+ million in cuts that have been made in previous years, the lists contain many items that will, indeed, have visible service implications. Staff has attempted to articulate the impacts on the attached document. Should Council not agree with some of the recommendations, there are additional options (the "B List") from which Council may choose to consider as replacements for any particular items which it does not wish to include.

The recommended strategy includes over 130 specific items, detailed in Attachment A. *Some* of the more noticeable impacts are:

- 20% reduction in grants to social service agencies
- Increases in numerous fees (permits/classes/fines, etc.)
- Initiation of non-resident surcharge for most Recreation classes/programs
- Annual membership fee for Skate Park
- 50% reduction in street sweeping
- Elimination of adult softball league and Breakfast with Santa event
- Reduction in parks maintenance levels

- Additional 5 frozen positions and reduction in permanent hours totaling 3.5 FTE
- One fewer Traffic Officer
- Departmental reorganizations
- Employee furloughs

The following table summarizes the proposed BCS by department.

<b>Department</b>	<b>Expenditure Reductions</b>	<b>Revenue Increases</b>
City Administration	\$74,000	\$60,000
Community Development	\$211,000	\$60,000
Finance	\$270,000	\$25,000
Rec. & Community Serv.	\$166,000	\$421,000
Police	\$641,000	\$25,000
Public Works	\$525,000	\$187,000
<b>Sub Total</b>	<b>\$1,887,000</b>	<b>\$778,000</b>
Additional Ongoing Savings	\$285,000	
Additional Year One Savings	\$450,000	
One Time Costs	(\$200,000)	
<b>FY 11 Total</b>	<b>\$3,200,000</b>	

While the correction strategies address the structural operating deficit and begin replenishing the EFR, they do not provide for bringing back previously unfunded positions and, in fact, add several new unfunded positions to the ongoing list. It is important to emphasize the impact of these frozen positions. The public generally expects the same level of municipal service it has always received, but that just isn't possible anymore under this proposed plan. Staff will continue to strive for high quality, customer-oriented service, but turnaround times and service levels will inevitably suffer to some degree. The organization simply can't achieve the same level of excellence with 15% fewer staff and millions of dollars less in funding. To the extent possible, staff has tried to indicate the impact of the cuts on many of the City's performance measures so the service implications are clear to Council and the community.

The strategies also do not address the City's many unmet needs, such as infrastructure replacement and/or maintenance, a new library and other capital projects including fully investing in our roadway system. However, if the Strategy is maintained and the assumptions upon which it is built play out, there should be some budget savings after year 5 that could be added to the Capital Improvement Plan Reserve or other priorities at that time.

**FISCAL IMPACT**

The total of all recommended ongoing correction strategies is \$2.9 million. In addition, there is approximately \$250,000 in net one time savings expected, for a total of \$3.2 million in FY 11. The City's annual Fee Schedule will be discussed at the Study Session and then on the agenda for approval at the regular meeting of May 4. Aggregate estimates from recommended fee increases are included in the BCS; should Council not

approve some of the fee increases, or approve additional fees, it will impact the totals given in the BCS.

Staff is still in discussions with County Fire to reduce the currently scheduled cost increases and expects some savings for next year that have been built into the multi-year financial projections.

While staff tries to budget conservatively, it should be noted that any long term financial plan is based on a number of assumptions and estimates of future economic activity and costs that are subject to change and which can not be guaranteed; fluctuations, up and down, *will* occur. Based on the current projections, it appears that the Economic Fluctuations Reserve should be replenished over the course of five years. However, furloughs and/or other employee cost containment efforts will likely be necessary over that period.

### **ALTERNATIVES**

Should Council not be comfortable with the items included as part of the recommended BCS, items from the "B List" (Attachment B) could be substituted in. Should that still not be sufficient, staff can explore other options at Council's direction.

### **CONCLUSION**

While many of the proposed correction strategies will have an adverse impact on service delivery levels and on employees, staff believes that it is necessary to make sufficient corrections now to bring operating expenditures back in line with operating revenues and to eliminate the structural deficit. Doing anything less would simply delay additional tough choices. We need to "reset" our budget and our service levels to match realistic ongoing revenue projections.

Staff will present this information at the Council Study Session on May 4 and will be available to respond to Council questions and take Council's direction at that time. This report will be posted on the City's website and copies will be given to the labor groups. Any employee impacted by the recommended strategies has been privately notified in advance of the public release of the BCS.

Direction on the attached recommendations will enable staff to finalize the development of the FY 11 operating budget, which is scheduled to be formally introduced to Council on June 15 with final adoption scheduled for a special meeting on June 29. When the actual corrections are run through the final budget worksheets, there may be some minor adjustments and/or modifications to the fund balance. Staff will continue to refine the estimates and assumptions, based on the latest information available, up to the time the final budget is brought to Council in June.

Subsequent to adoption of the FY 11 budget, staff will continue to seek cost savings and appropriate revenue enhancements to maintain our long term financial stability.

Before concluding, I would like to express my appreciation to the Executive Team, whose members have worked tirelessly and collaboratively over many months to help develop

this Budget Correction Strategy (though I alone take responsibility for its contents). I am also very appreciative of all City staff, which has remained positive and professional as we worked through this difficult and stressful process. Campbell is a special community, in no small part due to the talented and committed employees that serve it.

Attachments

A. Recommended Budget Correction Strategy

B. "B List" Corrections

cc: Executive Team  
Labor Group Representatives

Division	Description of Cut (What exactly is being proposed)	Impact of Cut (How will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
<b>CITY MANAGER DEPT</b>						
Council - 501	Have only one RDA meeting per month	Potential longer RDA agendas/meetings; reduction in compensation to RDA Board (Council) members. Less staff time preparing agendas/minutes.	\$1,600			
2	Communications	Savings based on actual costs, so no impact.	\$700			
3	Eliminate ICLEI membership	Less info re: sustainability/green issues (membership was requirement of carbon footprint study, which was completed)	\$600			
4	Eliminate Sustainable Silicon Valley membership	Less information sharing; access to tools on regional "green" issues	\$1,000			
5	Reduce conference/meeting expense	Council less access to training, networking and prof. development. Based on current spending, impact should be minimal.	\$10,000			
Admin. - 510	Eliminate overtime	Minimal impact.	\$300			
6	Reduce Exec Asst. to 36 hours/wk	Less support for CM/ATCM. Council support would be done by the City Clerk's Division. <u>Performance Measure</u> : City Manager's Office will respond to citizen concerns within 2 business days 99% 85% of the time.	\$9,100			
7	Reduce employee picnic and holiday luncheon (20%)	No public impact; employee satisfaction/morale could be impacted.	\$500			
8	Reduce Countywide 2-1-1 support (20%)	Less funding available for countywide 2-1-1 social service referral system	\$500			
9	Reduce Social Service Subgrants (20%)	Cuts City's support of regional social services funding for residents. Based on requests this year, only \$3,000 would have to be cut from funded agencies.	\$10,000			
10	Reduce memberships/subscriptions	Staff will have to rely more on Internet searches.	\$500			
11	Reduce professional development/meetings	Fewer career development opportunities.	\$500			
Clerk - 511	Reduce Office Expense	Minimal impact.	\$4,000			
13	Reduce Professional Development	Fewer career development opportunities.	\$500			
14				Increase Fees related to the Business License based on User Fee Study and Cost Allocation Plan Results.	\$ 60,000	Additional cost to businesses; Campbell costs still a the low end of regional cities.
HR - 515	Reduce Office Expense/Dues/Subscriptions	Minor impact on efficiency due to fewer supplies and professional educational material.	\$1,500			
16	Reduce recruitment related expenses	May impact outreach to certain applicant groups; less funding for formal testing.	\$3,500			

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measure)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
17	Eliminate Temp Staffing	No funding available for paid internships and back-up coverage eliminated.	\$3,400			
18	Reduce Labor Attorney fees	May need budget adjustment there are unusually challenging labor issues	\$3,000			
19	Reduce Professional Development	less networking/training opportunities	\$2,000			
20	Reduce Staff Development	Reduced funding for citywide items such as management retreat and tuition reimbursement.	\$5,000			
<b>Total</b>			<b>\$58,200</b>		<b>\$60,000</b>	
<b>CITY ATTORNEY</b>						
21	Switch Matthew Bender on-line svc to new contract	Minor impact on access to some current legal publications.	\$13,700			
22	Eliminate Prof Dev & Mtgs	Less professional development and potentially less information on timely legal issues.	\$2,100			
			<b>\$15,800</b>			
<b>RECREATION &amp; COMMUNITY SERVICES DEPT.</b>						
Admin. - 524	Eliminate contracting out for Rec. Brochure typesetting	Bring back in-house, with some impact on clerical staff.	\$10,700			
24	Reduce travel budget for Park & Recreation Commissioners	Reduces conference attendance for Commissioners	\$1,000			
Adult - 526				Increase Adult Center Membership Fees from \$14 to \$20	\$5,200	Potential to lose some participants due to fee increase and potential complaints from participants. <i>Performance Measure:</i> Percent of desired membership base of 1700. <i>Change to:</i> Percent of desired membership base of 1100. (FY 09 actual was 1104)
26				Implement \$4 Non-Resident surcharge for Adult Center Membership	\$2,200	Potential to lose some participants due to fee increase. May affect membership <i>Performance Measure.</i>
27				Increase number of Senior Fitness Passes sold; based on current sales	\$14,800	No price increase proposed; just increased # of participants to match current actuals.
28				Add 3 former Adult Ed classes and 2 new classes from another center + Increase overall class fees where market will bear.	\$33,000	Potential to lose some participants due to fee increase. May affect <i>Performance Measure:</i> Classes will average 80% of capacity

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
29	Eliminate two supplements of Courier Senior Newsletter printing/mailling	Reduces print opportunities to market new trips or classes (short-notice plays/shows) after newsletter has already been printed & mailed; will still utilize internet, flyers, etc. May affect <u>Performance Measure</u> : Classes will average 80% of capacity.	\$900			
Comm Cntr. - 527	1. Eliminate vacant CC Mgr position; 2. Promote 1 Rec Supv to a Rec. Svcs Mgr.; 3. Eliminate Rec. Supv and backfill position w/ .6 FTE Rec. Specialist	Reduce Rec. staffing by .4 FTE and at a lower level of responsibility (RDA has taken on CCC leasing; Museum, HT & CCC operations will be managed by others). As part of overall changes in the department, some staff intensive and low revenue programs/classes/special events will be eliminated (such as Crafts Faires, Breakfast w/Santa, ice skating, golf, volleyball, arts & crafts, Adult Softball, some trips).	\$103,000			
31	Eliminate Building Attendant Special Event Support	None - Others are now including these expenses in their own budgets so staff is appropriately charged where used.	\$800			
32	Eliminate Field Attendants	Reduce late afternoon & weekend staff supervision of field use/misuse, picnic area issues & education re: policing dogs in parks. Building Attendants will do spot checking. <i>This was a Service Level Enhancement.</i>	\$12,900	CUSD is taking back scheduling & revenue for rental of their fields (est. loss of revenue: \$1,650)	-\$1,650	
33				Increase by \$3/hour fees for non-exclusive uses of parks, fields and track.	\$2,200	Most use is by personal trainers, etc. They will likely pass this cost on to their clients.
34				Reinstitute non-resident surcharge for facility rentals: additional \$5/hr for gyms and mtg rooms ); \$25/hr for OCBH rentals.	\$21,000	Additional cost to non-residents (typical in other cities). Impact to many non-resident church orgs. that use the gyms and mtg. rooms. Will create some Admin complexity for staff who interpret policy & collect fees.
35				Increase hourly rates of room rentals by approx. 15% to bring fees in line with neighboring agencies.	\$44,000	Likely to lose some customers due to higher costs. May encourage people to rent smaller, less expensive rooms.

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measure)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
36				Change fee structure to hourly rate (\$1/hour) instead of \$550/season for field use by local youth sports groups.	\$4,000	Most cities charge this way, and proposed fee is at the low end, but likely to result in complaints from YSOrgs. NOTE: revenue impact will be less than originally anticipated due to CUSD taking back their field scheduling & associated rental revenue.
37				institute annual Membership Fee of \$25/yr to Skate Park participants (currently free). \$5 guest pass for one week.	\$15,000	Loss of free, safe and supervised after-school option for kids. Admin. impact on front-line staff to process membership cards. Likely to lose some participation by older skaters. <i>Skate Park was Service Level Enhancement.</i>
Museum - 528	Reduction of Museum Ed. Coordinator position to 3/4 time (voluntary reduction).	Education Program reduced to 4 days/week and availability/response time for event rentals impacted. 20% reduction in Ed. Program participants/revenue. <u>Performance Measure</u> : 90% 80% of available school program dates are booked.	\$18,000		-\$4,000	
39				Increase rental rates for Ainsley Garden rentals by \$500/event.	\$12,000	Some potential loss of business. However, our rates are low compared to other Garden wedding sites; new rates will still be competitive.
40				Increase Museum Ed. Program admission fees by \$1/person to \$6/child. The minimum admission would be \$120 for up to 20 students.	\$3,700	No services expected to be impacted; Foundation Scholarships will help schools who cannot afford increase.
Theatre - 529				Increase base rent and rehearsal time fees by 5-6%	\$2,900	Not expected to impact number of rentals. Increased fees do not affect current contracts (full year's worth of increases will not be realized until FY 11/12).
42				Increase Theatre Facility Fee for tickets over \$30 & shift a portion of Facility Fee to HT for Operations. (this was approved by Council previously)	\$47,000	Most ticket purchasers won't notice; some add'l mgt.complexity for HT Manager in communicating & negotiating new fee w/rental clients.

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
43	Reduce Box Office hours by 8 hours per week	Reduces full-service Box Office. Will be more difficult to get a live body by phone and customers may get frustrated. May result in a loss of some ticket sales revenue.	\$6,200			
531/532				Increase cost per participant for adult fitness, tennis and sports classes.	\$10,500	Increased cost to participants but should have little affect on registration/participation.
44				Increase registration fee for Oktoberfest and Valentine Fun Run by \$5.	\$10,500	Increased cost to participants but should have little affect on registration/participation.
45				Increase Masters and Pre-Masters monthly swim fee by \$5	\$1,000	Increased cost to participants but should have little affect on registration/participation.
46				Increase monthly Swim Team fee by \$5/month per swimmer. (reduced fee for multiple swimmers from one family available).	\$9,000	May lose some swimmers; A large number (about 70%) of participants are non-residents - impacted by general non-resident fee proposal below.
47				Increase Drop-In fees (adult lap swim, rec. swim, fitness classes, weight room, gym and corporate passes). All increasing from \$5 to \$7 per visit except rec. swim (from \$1.50 to \$2.00) and corporate pass program (increases 10%).	\$22,700	May lose some swimmers to adjacent pools if our fees are higher. Cash handling of \$1 bills for change will be more labor intensive (having cash on hand to make change).
48				Increase adult sports league (volleyball and men's/women's basketball) fees by 10-13%.	\$8,900	Could lose some teams reducing league size & revenues.
49	Eliminate all (3) adult softball leagues.	Elimination of a traditional Rec. program. Serves 225 players (about 30% are Campbell residents). Loss of \$1,625 net revenue. Leagues are available in neighboring communities (most have lights and can accommodate more teams in each league). Also saves field prep by PW.	\$12,875		\$14,500	
50				Increase Swim Lesson fees from \$55 to \$60 per week.	\$11,000	May lose some participants to other pools (Westmont is closed this summer, so we expect full enrollment at CCC pool).

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
51	Eliminate Spring Boutique & Holiday Craft Faire	Eliminates events for the community, but these events happen frequently at alternate locations (churches, bazaars). Saves considerable staff time (not captured monetarily here). Potential for additional room rental income.			-\$2,000	
52	Eliminate Breakfast with Santa program (very labor intensive + no facility for 2010 due to OCBH Remodel).	Eliminates a popular event that has been running since 1990. OCB closed for remodel until 2011/12. Storytime w/Santa event will continue.			-\$100	
53				3% increase in Kindergarten Prep fees & add additional class.	\$25,200	Monthly fee increase of \$12/mo. for program participants + expansion of a desired program/service. Little to no effect on enrollment expected.
54				Increase in non-refundable holding fee for Pre-School reg from \$75 to \$100.	\$5,800	Higher fee (\$25) for beginning Pre-School parents (young families).
55				Increase fees for Day Camp by 3% to \$5.58/hr.	\$22,000	Increases expenses for families enrolled in Summer Day Camp, but still in line with competing programs.
56				Re-institute non-resident surcharge for class/program registrations (other than Adult Center classes). Computed at \$5 for classes under \$50; \$7 for classes between \$50-\$100 & \$10 for classes \$100+.	\$81,000	Likely to lose some non-resident customers, and increase in complaints, but provides residents a visible benefit. Most cities have a similar fee. Impact to staff who have to implement & monitor. <i>Performance Measures (Programs 531 and 532):</i> class capacity are likely to go down somewhat; % residents is likely to go up somewhat; revenue to expense ratio's likely to improve due to fee increases.
			\$166,375		\$421,350	
<b>FINANCE DEPT</b>						

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
<b>Acct. - 535</b>	Eliminate Executive Admin Position (voluntary separation)	Eliminating this position will require redistributing all essential activities to other staff members. This will increase workload for others including management staff. Shift of Cashiering function from City Clerk will provide some additional capacity for Finance and maintains front counter presence. May delay response times on certain information requests and require additional overtime during budget season.	\$96,000			
58	Reduce Office Supplies Expense	May have minor impact on quality of work output	\$1,500			
59	Reduce Professional Development Budget	Inability to remain abreast of current professional development topics may have negative long-term impact.	\$1,500			
60	Increase Mandated Cost Reimbursement Estimate based on FY09 filings				\$ 15,000	No impact; based on actual results.
<b>Non-Dept. - 540</b>	Reduce armored car service to three days per week.	Reduction may cause additional staff time to be spent reconciling bank account transactions at month end. Cash on hand amounts will increase. May delay the bank rec process. Cash vault transactions may be delayed.	\$3,000			
62	Reduce pay-as-you-go budget for retiree health reimbursements based on actual payments over last two years.	Reduces budget amount to actual. May increase if number of employees eligible for benefit choose to retire early.	\$17,000			
63	Eliminate water service	Some employees may not like filtered tap water.	\$3,500			
64	Insurance and Surety Bonds	Reduce premium budget based on FY10. Unexpected claims experience could cause actual premium to exceed budget.	\$15,000			
65	Reduce misc interest expense based on market rates.	No service impact.	\$700			
<b>IT - 547</b>	AT&T Enhanced Alternate Call Routing of Police Non-Emergency Numbers	No impact on Day to Day operations; alternative method for emergency rerouting of telephones created.	\$2,000			
67	Renegotiation of eleven service/maintenance contracts, or changing providers to achieve savings	No noticable service impact.	\$86,000			
68	Left-Hand Storage Network	Using lease financing vs. outright purchase.	\$6,000			
69	Phone System Support	Nortel upgrade completed in FY 10 so additional cost no longer needed.	\$2,000			
70	Autocad Subscription	Existing version meeting needs; no upgrade needed at this time.	\$7,800			
71	Track - it Help Desk Management Software - Maintenance	In-house IT staff will do maintenance	\$1,500			

Division	Description of Cut (with a brief description proposed)	Impact of Cut (how will it affect services and/or performance/ measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
72				Contracting in IT services for Monte Sereno	\$10,000	
73	Professional Development & Meetings	Decrease will require using alternative training methods (MISAC, Cross Training with other cities)	\$2,000			
74	City-Wide Specialized Technical Training	Decrease will require using alternative training methods (In-House IT Staff Providing Training)	\$3,500			
75	Reduce Miscellaneous Supplies	No noticable impact; reduced need	\$2,700			
76	.2 FTE Reduction in IT Technician staffing	Slower response to helpdesk requests, website updates and systems maintenance. <i>IT staffing increases was a service level enhancement.</i>	\$19,000			
			<b>\$270,700</b>		<b>\$ 25,000</b>	
<b>COMMUNITY DEVELOPMENT DEPARTMENT</b>						
550 +	Reduce the Executive Assistant to 36 hours	No significant impact on service delivery.	\$6,000			
78	Freeze the Senior Planner Position	This places more responsibility on the Planning staff to take up work load including Planning Commission support. If/when development activity picks up, additional staffing or contract assistance may be required. <u>Performance Measures:</u> 90% 80% of call backs/emails within 1 business day; 90% 80% of minor building permits receive response within 5 days.	128,000			
79	Reduce Senior Building Inspector to .5 FTE (voluntary separation as of Dec. 30; this change would be effective 7/1).	Plan Check duties can be handled by other staff due to lower permit volume with some outsourcing as needed. May require a field inspector to be in office when Building Official is away which will affect inspection response time. <u>Performance Measures:</u> 96% 85% of all inspections are made within one day; Complete preliminary plan review for completeness within-2 3 days 90% of the time.	\$68,000			
80	Eliminate half-time Office Assistant	With the merging of RDA and CDD, this persons duties can be picked up by the CDD Executive Assistant and Recreation clerical staff (which previously staffed Community Center leasing). Savings is for the General Fund (RDA will save an additional \$36,000).	\$7,000			

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will affected services and/or performance be measured)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
81				Increase fees as appropriate based on User Fee study	\$60,000	Increased cost to those submitting development proposals; greater cost recovery for the City.
			<b>\$211,000</b>		<b>\$60,000</b>	
<b>POLICE DEPARTMENT</b>						
601	Reduce Supplies and Services	Modest impact on efficiency due to reduced supplies, subscriptions and contract legal services.	\$2,700			
82	Reduce Training and Staff Development	Fewer non-mandatory training opportunities and funds for staff development.	\$10,000			
602	Reduce Supplies and Services	Minimal impact.	\$30,500			
603	Reduce Supplies and Services	Modest impact on efficiency due to reduced supplies.	\$5,600			
604	Reduce Supplies and Services	Modest impact on efficiency due to reduced supplies such as safety equipment, reference materials and printing/processsing expenses.	\$4,400			
605+	Reduce Supplies and Services	Modest impact on efficiency due to reduced supplies such as first aid, uniform replacements and emergency clean up costs.	\$6,400			
87	Digital In-Car Video Systems	No anticipated impact; all car systems have been replaced.	\$9,000			
88	Reduce budgeted Executive Assistant position to .80 FTE.	Staffed at this level for past year; some tasks redistributed to other employees.	\$18,000			
89	Overtime Reductions	No anticipated impact to services, but may need to request additional funds if we experience any unforeseen circumstances.	\$11,000			
90	Reduce overtime costs by changing the fee waiver to 25% for Special Events serving alcohol	Community groups (Chamber and DCBA) will need to cover 75% of the staffing costs for Special Events with alcohol.	\$12,000			
91	Silicon Valley Animal Control Authority (SVACA)	10% reduction in Authority costs will affect some service levels, such as reduced field hours, fewer adoptions, increased fees.	\$37,000			
92	Eliminate Part-Time Police Clerk	Citation data entry will need to be transferred to other Records Specialists which will result in data entry delays.	\$13,500			
93	Eliminate Sworn Captain Position	Increased on-call responsibilities for other two Captains. Decreased tactical expertise at the Command level. Reduced ability to effectively respond to major critical incidents.	\$234,000			
94	Unfund Systems Specialist Position	Increased workload for Civilian Manager, support staff and I.T. staff. Upcoming technology projects may take longer to implement. Decreased participation in county-wide technology projects.	\$115,000			

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (How will affected services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
95	Create Support Services Manager Position	Cost savings to City by reclassifying Captain to a non-sworn position. Will manage Records, Communications and department technology issues.	-\$169,000			
96	Reduce minimum shift for Crossing Guards	No noticeable impact on service level - peak times will still be fully covered; reduction in compensation for part time crossing guards	\$20,000			
97	Reduce Public Safety Assistant to .5FTE (temp CSO position)	Transfer of duties to Patrol CSO, which will require Officers to pick up additional non-emergency calls. Increased duties for Traffic Officers/Supervisor. Some decrease in AVASA revenues due to learning curve of reassigned staff. <u>Performance Outcome</u> : Respond to abandoned vehicle complaints 100%-80% of the time within 48 hours.	\$28,000			
98	Civilianization of Personnel Research and Training (PRT) Agent position. Reassign Community Services Officer Position from Investigations to PRT at 0.80 FTE.	Admin. Sergeant will need to take on additional responsibilities and some delay in processing permits and training responsibilities.	\$17,000			
99	Reduce .5 FTE Records Specialist	Decrease in productivity in Records impacting release of public records requests, increased wait times on phones and at front counter, citation and report processing. <u>Performance Outcome</u> : 95% 85% of report requests will be processed within 7 business days of receipt.	\$46,000			
100	Eliminate 1 Traffic Officer Position (one of two additionally frozen positions)	Reduce and delayed response to non injury collisions. Reduced traffic citation production and decreased revenue related to traffic fines. Reduced responsiveness to traffic complaints. <u>Performance Outcome</u> : Maintain a Traffic Enforcement Index of 21. [Currently achieving 60, which is likely to come down with one fewer officer, but measure still expected to be met.]	\$172,500			
101	Reduce budgeted Parking CSO position to .80 FTE (based on voluntary request and actual hours worked).	No impact on service, as this is actual hours worked; will be reduced salary savings.	\$17,000			
102				Increase parking and false alarm fees	\$25,000	Modest increase in parking fines and restructuring of the false alarm fee based on data from User Fee study.
			<b>\$640,600</b>		<b>\$25,000</b>	
<b>PUBLIC WORKS DEPARTMENT</b>						

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
701 +	Reduce Office Specialist 10% (voluntary reduction)	Reduced administrative support/responsiveness to public inquiries	\$7,500			
104	Reduction in Executive Project Manager hours 40%	Slower response to solid waste issues and reduced support for engineering/environmental programs and special projects.	\$22,000			
105	Reduce Professional Development/Meetings	Modest impact on career development opportunities.	\$3,000			
106	Reduce Intern funding	Reduced support for traffic, engineering and land development; special projects and responsiveness to traffic and citizen inquiries; collision database not updated as frequently.	\$15,000			
107	Reduce Assistant Engineer by 10% (voluntary reduction)	Reduced support for traffic, land development and engineering; special projects and responsiveness to traffic and citizen inquiries. <i>Performance Measure: 90% 80% of Traffic Service Requests responded to within 30 days.</i>	\$12,000			
730 - Engin:	Reduce Sr. PW Inspector by 10% (voluntary reduction)	Minimal impact on inspections as private development has slowed.	\$13,000			
109	Eliminate Sr. Civil Engineer as of Dec. 30 (voluntary separation)	Mandatory Environmental Programs will need to be staffed by others; will require readjusting project priorities and will lead to reduced capacity for capital projects and extend land development review times. <i>Performance Measure: 90% 80% of development application reviews completed within 10 working days.</i>	\$83,000			
110	Reduce outside plan check and map signing	Not needed due to slowdown in development; may be increased costs in future if demand increases (should be revenue offset).	\$15,000			
745	Reduce Garage Sale advertising	No printed map; reduced advertising. Will still use internet and other tools.	\$3,000			
750 - Vehicle Maint.	Extend vehicle replacement	May impact maintenance	\$54,000			
113	Purchase of used vehicles where appropriate	No noticable impact	\$10,000			
114	Reduce 1 Mechanic to 50% (voluntary separation in Dec.)	Reduced service level/response times (increased vehicle maintenance was a service level enhancement). May have to increase contracting out of some repairs. <i>Performance Measures: 95% 80% of preventative maintenance is completed on schedule; Public Safety vehicle availability is 90% 85%.</i>	\$47,000			
760 - Streets	Reduce Temporary Labor	Decreased flexibility; less downtown sweeping; reduced leaf pick up.	\$9,000			

Division	Description of Cut (what exactly is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
116	Reduce Centerline striping and thermoplastic by 50%	Degradation of striping and legends	\$21,000			
117	Decrease frequency of Street and Parking Lot Sweeping by 50%	Dirtier parking lots more debris/leaves on streets.	\$57,000			
<b>770 - Lighting</b>	Reduce Utility Expense	None; savings from inductive lighting and LED lights on trees downtown.	\$6,000			
119	Reduce Temporary Hours 20%	Lower service levels; <i>Performance Measure</i> : 95% 85% of streetlight outages repaired within 10 working days.	\$8,000			
120	Reduce Pole Replacement by 80%	Degradation of poles.	\$17,500			
121	Eliminate Holiday Tree lighting (Roosevelt and Library trees)	Less festive holiday environment.	\$4,000			
<b>775 - Parks</b>	Reduce Street Tree Maintenance by 12%	Reduction in aesthetic pruning and spraying	\$15,000			
123	Reduce Parks Temporary labor by 20%	Reduction in service levels, impacting aesthetics/park cleanliness primarily in the spring and fall timeframe (increased park maintenance was a service level enhancement). <i>Performance Measure</i> : 95% 90% of landscape medians, parks and civic grounds maintained at a rating of 3 on a 4 point scale.	\$20,000			
<b>530 - Building Maint.</b>	Reduce .5 Office Assistant to .3 FTE	Reduced support; some will be picked up by other PW clerical staff now that Building is part of PW. Slower response to tenant and building maintenance issues.	\$15,000			
125	Eliminate Vacation Relief	Minor impact on service; slower responses at times.	\$5,000			
126	Lower cost for custodial	None; contract came in lower than budgeted.	\$37,000			
127	Reduce Special Project Expense	Noticable impact on facilities (ex: painting, replace carpeting, upgrade restrooms...)	\$26,000			
128				Increase Solid Waste Franchise Fees by 2.5%	\$195,000	Increase garbage rates to SF by 63 cents/month over what it otherwise would be
129				Increased USA Marking Fees	\$2,000	Service provided to Los Gatos
130				Allocate Traffic Engineer, City Engineer and Maintenance Staff to Capital Projects	\$65,000	Reduces funding for capital project construction and design
131				Increase in Fees (more than offset by lost revenue due to decreased development activity)	-\$75,000	More complaints from developers over fees
			<b>\$525,000</b>		<b>\$187,000</b>	
<b>City Total</b>			<b>\$1,887,675</b>		<b>\$778,350</b>	

Division	Description of Cut (what activity is being proposed)	Impact of Cut (how will it affect services and/or performance measures)	Savings	Description of Increased Revenue	Revenue	Impact of Revenue change
<b>CITYWIDE ACTIONS:</b>						<b>Ongoing Savings:</b>
	Budget at actual v top step	Will more closely reflect estimated actual expenditures; no built in budget savings	\$200,000			\$200,000
	Furloughs - Misc. employees @ 56 hours	Reduced work days; delays in service to the public. Reduction in compensation for employees	\$283,000	not ongoing savings		
	Furloughs - Safety @ 36 hours		\$67,000	not ongoing savings		
	two year take from CIPR		\$100,000	not ongoing savings		
	Environmental Fund transfer		\$60,000			\$60,000
	Reduce management auto allowances 50%		\$25,000			\$25,000
Ongoing Citywide Savings						<b>\$285,000</b>
Total Ongoing Budget Corrections						<b>\$2,951,025</b>
	One time cost of separation benefits		-\$200,000			
<b>Total Year One Budget Corrections</b>			<b>\$3,201,025</b>			
<b>Other ideas to pursue:</b>						
	online donations					
	adjust thermostats in City buildings					
	energy efficiency recommendations					
	Farmers Market revenue					
	debt restructuring					
	Eliminate City Treasurer Position		\$13,000	Savings in FY 13 if ballot measure successful		
	Merge Communications with LGMSPD					
	Lease space on Monopole Tower to Cell Phone companies					

**B List**

updated 4-26-10

Dept.	Description of Cut (what exactly is being proposed)	Impact (how will it affect services and performance measures)	Savings	Description of Increased Revenue	\$ Rev.
<b>City Manager</b>					
	Eliminate commissioners' dinner	Reduced ability to formally recognize commissioners for their volunteer service	\$5,000		
	Eliminate cablecasting program	Cuts new webcasting AND ch. 26 programming	\$17,600		
	Eliminate or reduce Chamber of Commerce Information & Referral Contract	Chamber may not be able to promote the City and its businesses to the same extent.	\$10,000		
	Eliminate membership in US Conference of Mayors	Less networking and information sharing	\$3,600		
	Eliminate Employee Service/Retirement Awards	Negative impact on employee morale	\$5,000		
	Eliminate Volunteer Luncheon	Reduced ability to formally recognize volunteers for their service; perhaps fewer volunteers.	\$5,500		
<b>R&amp;CS</b>					
		Approx. 100 seniors may be affected throughout the course of a year		Assess \$10 cancellation fee for Adult Center transactions that are non-emergency medically related	\$1,000
	Eliminate/Reduce Case Management services (was a Service Level Enhancement).	Significant impact on staff to assume labor intensive case mgt. responsibilities that assist low-income, frail & those w/ no family support/advocacy.	\$7,500		
	Close skate park 2 days per week (alternative to "A" list proposal)	Less availability of free, supervised youth program	\$3,500		

**Exhibit 3**

	Eliminate rental of Westmont Pool in summer saving rental fee of \$13,200 and staff fee of apprx \$9,000 (must be done for 2010; this would be for future years).	Closing Westmont Pool would create a facility issue for Swim Team (we have so many kids we'd still have to rent some pool time elsewhere during summer months) & would eliminate the ability to offer the popular Sea Turtles Day Camp @ Fischer Park (combination of camp & swim lessons + only program we offer in the San Tomas neighborhood);	\$22,200		-\$25,000.00
	Eliminate Recreation Swim (1.75 hours/day four days per week in summer). \$3000 revenue loss. Could substitute for fee-based lessons instead (= \$17,600 net gain) .	Eliminating Rec Swim would have a significant impact on City & tenant Day Camp programs + add'l outside camps & summer school programs			\$17,600
<b>Finance</b>					
	Reduce Muni Consultants Sales Tax Audit Fees	Fees are offset by additional revenue collections. Net result is likely to be \$0	\$4,000		
<b>Polic</b>					
	Eliminate Crossing Guards ( <i>savings beyond "A" list item</i> )	Decreased safety at school related intersections.	\$85,000		
	Elimination of SWAT Team including training, supplies, uniforms, etc.	This would eliminate the SWAT team requiring us to pay other agencies for critical incident & search warrant responses (estimate from SJPD based on last year's incidents is \$140,000). Reduced tactical expertise for Police personnel due to elimination of specialized training.	\$38,600		
<b>Public Works</b>					

**Exhibit 3**

	Reduce custodial services to 3x per week for most City facilities		\$7,500		
	Further Reduce Parks Temporary labor ( <i>beyond "A" list</i> )	Impact on service level would be significant; the elimination of weekend maintenance shifting permanent employees to an alternative weekend schedule which would in turn require reductions in such things as mowing, maintaining landscaping, graffiti abatement, safety inspections, etc. that occur during the weeks.	\$30,000		
<b>Comm</b>					
	Graffiti Abatement	Increased visual blight in the community ( <i>this was a Service Level Enhancement</i> ).	\$10,000		

**B list - subtotal: \$255,000**

**Citywide**

Revenue from increase in Business License Tax \$215,000  
 Revenue from increase in Transient Occupancy Tax \$260,000

**Possible B list: \$730,000 -6400**