



ADMINISTRATIVE SERVICES

Council Meeting: January 10, 2006

Staff Report #: 06-007

Agenda Item: F-1

REGULAR BUSINESS: Discussion and Possible Direction Regarding Potential Budget-Balancing Strategies to be Considered During the Your City/Your Decision Community Workshops in February

RECOMMENDATION

Staff recommends that the City Council discuss and provide direction as appropriate regarding the potential budget-balancing strategies developed by staff in response to the Your City/Your Decision survey (Attachment A) for consideration at community workshops in February. In particular, staff asks that Council address the following questions:

- Are the strategies understandable?
- Do they appear to be responsive to the feedback received from the community in the Your City/Your Decision Survey (Phase I)?
- What questions about the strategies should staff anticipate and be prepared to answer during the Your City/Your Decision community workshops in February (Phase II)?
- Are there additional strategies that the Council would like staff to consider?
- Are there any strategies that Council would like to remove from the list to be considered by the community during the February workshops?

BACKGROUND

Since 2000-01, the City has faced an imbalance between General Fund operating revenues and expenses. In total, over the past four fiscal years, the City has trimmed its expenses by over \$4 million (approximately 15% of the City's annual budget) and reduced its workforce by the equivalent of 30 full-time positions. Despite these measures, deficits are forecast to continue until 2012-13.

At the Council's February 1, 2005 Budget Workshop, staff proposed a new approach to build the budget based on community priorities. The purpose of this approach was to achieve the type of comprehensive, long-term, community-supported service and funding strategy that often cannot be reached through successive rounds of incremental budget adjustments. At this meeting, Council also directed that a Budget Advisory

Committee be established. An application process was developed and Council appointed the members of this committee at its April 19 meeting.

At its May 10 meeting, Council approved an agreement with Community Focus to provide assistance with the community engagement process. Council also approved a draft work plan that outlined this process. This work plan called for two phases of public input. Phase I was a mailer and survey, which informed residents and local businesses about City services and asked them to specify their priorities regarding service cuts, service enhancements and new or increased taxes. A copy of the mailer is included in this report as Attachment C. Phase II is a set of workshops at which community members will consider a list of specific strategies developed to accomplish the priorities communicated in the survey and make recommendations as to which ones should be part of the final budget balancing solution.

The goals of this work plan are to: achieve broad public participation and informed public judgment; gather community feedback on priorities and specific budget balancing options; facilitate opportunities for residents to deliberate with each other and experience the trade-offs and different points of view inherent in local government budget-making; and generate an understanding of and support for the final budget solutions.

The Phase I survey was issued in early September 2005 and returned surveys were accepted until mid-October. Community Focus prepared an analysis of survey results, which was presented to the Budget Advisory Committee on November 17, 2005. City Council Members also received copies of the report at that time. The survey results are summarized below and included as Attachment D. The Phase II community workshops are scheduled for February 9, 11 and 15. Information about the workshop goals and structure is provided below.

The purpose of this report is to seek Council input and direction regarding the potential budget-balancing strategies staff has developed in response to the survey feedback, before these strategies are presented for community deliberation in the February workshops.

So that the Council may assess whether the potential budget-balancing strategies are responsive to the survey feedback, the survey process and results are summarized below. For more detail, see Attachment D. As this report states, the survey results are one part of the City's expanded budget process. This process also includes City staff expertise and analysis of long-term costs, legal requirements and other factors and, of course, the deliberation and final decision of the City Council.

Survey Process

The survey was sent along with an eight-page mailer to every residence and business in Menlo Park (approximately 17,000 addresses). The mailer and survey were produced in both English and Spanish and were designed with considerable, constructive input from the Budget Advisory Committee. The mailer provided information about the City's budget situation and briefly described the services funded

by the General Fund, their net costs (i.e. expenses net of fees or other revenues associated with each service) and the possible impacts of reducing these services. The survey included a worksheet on which residents could build a balanced budget in accordance with their personal preferences by specifying where they would reduce or enhance General Fund spending and whether they would increase or add taxes. The survey also included questions to get a sense of the community's perspective on business development and increased user fees as ways to provide more revenue to support City services. Finally, the survey asked for basic demographic information and provided space for people to make open-ended comments.

In addition to the survey mailed citywide, a random sample of 400 residents was recruited to complete the survey in order to provide methodological soundness and confirm the representativeness of the citywide survey. Residents also had the option to complete and submit the survey on the City's website. Extensive outreach was done to encourage participation in the survey. This outreach was successfully spearheaded by the Budget Advisory Committee and is described in Attachment D.

Survey Response Rate

A total of 1650 surveys were returned: 701 through the citywide mailing, 190 through the random sample survey and 492 through the website. Of these 1650 surveys, 267 were found to have unusable budget worksheets, resulting in a total of 1,383 surveys included in the analysis of service spending changes and taxes. Surveys were deemed unusable for this part of the analysis if they provided only open-ended comments, or if the worksheet was left blank or partially filled out without balancing the budget within \$290,000 (i.e. 10% of the targeted shortfall).

The response rate to the Your City/Your Decision survey was very positive. As a point of comparison, fewer residents responded to a similar, successful citywide survey in Eugene, OR (1,052), even though that city's population (125,000) is much larger than Menlo Park's (30,648). The response rate to the random sample survey was 47.5 %. A study of municipal citizen surveys has found that these surveys tend to have comparable or smaller sample sizes and response rates, and are considered statistically valid and useful indicators of community sentiment. It should be noted that the Your City/Your Decision survey was considerably more complex and time consuming than most municipal surveys, making the response rate in Menlo Park even more impressive. Another positive indicator regarding the community's participation in the survey was the fact that 180 pages of comments were received from the open-ended portion of the survey.

Confidence in the reliability of the data is supported by the fact that there is a high degree of consistency among the three data sources. That is, responses tended to be similar regardless of whether the source of data was the citywide mailing, the random sample or the online version.

Regarding the demographic profile of survey respondents, although many people declined to respond to the demographic questions, it appears that certain groups (renters, Hispanics, younger people, lower income people and Belle Haven residents)

are under-represented. This is certainly disappointing as considerable effort was made to encourage broad participation in the survey. However, survey practitioners report it is not uncommon to see lower response rates among groups who tend to be very mobile and/or busy with the demands of day-to-day life. This makes the response demographics more understandable, in light of the time commitment required to complete the balanced budget worksheet. A preliminary check of the survey data suggests that responses were relatively consistent across demographic groups.

Summary of Survey Responses

The four major questions addressed by the survey are:

- What is the general approach that respondents used in balancing the budget?
- What services do respondents want to maintain, reduce or enhance?
- Do citizens support increased revenue options and if so, which ones?
- What is the level of support for attracting additional retail businesses or hotels to Menlo Park?

General Budget-Balancing Approach

Looking at all three data sources, 65% of survey respondents preferred a combined approach to balancing the budget; that is, using both reductions in the net cost of services and new tax revenue, whereas 30% preferred balancing the budget through net cost reductions alone and 5% chose only increased taxes to solve the entire \$2.9 million shortfall. On average, across all data sources, respondents reduced spending by \$1.8 million and increased taxes by \$1 million.

Suggestions Regarding Service Spending

Table 9 on page 26 of the survey results report (Attachment D) summarizes the percent of respondents suggesting reductions in spending for each service and the average size of these reductions. Across all services, the percentage of respondents suggesting net cost reductions in a given service ranges from a low of 15% (emergency preparedness) to a high of 75% (aquatics). Table 9 also shows the size of the average reduction for each service, relative to the total cost of that service. On average, respondents suggested reductions that reflect 13% of the service cost. As a percent of total service cost, the reductions range from 2% (storm water management) to 39% (adult sports). For only five of the 34 services in the survey does the average reduction amount to more than 20% of the total cost of the service.

It is important to keep in mind that survey respondents were asked to consider what reductions they would make to the net cost of each service. Net cost can be reduced either by cutting spending or increasing fees or other revenues related to the service. Many of the services suggested for reduction by a majority of respondents charge user fees, indicating a possible opportunity to increase fees in order to reduce the net cost of the service to the General Fund.

The level of support for reducing the General Fund subsidy of a given service provides a useful guideline in the development of specific budget-balancing strategies. However, it is important to note that targeting only those services that were suggested for

reduction by a majority of survey respondents, and only by the amount of the average reduction, would not generate sufficient savings to close the \$2.9 million shortfall.

Although respondents were given the option to enhance spending for particular services, most did not do so. In fact, as Table 6 on page 21 of Attachment D shows, there were only three services for which more than 5% of respondents suggested increased spending: Emergency Preparedness (11%), Main Library (6%) and Business Development (8%). The average increase suggested across all services totaled only \$94,000. Thus service enhancements are not indicated at this time.

Increased Revenue Options

A majority of survey respondents (70%) chose one or more of the general taxes to help balance the budget. The type of tax selected most often as part of the budget-balancing solution was a Utility User Tax, which was suggested by 52% of survey respondents from all data sources. The average amount of the tax was \$506,000 among all survey respondents and \$1.1 million among only those who suggested a Utility User Tax. The next most frequently cited tax was a Parcel Tax, which was suggested by 42% of survey respondents from all data sources. The average amount of the tax was \$345,000 among all survey respondents and \$938,000 among only those who suggested a Parcel Tax. Thus, although the overall approach recommended by survey respondents includes \$1 million in tax revenue, there is not clear agreement as to the source of the revenue and there is majority support for only one of the types of taxes that make up this amount.

Respondents were also asked to indicate their level of support to set user fees in order to cover most or all of the cost of certain services, on a scale of 1 (strongly oppose) to 5 (strongly favor). Table 11 on page 31 of Attachment D shows the average response. The services that received the most favorable response to cost-recovery fees (with an average score of 4 or higher) were Adult Sports, Gymnastics, Aquatics and Community Classes. This was consistent with the suggestions in the worksheet part of the survey, which showed a relatively high level of support for reducing the net cost of many services with associated fee revenue. The following services received an average rating between 3 and 4, indicating some willingness to set fees at cost-recovery: Menlo Children's Center, Burgess School Age Child Care, Youth Sports, Events and Concerts and Permit and Inspection Services. There appears to be some reluctance to impose cost-recovery fees for services with a social service aspect, especially those serving low-income populations.

Support for Business Development

Respondents were asked to indicate their level of support for attracting retail businesses or hotels to Menlo Park to provide revenue for City services. More than 70% of respondents at least somewhat favor this strategy in the abstract. The average response was 3.9 on a scale of 1 (strongly oppose) to 5 (strongly favor). However, it is not possible to extrapolate this support to specific business development proposals.

ANALYSIS

The focus of this Council meeting is to review a set of potential budget-balancing strategies developed by staff as options for how to accomplish the relative priorities indicated in the budget survey. The sections that follow will describe the process for reviewing and considering the strategies, explain how they were developed, and summarize the strategies themselves.

Process for Strategy Review and Consideration

Community Workshops and Next Steps

The strategies are intended to provide specific options for closing the \$2.9 million shortfall in a manner that reflects the feedback received from the community in the budget survey. After review by the Budget Advisory Committee and the City Council, the strategies will be presented to the community in budget workshops. The workshop will be offered at three different times and locations in order to provide a range of opportunities for residents and local businesses to participate. The dates and locations of the workshops are below. The goal is to have a total of 200 to 300 participants.

- Thursday, February 9 at Belle Haven School, from 6:30 – 9:30 p.m.
- Saturday, February 11 at the Burgess Recreation Center from 9:00 a.m. – 12:00 noon
- Wednesday February 15 at La Entrada School from 6:30 – 9:30 p.m.

At the community workshops, participants will be divided into small groups. These groups will discuss a list of specific cost reduction strategies along with tax increase strategies. Acting much as a city council does, the groups will then vote on which strategies to include in their recommended solution to close the \$2.9 million budget shortfall. This provides an opportunity for community members to understand more fully the options and impacts for balancing the budget and to communicate the strategies they prefer and the trade-offs they would make. It also promotes the concept of deliberative democracy, which seeks to revitalize civic participation, improve the nature of public discourse and generate the political will necessary to take effective action on pressing problems.

In March 2006, Community Focus will submit a report to the City summarizing the feedback from both the survey and workshop phases of the Your City/Your Decision process. The Budget Advisory Committee will then review the report. A Council budget workshop will be held shortly thereafter so that Council can give direction regarding the Your City/Your Decision report, discuss project priorities and initiate a process to reduce the City workforce. Staff will then prepare the Fiscal Year 2006-07 Budget for review and adoption in May and June.

Budget Advisory Committee Review –December 8, 2005

The Budget Advisory Committee met on December 8, 2005 to review the list of potential budget-balancing strategies. A summary of the feedback received during the group's thoughtful and thorough discussion include:

- An appreciation for the effort and hard choices made by each department in developing the strategies.
- The importance of fully and objectively describing the impacts of the potential strategies presented during the workshops. Several specific suggestions were made regarding how strategies and impacts could be communicated.
- Feedback about the difficulty in accepting the impact of various strategies.
- The need for strategic, big picture, long-term thinking. Are there ways to significantly improve the City's finances over the long-term, for example by restructuring the pension system or investing more in business development? Are there long-term costs that could negate the short-term savings associated with some strategies? Has staff considered the possibility of unintended, cross-service impacts?
- An interest in exploring privatization or outsourcing as a means to preserve services by providing them at a lower cost.
- An interest in seeking community feedback on such broad strategies as pension reform, business development and privatization or outsourcing.
- A reluctance to having community facilities (libraries, pools, recreation centers, gyms) stand idle. Could business plans for private use be developed to maximize the value the community receives from these assets while minimizing the cost to the General Fund?
- An interest in considering the options for phasing implementation of the strategies, especially if some of the strategies cannot be accomplished in the near-term (e.g. seeking voter approval for tax increases, increasing the tax base through business development, etc.) Could some limited use of the reserve be considered?
- The recognition of the importance of comprehensive land use planning, particularly updates to the City's General Plan. Are there funding mechanisms that could be put in place to build this back into the budget?
- A concern that the feedback from the community workshops might not be meaningful if participation is low or unrepresentative or if participants don't have enough time or information to make good recommendations.

Initial Council Review – January 10, 2006

The list of potential budget-balancing strategies is being presented to the City Council at this point in the process in order to provide a chance for input before the strategies are presented to the community during the workshops. In particular, staff seeks Council's perspective on whether the strategies are understandable and responsive to the survey feedback. In addition, staff seeks Council direction as to any additional strategies it would like to see developed. Finally, if there are strategies that Council knows at this point that it would not be willing to adopt, regardless of the preferences that may be expressed during the community workshops, it should direct staff to remove such strategies from the list.

How the Strategies Were Developed

In September, staff started to generate ideas for reducing net cost to the General Fund. Once survey results came back in November, departments focused their lists of ideas and further developed them based on the relative priorities expressed in the survey.

Departments were asked to achieve a total target for net cost reduction equal to about \$3.9 million. This target purposely exceeded the shortfall of \$2.9 million in order to generate of list of options that would provide the community with some choices, even if it were to choose to solve the budget shortfall entirely through net cost reductions, rather than through a combination of reductions and taxes. Consequently, the attached list of potential strategies “over solves” the stated shortfall and represents a “worst case” scenario.

The \$3.9 million target was set to equal roughly two times the amount of the total average net cost reductions suggested in the survey. A target was set for each service equal to two times what was recommended for each service in the survey, minus the cost of the overhead that had been allocated to that service. There were separate, commensurate targets set for reducing administrative and facility/vehicle overhead.

Overview of Potential Strategies

The list of potential budget-balancing strategies is included in this report as Attachment A. The list is organized by department and includes strategies matched to each service in the Your City/Your Decision survey. Attachment A provides a brief description of each potential strategy and a statement of the estimated impact if this strategy were to be implemented. Attachment B summarizes the net cost reduction of the potential strategies and compares them to the total cost of each service and the amount recommended for reduction in the survey. As this Attachment shows, and as is outlined in the table below, the percentage of total cost represented by the potential reductions ranges by department from 6% for Library Services to 21% for Community Services. The table also shows that the potential strategies, as a percent of the total solution, closely reflect the relative size of the solution for each department and service as recommended in the survey.

	Share of Average Reduction Recommended in Survey	Net Cost Reduction Resulting from Potential Strategies	Total Department General Fund Expense	Net Cost Reduction as A Percent of Total Expense	Targeted Percent of Solution from Survey	Actual Percent of Solution From Potential Strategies
Public Safety	552,221	1,076,965	10,754,633	10%	29%	27%
Public Works	275,744	456,700	4,939,200	9%	15%	12%
Community Services	576,492	1,351,535	6,332,669	21%	31%	34%
Libraries	61,454	122,000	1,929,394	6%	3%	3%
Community Development	82,131	154,740	2,092,120	7%	4%	4%
Other Services	43,887	71,000	354,707	20%	2%	2%
Public Works Overhead	110,032	303,500	1,654,000	18%	6%	8%
Administrative Overhead	170,708	418,000	2,771,000	15%	9%	11%
TOTAL	1,872,669	3,954,440	30,827,723	13%	100%	100%

In addition to looking at the potential budget-balancing strategies by service or department, it is useful to look at the various types of strategies employed. As the table below shows, approximately two-thirds of the total savings to the General Fund associated with the potential strategies comes from service reductions, one-quarter comes from overhead reductions and efficiencies and the remaining portion (5%) comes from transfers and fees.

Type of Strategy		Savings to General Fund	Percent of Total
Service Reductions		2,703,000	68%
Overhead Reductions		646,000	16%
Efficiencies		383,000	10%
Fees			
New or increased fees	453,000		
Other service revenues	170,000		
Lost revenues	-499,000		
Net	124,000	124,000	3%
Transfers		98,000	2%
Total		3,954,000	100%

The focus at the workshops will be on the public's preferences regarding services, fees and taxes. It continues to be staff's goal to maximize the amount of savings that can be realized through efficiencies and overhead reductions and to take this amount "off the top." This will reduce the size of the shortfall that must be met through reductions in net service cost or increases in taxes. The ultimate size of the City's commitment to such "off the top" savings will be determined prior to the workshops, based on a further analysis of the efficiencies and overhead reductions included in Attachment A to ensure that they are sustainable and that there aren't unintended, ill-advised impacts on efficiency, effectiveness or long-term cost. Some aspects of overhead are contingent on the level and mix of services the City provides. Therefore, some strategies to reduce overhead will not be included in the upfront commitment, but will be decided upon in concert with the set of budget-balancing strategies that are ultimately proposed in the 2006-07 budget.

There are, of course, other ways the strategies could be categorized and analyzed. After the community workshops, at its March meeting, Council may wish to establish its own criteria or framework for considering which strategies to include in the final budget solution.

Most if not all of the strategies in Attachment A will be hard to accept for some segments of the Menlo Park population. Even the reductions in overhead will have impacts on support to operating departments and the services they provide and, therefore, indirectly to the public. Since the City has been engaged in budget-cutting for several years, very few options remain for reducing cost without a noticeable impact on the organization and service to the public. The community workshops are an important part of the process as they provide a way for the people who may be affected by the various strategies to state their preferences for closing the \$2.9 million shortfall. In addition to the community-wide outreach that will be led by the Budget Advisory Committee, staff will make every effort to inform the City's customers about the potential for impacts to all City services and that the workshops offer an excellent opportunity to have a voice and be part of the solution.

Potential Tax Strategies

The potential strategies developed by staff in Attachment A focus on reductions in net service cost. As described in the Background Section above, the Your City/Your Decision survey also asked residents to consider whether taxes should be part of the budget solution. The specific taxes listed in the survey were a new Utility User Tax, an increase in the Business License Tax, a new Parcel Tax and a new Special Assessment District Tax. Staff will include in the strategies for consideration at the community workshops in February specific options with different levels of these taxes.

Other Issues for Council's Consideration

Personnel-Related Issues and Expenses

As a service organization, 75% of the City's General Fund expense is personnel-related. Therefore, there are significant personnel impacts associated with the potential budget-balancing strategies listed in Attachment A. Preliminary estimates are that the current list of strategies would affect employees at all levels of the organization, resulting in a reduction of approximately 28 full-time equivalent employees (FTEs), several of which are currently vacant. Department heads have talked with staff members who may be impacted. Management has met periodically with union leaders to keep them up-to-date. The City Manager has held an ongoing series of briefings open to all City employees to provide information and answer questions. Once a relatively final set of budget reductions has been identified, staff will initiate a more focused "Reduction in Force" process. This process will likely entail enhanced severance and early retirement options as a way to enable, if possible, voluntary separation in the impacted positions. In the past few years, measures like voluntary separation and early notification have helped the City transition into a smaller organization in a way that has treated employees humanely and minimized the negative affect on morale that is typically associated with lay-offs.

Personnel expense is driven not only by the number of employees but also the salary and benefits that employees receive. Survey respondents, as well as Budget Advisory Committee members, have raised the question as to whether the City's budget shortfall could be solved in whole or in part by reducing salaries or benefits, especially the pension benefit. While all reasonable efforts should be made to control salary and benefit expenses, staff does not feel that across the board salary cuts or changes in the pension system represent viable, sustainable solutions at this time.

Since Menlo Park sets salaries at the average of comparable nearby cities, salary reductions would place Menlo Park at a disadvantage in the labor market. If salaries were not competitive, Menlo Park would face a significant challenge retaining its most qualified staff and replacing key positions that become vacant as baby boomer public servants retire in large numbers across the Bay Area and throughout the state. Instead, the City has tried to manage employee expectations in the collective bargaining process and seek moderate, reasonable annual salary adjustments in recent union contracts. The average annual salary increase for the City's bargaining units has been 3.7% over the past ten years.

Regarding employee pension expense, as the Council is aware, Menlo Park participates in the California Public Employee Retirement System (PERS) as do the vast majority of cities in the state (93%). PERS is a defined benefit, rather than a defined contribution, pension plan. In some years, the City's has not been required to make any contribution to PERS, due to investment gains in the PERS fund. However, in recent years, the City's contribution to PERS has increased dramatically due to enhanced benefit levels for the City's safety employees and significant State PERS fund investment losses. In 2005-06, the City was required to make a contribution to PERS equal to 26.4% of salary expense for safety employees and 11.5% for all other employees. Over the past ten years, the City's pension costs have averaged 7.3% of salary expense for safety employees and 3.5% for all others, compared to what would have been a 6% cost if the City had been participating in Social Security without any supplemental pension benefit.

Because Menlo Park's pension benefits are in line with those of other public sector employers, the City would face similar labor market disadvantages as those discussed above, if it were to be the lone city to withdraw from PERS. In addition, if it were to pursue such a course, the City would need to renegotiate all union contracts, analyze and fully fund the liability incurred to-date under PERS and estimate the potential future costs and savings associated with alternative retirement system options. City Managers and other stakeholders from across the state are working to develop needed reforms to the State's pension system. Staff believes that participating in and encouraging statewide reform offers a more sustainable and practical solution for a city of Menlo Park's size. Staff does not plan to undergo the expense and time that would be necessary to explore a unilateral change in pension benefits unless it is clear that this is a direction Council is intent to pursue.

Cost Recovery

Attachment A includes several potential strategies that involve increasing fees for service. Staff believes that it will be necessary to conduct a cost recovery study in order to better document the full cost of various City services and help determine the appropriate level of certain fees. This is especially important for those services that by law must not charge a fee that is higher than what is necessary to recover the cost of providing that service (e.g. plan review fees). It is also important in determining that the proper amount of administrative overhead expense is being charged to the City's various funds. Finally, such a study will help the City understand the true economics of providing various fee-based recreation services. It has been nine years since such a study has been done. Staff plans to include funds to conduct a cost recovery study in the proposed 2006-07 budget.

Opportunities to Explore Managed Competition

Like other cities, Menlo Park must decide not only what services to provide and at what level, but also how to best provide those services at the desired quality and lowest cost. This can mean learning from and incorporating the best practices of other providers of the same service. It can also mean contracting with others to provide the service directly. Over the past four years of budget shortfalls, the City has implemented a variety of measures to streamline and reduce cost. Although some services have been contracted out (e.g. the annual tree trimming program), this strategy has not been

extensively employed. The Budget Advisory Committee has expressed an interest in exploring whether there are opportunities to maintain service levels at a lower cost through outsourcing or privatization. In particular, the Committee has wondered whether there is the potential to meet community needs for child care, aquatics, adult and youth sports and senior services through more extensive partnerships with private providers. Staff believes that it makes sense to explore this potential and may wish to include some proposals along these lines in the 2006-07 budget. To do so would require a fuller understanding of City costs (as described above in the section on cost recovery), the viability and cost competitiveness of private market alternatives and the implications for service quality, as well as the level of service to those not able to pay market rates. A thorough exploration of these issues will take longer than the time remaining this fiscal year. Therefore, if Council supports this idea conceptually, staff would return at a future meeting with a work plan and timeline.

Phased Implementation

It is likely that the mix of strategies ultimately decided on by Council will include measures that can not be fully implemented at the start of the 2006-07 budget year. Most notably, although the Your City/Your Decision survey and workshops will give a sense of the type and level of tax that may be supported by the public, voter approval would still be needed if Council chose to pursue a new or increased tax. The earliest possible date to place a tax measure on the ballot would be November 2006, which is five months into the next fiscal year. Other possible strategies, such as managed competition or increased business development would also take time to explore and realize. During the 2006-07 budget adoption process, Council may wish to consider phased implementation of the budget, including limited use of the General Fund Reserve, in order to achieve balance over time and not make more severe expenditure and service reductions than may turn out to be necessary.

General Plan Surcharge

The General Plan guides the physical development of the city through goals and policies on land use, transportation, housing, open space, conservation, noise and safety. The General Plan reflects the community's vision and provides direction for home and commercial property owners, developers, City staff, the Planning Commission and Council in designing and reviewing development projects. With some elements dating back to the 1970s, the General Plan has become outdated and difficult to use. A comprehensive update to the General Plan would help ensure that development in the city reflects the community's values and needs. It would also make the design and review of development projects more efficient for both applicants and City staff. The process to update the General Plan is estimated to take five years and cost \$1-2 million. As the City has struggled to balance its budget over the past several years, spending to update the General Plan has been delayed. As previously mentioned, the Budget Advisory Committee has stated its belief that the City should find a source of funds to invest in a General Plan update. Staff has considered the possibility of establishing a surcharge on building permits in order to raise \$200,000 - \$400,000 per year. Staff will present this concept for Council consideration during the 2006-07 budget process.

Budget Advisory Committee Next Steps

The Budget Advisory Committee has met 10 times since June of 2005 and has played an integral role in shaping and helping to implement the Your City/Your Decision process. At this point, the future meetings planned for the Budget Advisory Committee include one on January 11 to plan for the community workshops and one in March to review the report from Community Focus summarizing the results of the survey and workshops. Committee members will also conduct outreach to encourage participation in the workshops and serve as facilitators or play other roles during the workshops. With the completion of the Your City/Your Decision process, the official charge of the Committee will be accomplished.

IMPACT ON CITY RESOURCES

There is no impact on City resources associated with the recommended action. The ultimate purpose of the Your City/Your Decision process is to help City staff and the Council develop and adopt a 2006-07 budget that solves a \$2.9 million shortfall and results in a sustainable spending plan.

POLICY ISSUES

There is no immediate policy issue associated with this staff report, in that the Council is not being asked to approve any particular strategies. Rather, staff is seeking Council input in preparation for the Your City/Your Decision community budget workshops in February. Following the workshops, Council will consider community feedback and staff recommendations and adopt a 2006-07 budget that reflects policy decisions about service mix and level as well as taxes or other funding measures.

ENVIRONMENTAL REVIEW

Environmental review is not required.

Audrey Seymour, Assistant City Manager

PUBLIC NOTICE: Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. [Potential Budget-Balancing Strategies](#)
- B. [Summary of Budget-Balancing Strategies by Department/Service](#)
- C. [Your City/Your Decision Budget Mailer and Survey](#)
- D. [Analysis of Survey Results](#)

cc: Budget Advisory Committee