

# CITY MANAGER'S MESSAGE

*As presented in the Proposed 2010-2011 Budget Document*



**Honorable Members of the City Council:**

## Introduction

As in previous years, the purpose of this transmittal is to present the City Manager's proposed budget for Fiscal Year 2010-2011 for the City Council's review and consideration. This proposal reflects the reality that although, at the national level, the economy is showing signs of stabilizing, the effects of its decline over the last several years continue to have a devastating impact on various sectors at the state and local level in California. Unemployment has remained stubbornly high as the rate of layoffs continues to outpace new job creation. For example, the adverse impact of the recent closure of the NUMMI auto plant in the City of Fremont has yet to fully manifest and will likely have adverse consequences for years to come, not only for that community but for many others as well who are the home of businesses that were suppliers or providers of services to that facility. NUMMI is anecdotal of the circumstances of far too many Bay Area businesses that continue to pursue what to date has proven to be an elusive full economic recovery. Sources, who monitor the performance of businesses, as reflected in sales tax trends, concur that the slide in sales activity is continuing unabated throughout the Bay Area and the state and is not constrained by geographic boundary or location.

The rise in unemployment due to a stagnant business climate has been matched in severity by continuing fallout related to the ongoing and persistently high rate of home foreclosures. While nationwide, foreclosures activities declined by 9 percent relative to last year, experts suggest that it does not represent a true decline but rather, a pause in the initial notices of default while lenders are processing what is already in the pipeline. Bank possessions, in fact, are up as much as 45 percent from a year earlier.

I indicated last year that the city continues to face very real and difficult challenges, not only resulting from forces that have historically threatened its fiscal stability, but that are exacerbated by vulnerabilities new in their depth and intensity. The forces and vulnerabilities alluded to then have intensified even more over the ensuing year as the State of California continues to wreak havoc on local financial planning and management due to its unilateral diversion of local revenues as a means to resolve its own budget difficulties. The Council is painfully aware of the recent Court decision supporting the State of California's right to direct \$2.05 billion redevelopment funds to schools within or served by redevelopment project areas, thereby freeing up the state from such funding obligations. As a result of the decision, the City's Redevelopment Agency was required to make an unplanned \$3.26 million expenditure in the fiscal year now ending and, to anticipate an additional estimated payment of \$671,000 for FY 2010-11. The City is also facing a substantial reduction in availability of funding assistance for the citywide shuttle program. Some additional funding via State Transit Assistance and Federal Jobs Access Reverse Commute (JARC) has been committed for continued shuttle operations. However, it represents only a percentage of historical funding levels and, then only a portion of that committed funding may become available at the beginning of the new fiscal year, when needed, due to federal and state delay in providing the assistance. In short, the Council is facing an immediate possibility of service reductions, if not complete cessation of shuttle service.

With the foregoing as context, the city organization continues in its efforts to stay focused and maintain core services while leveraging non-General Fund resources to the maximum extent possible to take full advantage of available opportunities and resources to address critical service needs.

## Fiscal Year 2009 – 2010 In Retrospect

### *Federal Level*

The City achieved some measure of success in capturing federal dollars to assist with local projects, even in a heightened competitive grant-seeking environment. Thanks to the efforts of the City Council

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leadership assigned the task of pursuing funding opportunities in Washington DC, and the assistance of our Congressional delegation, the city received \$875,000 for water infrastructure in the FY 2010 federal appropriation. It also received an additional \$600,000 for employment and training and \$215,000 from the US Department of Justice for juvenile justice and delinquency prevention. Efforts continue to fully utilize previously awarded grants. To that end, most recently the city has initiated and is in the midst of completing the first several of many promised street resurfacing projects and pavement rehabilitation projects at various locations throughout the city, including Bay Road, Pulgas and Woodland, awarded during the federal FY 2009 appropriation in the amount of \$497,000 as part of the federal stimulus ARRA grant assistance to local government. The city has also initiated construction on a modification of the Runnymede storm drain outfall to improved localized drainage. However, project completion will likely be delayed until fall to adhere to regulatory requirements related to seasonal protection of sensitive habitat and endangered species.

In addition to construction projects, the city proactively engaged in partnerships with community-based service providers in utilizing a \$476,000 US Department of Labor employment training grant. Specifically, the city provided \$102,000 from the grant to support the Sponsored Employment Program, an effort spearheaded by OneEPA to provide summer employment opportunities for youth. The city also provided \$327,300 of the labor grant to JobTrain to support implementation of its green jobs training initiative. The remaining 10 percent of the grant funds were utilized to offset administrative costs associated with grant administration.

In the area of public safety, the city received considerable assistance in Fiscal Year 2009 – 2010 in support of Police Department operations and programs. From federal sources, the city received \$800,000 in federal stimulus money in September, 2009 to support the hiring of two police officers. The grant will underwrite the cost of the officers for a three year period after which the city will be required to assume the cost of funding these two positions for one additional year. It also received, as part of the 2009 federal appropriation, a \$400,000 Office of Juvenile Justice and Delinquency Prevention (OJJDP) grant to support a variety of programs via a Police Activity League (PAL) as well as several youth-oriented programs (e.g. youth summits, a Jr. Police Academy, etc.) and, an anti-violence campaign all of which are being administered by the police department. A \$35,000 federal Byrne grant was awarded in September, 2009 and the Council authorized its use to obtain technology and equipment to aid the department's public safety efforts.

### *State Level*

On July 28, 2009, the California Legislature and Governor Schwarzenegger adopted a state budget which included a provision allowing the state to borrow 8 percent of the amount of property tax revenue apportioned to cities, counties and special districts for up to three years (repayment in the year 2013). The provision created an option for California local public agencies to reduce the impact of the burden of having to loan the state property tax revenues through participation in a loan securitization program. The state moved rapidly to borrow the proceeds and authorized California Communities' a joint powers agency, to establish a bond securitization program. The deadline for local governments to indicate intent to participate was November, 2009. The Council authorized the city's participation with other local governments and the bonds were successfully sold before the end of the calendar year. The City was not required to pay any of the costs related to implementation of the loan securitization and ultimately received its full property tax equivalent in revenue. However, a level of uncertainty was introduced because the city had to sign the Purchase and Sale Agreement, effectively signing over its loan receivable, prior to the sale of the bonds.

Before the city could fully adjust to having to participate in the Proposition 1A Securitization Program, it was appraised of the state of California's plan to redirect 2.05 billion of local redevelopment agency tax increment revenues to fund local schools as discussed earlier. The city which is significantly dependent on transit services was also directly impacted in terms of service reductions as a result of a dramatic reduction in state transit assistance to the San Mateo County Transit District (SamTrans). SamTrans cut service by 7.5 percent in December and hiked fares by 25 cents in February. The district anticipates having to consider another round of service reductions as early as June or possibly early fall. The

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SamTrans service reduction could be magnified by the potential reduction or loss of shuttle service as described earlier.

Notwithstanding the uncertainties introduced by state actions as described earlier, the city has been able to take advantage of state funding where available. Specifically, the city received approximately \$72,000 in Proposition 1B funding for transit related capital improvements and immediately programmed the funds to acquire up to four new bus shelters, which will be installed as part of the citywide street improvement program. The Proposition 1B transit assistance funding is being programmed in conjunction with the Proposition 1B funding, previously allocated to the city in the amount of \$1,021,374, to be allocated over two fiscal years for the purpose of completing designated street resurfacing and pavement rehabilitation projects in various locations throughout the city. The city also completed design and is currently in the process of securing competitive bids for the construction of sidewalk improvements on Bell, Oakwood, and Dumbarton as part of the city's Safe Routes to School initiative. The city took advantage of funding through C/CAG to improve traffic signalization and safety improvements at several intersections along University Avenue. It is currently participating in a traffic study, being led by C/CAG, which is evaluating University Avenue and Willow as alternative corridors for improving regional traffic circulation connecting the Dumbarton Bridge to highway 101.

In the area of public safety, the city was awarded a Cease Fire Grant from the Governor's Office of Emergency Services in the amount of \$191,000 as well as its annual Supplemental Law Enforcement Fund allocation of \$105,000.

### *City Level*

This past year has presented a mix of challenges and accomplishments for the city. The year began with the city embroiled in a major legal struggle with then the largest property owner in the city, Page Mill Properties who was imposing unprecedented rent increases on city residents occupying its rental units. The city determined that it had little choice but to defend its Rent Stabilization law and program, both of which were approved by voter initiative early in the city's existence. While undoubtedly an essential objective, the litigation posed a major distraction in terms of effective delivery of other important services, and a significant drain on city resources. As the year progressed, it became clear that Page Mill itself was experiencing financial difficulties which ultimately led to its default on a major loan payment that had come due. Page Mill is no longer the owner of the properties involved and the bank which took possession has recently lowered rents for residents who had been affected by the rent increases.

In spite of the fiscal issues confronting the city as a result of state actions as previously discussed and the overall economy, the city experienced a surprisingly positive performance in its retail sector during the 4<sup>th</sup> quarter of 2009. The positive impact of the city's newest retailers combined with the encouraging results of the existing retailers has resulted in increased sales relative to the same quarter of the previous year. The performance has placed the city among only six communities in the county that actually experienced a growth in sales for the period described and, only three that did not experience an actual decline for the period (+.1 percent change).

In the area of long term public debt management, the City, via its Redevelopment Agency and Public Financing Authority, continues to perform positively if a recent pronouncement of a bond rating agency is any indicator. In its March 25, 2010 report, Fitch Ratings announced a "Recalibration of its U.S. Public Finance Ratings". The Redevelopment Agency's Recalibrated Underlying Long Term Rating on its 2003 Series A and B Tax Allocation Bonds and, its 2005 Series A Revenue Bonds moved from BBB+ / Rating Outlook: Stable to A- / Rating Outlook Stable. This assessment contrasts with the initial issuance of the 1999 bonds in which no rating agency was willing to assign a rating related to that debt issuance.

Although operating in an uncertain economic climate and amidst significant legal challenges, the City proceeded aggressively with implementation of long overdue public improvements during Fiscal Year 2009-2010. In August, 2009 the city completed a bus turnout and drop-off project in front of Brentwood School on Clarke, thereby enhancing public safety for school children and other pedestrians. A long awaited repair of drainage facilities on Ralmar is nearly complete and should improve localized flooding at

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that location. Most recently Public Works Engineering oversaw the installation of certain sidewalk accessibility improvements on Pulgas and completion of road resurfacing improvements on Bay Road, Pulgas and Woodland. Engineering has also completed design plans for road resurfacing and/or rehabilitation for a number of other locations as well as Safe Routes to School sidewalk improvements for Bell, Oakwood, and Dumbarton. The Engineering Division has recently initiated a competitive bid process for construction of the improvements which are anticipated to be commenced in the first quarter of the new fiscal year.

Last year, the Council authorized the City Manager, in collaboration with staff from the South Bay Waste Management Authority (of which the city is a member agency) to negotiate a new waste collection agreement that will allow the city to transition from its existing provider, Allied Waste Management (now Republic) into an agreement with Norcal (now Recology), its new designated service provider, scheduled to commence service during the year 2011. Negotiations were completed during the fiscal year and Council authorized the City Manager to execute a final agreement that will serve the city for the ten year period commencing January, 2011. In its capacity as a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), the East Palo Alto completed a final Water Supply Agreement and Individual Sales Contract for the city with the San Francisco Public Utilities Commission to meet its water supply needs for the next 25 years.

Relative to its own corporate needs, the City has completed installation of its new CRW permit tracking system which promises enhanced efficiencies that hopefully will result in more efficient development permit application processing and shorter processing times for most applications. Finally, the City commenced renovation of its administrative offices which is expected to be completed over the next several months and, will result in additional meeting space as well as a more professional presentation of city administrative offices.

### The Fiscal Year Ahead

As last year, Fiscal Year 2010-2011 is anticipated to continue to present the city with both significant opportunities and challenges---both with increasing intensity. In terms of opportunities, the city is continuing to aggressively pursue construction of street resurfacing/road rehabilitation and, safe routes to school public right of way improvements. It is also aggressively pursuing steps required to complete design and construction of Bay Road, Phase II, fully cognizant that it is a significantly more complex project than the Phase I project. A significant challenge related to construction of the Bay Road project as well as the University Overpass Pedestrian improvements will be meeting the local funding match requirements, particularly given the states propensity to redirect local revenue sources resolve its own budgetary problems. Some promise of predictability lies in the potential statewide ballot initiative, if passed, that would preclude such actions by the state in the future, however, it will not restore resources that have been taken away that could have been a potential alternative for providing the required local match since the improvement will substantially improve access to the Ravenswood Business District upon completion.

Another opportunity may present itself if East Palo Alto voters successfully pass the revised Rent Stabilization Ordinance proposed ballot measure. The measure will provide the city with important new tools that will allow it to more effectively administer the Rent Stabilization Program and more clearly convey the City's policies and the community's desires in this important area.

The success being experienced in the cities retail sector provides a firm foundation upon which to build additional opportunities for small business retention and growth on a citywide basis as well as in the Ravenswood Business District. Greater collaboration in the form of public/private partnerships will be required to focus available resource from both sectors on creating an environment conducive to encouraging business growth and employment opportunities for East Palo Alto residents.

Fiscal Year 2010-2011 provides an opportunity for the community and City Council to finalize plans for Cooley Landing as well as an overall funding strategy for construction of improvements and development of a long term operating plan for use of this important community resource. Significant efforts are already

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being made to identify the necessary funding sources to implement the project which will need to increase as a consensus is reached in the coming months regarding final facility design and use.

Relative to additional challenges in the new fiscal year, an immediate concern is finding a way to continue transit shuttle services for East Palo Alto residents. Staff has continued to search for new funding opportunities and is applying for them as they are identified. Staff is also on a continual basis, working with staff from C/CAG, SamTrans, and the Metropolitan Transportation Commission to try and expedite delivery of funding already committed to continuation of the program, however, to date it has had little success. Overall revenue outlook continues to be of paramount concern from staff's perspective and the forecast for the new fiscal year is not encouraging. Understandably, requests for property value reassessments are continuing and will likely do so as long as the economy recovery continues at a less than robust rate. As previously indicated, residential foreclosures are continuing, albeit with additional options for loan modifications and restructuring beginning to appear. Ultimately, the most effective response to the problem will be increasing unemployment opportunities.

### Twin Challenges: Declining Revenue and Cost Control

In the area of revenue, the major areas of concern for the city principally relate to an anticipated continued reduction in property tax receipts and, what may collectively be categorized as "Other Revenues" (i.e., reimbursements from other governmental agencies, earned interest on investments, etc.) In the San Mateo County Comprehensive Annual Financial Report for the year ending June 30, 2009, the County Controller indicated that "the current national economic crisis has a more pronounced impact on local governments than previous downturns due to four factors: 1) the housing slump, 2) increased unemployment rates, 3) reduced consumer spending and, 4) losses from investments.

The housing slump continues to have a more pronounced impact on the City of East Palo Alto relative to the rest of the county as defaults and foreclosures continue to take their toll on local property values. According to the County Controller, "the housing slump has resulted in significant declines in local property values which have led to almost no growth in property tax revenues compared to an average 7 percent growth in the last five years". His point of reference was the countywide average. East Palo Alto's situation is notably worse than the countywide average, particularly given the relatively high number of defaults and/or foreclosure that the city experienced during the fiscal year ending June 30, 2010. The County Controller indicates that: "Growth in property tax revenues is expected to be much slower in the year to come". Based on two year trend information included elsewhere in this budget proposal, staff is projecting an actual decline in revenues from this important source.

Relative to unemployment, the city continues to bear the burden of having the highest unemployment rate in the county. While the city continues its efforts at trying to bring the unemployment rate down through its First Source Hire Program and job training initiatives, it is likely that high unemployment will continue to plague the city into the future.

As previously indicated, the city, thankfully, has experienced surprising buoyancy in retail sales contrary to the countywide trend. However, the performance has resulted in avoiding an erosion of sales tax receipts and has not as yet demonstrated a growth that would contribute additional revenue to help offset anticipated increased costs related to delivery of public services.

During fiscal year 2008-2009, investments in the County investment pool, in which the city is a participant, experienced a sharp decline in value due to the faltering economy and the bankruptcy of Lehman Brothers. The bankruptcy had a direct, negative impact on the County's investment pool and the city's share of it. Since then the city has taken several steps to increase protection of its investments including modification of its investment asset allocation and revising its investment policies. The city is also in the process of considering securing the services of an independent investment advisor to provide independent advice in the future. Participants in the County's investment pool have continued to work with our congressional delegation to try to restore the Lehman losses with funds from the federal Troubled Asset Relief Program (TARP) but without success to date. Beyond Lehman Brothers, investment yields have continued to be much lower overall. This situation, coupled with overall

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reductions in state funding suggests that revenues will continue to lose ground in the future relative to projected increases in the overall cost of doing business.

In the Fiscal Year 2009-2010 budget proposal, I indicated that trends such as discussed above, framed a projected approximate \$ 2.1 million dollar deficit. The Fiscal Year 2010-2011 anticipates a need to bridge a \$3.1 million projected deficit challenge, possibly higher depending upon cost of living adjustment (COLA considerations). The proposed budget offers the following recommendations, intended to close the projected deficit and bring the Fiscal Year 2010-2011 budget into balance:

## Fiscal Year 2010-2011: The Budget Proposal

### Public Input during Budget Review re: Labor Negotiations

At the City Council's January 19, 2010 regular meeting, I presented a recommended response for Council's consideration, to the 2008-2009 San Mateo County Civil Grand Jury's recommendations regarding city actions that might be taken to reverse the upward trajectory of employee costs in the cities of San Mateo County. Among its recommended actions, the Grand Jury suggested that East Palo Alto, along with other San Mateo County cities, consider convening at least one public session devoted to controlling employee costs with a goal of establishing a Wage, Benefit and City Staffing Action Plan. The city's response indicated the Council's stated intent to expressly solicit community input regarding budget proposals and assumptions during one of its scheduled budget review sessions and that the session would be responsive to the Grand Jury's recommendation. It reiterated a response presented by the San Mateo County City Managers Association that development of any specific action plan might be problematic in light of labor and confidentiality requirements. The city's response indicated that perhaps a useful outcome of the public input received at the recommended public session would be information that could serve as a guide to the city's deliberation relative to pending labor negotiations.

### Financial Plan

As in the past, a number of assumptions and principles underpin this Fiscal Year 2010-2011 budget proposal. For instance, it is assumed that an environment of fiscal uncertainty will continue to impact the city into the foreseeable future even if voters approve the measure proscribing the states tendency to divert local revenues to its needs. It is assumed that economic recovery, locally, statewide and nationally, will be a long term endeavor and, as a consequence, future revenues will continue to decline. It is also assumed that future grant opportunities, wherever they may exist, will become increasingly competitive and will likely require an increased commitment of local matching dollars as a condition of grant award.

Included in the budget proposal each year is a recommended multi-year financial plan. The financial plan includes policy and strategies intended to inform the Council's discussions relative to how it might manage the City's General Fund over the next several years. The plan contains a variety of policies in the areas of managing the budget, revenue, cash management and investment, implementing fiscal controls and, debt management. Most importantly, it calls for adherence to a consistent policy of maintaining a reserve in the General Fund.

## **PROPOSAL**

- √ Preserve and Increase the City's General Fund Cash Reserve

Given the previously discussed Issues and uncertainties facing the city, it is proposed that the city continue to maintain its cash reserve. The previous year efforts to address a then projected \$2.1 million deficit required the City Council to reduce the reserve to about 9 percent of operating expenditures in order to offset it. It is recommended that the Council not only preserve the reserve for the coming fiscal

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year, but also increase to it to 12 percent. To ensure stability of services while providing the city with some flexibility for dealing with fiscal uncertainty as outlined earlier, it is recommended that the city continue to build toward the objective identified in the Financial Plan. The Minimum General Fund Cash Reserve Policy identified in the City's Financial Plan calls for maintaining an amount that is 15 percent of total operating budget expenditures.

### √ Restore Set-Aside Contribution for Vehicle Replacement

In Fiscal Year 2006-2007, the City Council authorized an aggressive vehicle replacement program to replace much of the city's worn vehicle fleet. The program has successfully increased vehicle servicing efficiencies, expanded the city's options in obtaining maintenance servicing for its vehicles, lowered operating and maintenance costs and, reduced potential liability. To minimize the need for future accelerated replacement programs, and associated increased costs, the Council has an annual contribution to its vehicle replacement fund.

In Fiscal Year 2009-2010, as a way to avoid layoffs in addressing the budget deficit, it was recommended that the City Council defer making a contribution for one year. It is recommended that the Council resume the schedule of set aside funding for the purpose of vehicle replacement.

### √ Continue to Fund Community Requests from Non-General Fund Sources

The City Council has communicated its desire that the Measure C Crime Prevention 50 percent allocation continue to be made available for funding of community programs. More recently, the Council has articulated the need to consider obtaining advice to guide strategic investments relative to both public safety and violence prevention. In the meantime, community demand for services in these areas, still need to be addressed. It is recommended that community serving projects and proposals continue to be referred by the Council to the extent possible, for consideration via the Measure C funding process, available grants, and the Transient Occupancy Tax Children, Youth, Family, and Senior Fund.

### √ Restore and/or add Funding for Specified Needed Positions

In Fiscal Year 2009-2010, the City Council was asked to eliminate funding for the part-time Budget Analyst position in the City Manager's office. The position serves an important role in facilitating preparation of the Annual Budget. However, last year and this year, other existing staff pitched in to assist with budget preparation, necessitating postponement or delay of important assigned duties. It is requested that funding be restored to support this critical part time position. Further, it is recommended that the Council consider restoring funding for a vacant Employee Relations Technician position. The General Fund could provide half of the necessary funding. The other half could be provided as a one year contribution, from the Measure C Public Safety allocation. A small amount of additional funding is needed to increase the Senior Van Driver from part-time to a full-time position. Increased activity at the Senior Center in recent years has clearly demonstrated a need for full-time driver services.

In terms of new needed positions, a new Police Sergeant position is also recommended for funding from the Measure C Public Safety allocation. From the Redevelopment Agency, partial funding is recommended to fund the Community Development Director position previously authorized but not funded by the Council, as well as an Executive Assistant to support the position. The Council may recall that the Community Development Director position was recommended as part of the Matrix Organizational Assessment. The balance needed to support the two new positions would require increased contribution from the General Fund.

As the Ravenswood Specific Plan Study approaches conclusion, the Council may wish to consider providing limited duration funding from the Redevelopment Fund, perhaps one year, to add a position or acquire additional engineering services via staff augmentation. Work anticipated to result from the study, such as the need to develop an assessment district, as well as meet ongoing demand for engineering

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services related to: the citywide street resurfacing/rehabilitation program, Safe Routes to School sidewalk installations, Bay Road, Phase II design and construction, Stage 2a and University Avenue Pedestrian Overpass design and construction, water infrastructure and storm water improvements, clearly is exceeding existing capacity in the Engineering Division. As if these tasks are not enough, added engineering capacity is needed to identify, pursue and effectively compete for available funding to complete these important projects. Finally, it is recommended that the Council encourage the Rent Stabilization Board to include in its consideration of fees to support the Rent Stabilization Program for next fiscal year, sufficient revenue to support the previously authorized, but unfunded, Administrator position.

√ Continue Temporary Shift of Specified Positions to Non-General Fund Sources

It is recommended that an authorized Crime Analyst Position in the Police Department be supported for an additional year, from the Measure C, public safety allocation as well as an existing Code Enforcement Officer and Community Services Officer. The shift of these positions will provide continued relief to the General Fund for an additional year and, hopefully provide additional time for the revenue picture to clarify. While these are not technically recommendations, it is important to again remind the Council of the relief provided by the city's receipt of federal stimulus related funding which is allowing the city to support two new police officer positions for a two year period. A target has also been set to reduce costs related to overtime in the General Fund by 10 percent, either reducing the need for it or, covering such cost as may be required via state SLESF grant funding.

### Conclusion

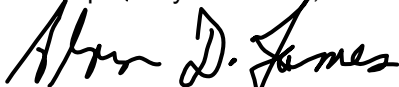
This proposal represents my seventh and last budget presented for City Council consideration. I want to take this opportunity to thank the Council for working with the staff to address extremely difficult challenges and for providing the necessary leadership required to effectively respond to the Community's continuing need for public services. I remain in awe at the extraordinary amount of time that you devote to what can often appear to be a thankless job and, at your capacity to perform it with insightfulness and an occasional sense of humor.

May I take this opportunity to acknowledge the efforts of ML Gordon, Assistant City Manager and Stephanie Osaze, Finance Director. They and others in the senior management team have provided extraordinary leadership both within this organization and on behalf of the citizens of this community. I would remind the Council that the staff of this organization, on balance, is resourceful, innovative and committed to the premise that East Palo Alto residents should be treated with respect and are deserving of their best efforts. I urge you to continue to support them as well. As I have done previously, I thank them for all that they do and for the high degree of professionalism that they routinely exhibit in the performance of their duties.

I also want to express my appreciation for the invaluable contributions of: Peter Yee, Paul Maumalanga and Zina Shamoon, Finance Department, Adolfo Perez, HR volunteer, Irma Martinez, HR Department. As always, positive comments regarding the draft budget document are rightfully theirs. Any criticisms regarding mistakes, omissions or even perceived poor ideas and concepts in the document are mine alone.

As always and in closing, may I remind the City Council and citizens that the proposals contained in the document are ideas intended only to facilitate deliberation and discussion that, hopefully, will lead to an effective funding strategy to avoid or minimize service level reductions and, support an optimal service delivery plan for the residents of the City of East Palo Alto.

Respectfully Submitted,



Alvin D. James, City Manager.

**FISCAL YEAR 2010-2011 ADOPTED BUDGET EXPANSION LIST**

DEPARTMENTAL REQUESTS	REQUESTED AMOUNT	CITY MANAGER'S RECOMMENDATION	CITY COUNCIL'S RECOMMENDATION	GENERAL FUND IMPACT	OTHER FUNDS IMPACT
<b>PUBLIC WORKS</b>					
Maintenance Worker - Lighting District Fund	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ 120,000
Lawnmower for parks	\$ 15,200	\$ -	\$ 15,000	\$ 15,000	\$ -
Pavement Management Equipment (crack sealer)	\$ 60,000	\$ -	\$ 60,000		\$ 60,000
Mobility Manager - Part Time	\$ 67,000	\$ 67,000	\$ 67,000	\$ -	\$ 67,000
Permit Expeditor for Enviromental on Phase 2	\$ 25,000	\$ -	\$ 25,000	\$ 25,000	\$ -
Reduce Maintenance Street Light Repairs	\$ -	\$ -	\$ (60,000)	\$ -	\$ (60,000)
Vehicle for Maintenance Division	\$ 13,000	\$ 15,000	\$ -	\$ -	\$ -
<b>NON-DEPARTMENTAL/ALL DEPARTMENTS</b>					
2.4% COLA for SEIU and IFTPE	\$ -	\$ -	\$ 150,592	\$ 112,240	\$ 38,352
Risk Management - Closed Circuit Camera for Tate Building	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Website Management	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Disaster Recovery IT Server	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ -
Master Fee Study	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Interagency INET Connectivity	\$ 90,000	\$ 90,000	\$ 45,000	\$ 45,000	\$ -
Special Events	\$ -	\$ -	\$ 12,000	\$ 12,000	\$ -
<b>COMMUNITY SERVICES</b>					
Fund Van Driver position to a full time FTE (1) from a p/t FTE(.75)	\$ 16,504	\$ 16,504	\$ 16,504	\$ 16,504	\$ -
<b>FINANCE</b>					
New Finance & HR System	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
<b>Economic Development/RDA</b>					
Additional Engineering Services with RDA	\$ 140,000	\$ 140,000	\$ 140,000	\$ -	\$ 140,000
<b>HOUSING-Rent Stabilization</b>					
Rent Stabilization Administrator	\$ 96,000	\$ 127,475	\$ 127,475	\$ -	\$ 127,475
Rent Stabilization Software Program , including hardware	\$ 25,000	\$ 25,000	\$ 53,000	\$ -	\$ 53,000
Rent Ordinance Rules & Regulations	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
Reduce Budgeted Legal Services	\$ -	\$ -	\$ (50,000)	\$ -	\$ (50,000)
Increase Rent Stabilization Fees	\$ -	\$ -	\$ 145,000	\$ -	\$ 145,000
Eliminate Transfer of TOT 10% Housing Set-aside			\$ (124,930)		\$ (124,930)
<b>POLICE</b>					
New Seargent Position	\$ 195,000	\$ 176,000	\$ 176,000	\$ -	\$ 176,000
<b>COMMUNITY DEVELOPMENT</b>					
Unfund Community Development Administrative Division	\$ -	\$ -	\$ (293,051)	\$ (175,831)	\$ (117,220)
<b>TOTAL REQUESTS RECOMMENDED AND ADOPTED</b>	<b>\$ 844,504</b>	<b>\$ 833,979</b>	<b>\$ 631,590</b>	<b>\$ 211,913</b>	<b>\$ 419,677</b>

1) This position is being recommended pending grant funding approval from CCAG.

2) \$20,000 was previously approved in the FY09-10 Adopted Budget for website design. This additional \$25,000 funding request is for website management.

3) \$30,000 was previously approved in the FY09-10 Adopted Budget; however it was determined an add'l \$60,000 may be needed to perform the tasks associated with the RFP.

4) To begin to set-aside funds for the purchase of a new HR & Finance system, its anticipated that a new system will cost between \$100K - \$150K.

5) This position was adopted by Council as a part of the FY09-10 budget; however, this position can only be filled contingent upon adoption of fees sufficient to cover cost on an annual basis.

6) This request for a new position can only be recommended contingent upon the use of Measure C funds on an annual basis.

**FISCAL YEAR 2010-2011 ADOPTED BUDGET EXPANSION LIST**

(Continued)

DEPARTMENTAL REQUESTS	REQUESTED AMOUNT	CITY MANAGER'S RECOMMENDATION	CITY COUNCIL'S RECOMMENDATION	GENERAL FUND IMPACT	OTHER FUNDS IMPACT
<b><u>PUBLIC WORKS</u></b>					
1 Storm Drain inline camera for vactor truck	\$ 13,000	\$ -	\$ -	\$ -	\$ -
Facility Maintenance Worker (plus benefits)	\$ 81,000	\$ -	\$ -	\$ -	\$ -
1 Air Compressor for Street Repair	\$ 13,500	\$ -	\$ -	\$ -	\$ -
1 Trailer to haul street equipment	\$ 7,500	\$ -	\$ -	\$ -	\$ -
<b><u>COMMUNITY SERVICES</u></b>					
Expansion of Senior Lunch Program	\$ 13,000	\$ -	\$ -	\$ -	\$ -
Request by Senior Center Inc. Additional Utility Grant	\$ 5,000	\$ -	\$ -	\$ -	\$ -
<b><u>HOUSING-Rent Stabilization</u></b>					
Additional Training Budget for Rent Board Members	\$ 4,500	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REQUESTS NOT RECOMMENDED</b>	<b>\$ 137,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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