

Attachment 6

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LONGER-TERM STRATEGIC INITIATIVES

INTRODUCTION

Resolving the long-term General Operating Fund structural budget shortfall requires multiple approaches that strike a balance between long-term cost containment, rethinking the array of City services provided and how they are provided, and developing new revenue sources. The following sections discuss: alternative delivery approaches, structural compensation changes and ballot revenue measures/property owner-approved districts and recommend possible implementation approaches.

The strategies discussed in this section are all longer term in nature and, to some extent, interconnected with one another. The City will need to review the variety of services it provides and determine which are the most fundamental to preserve into the future. Those core services, however they are ultimately defined, should be examined to ensure they are provided as cost effectively as possible. This may mean changing how service is provided, contracting out services or sharing services with other public agencies. Part of ensuring that services are provided cost effectively is addressing structural compensation changes to make the City's compensation and benefit structures defensible, realistic and sustainable while providing employees fair and competitive compensation and benefits.

ALTERNATIVE SERVICE DELIVERY APPROACHES

The concept of alternative service delivery was considered by the City Council at the September 2009 Study Session. At that time, the City Council expressed general interest in considering alternative service delivery as part of a long-term budget strategy but provided no specific direction at that time.

As discussed in September, alternative service delivery models typically include privatization (contracting with for-profit or nonprofit providers), contracting with other public agencies for service, selling services to other public agencies or forming Joint Powers Authorities (JPA) or special districts to provide service to a multi-jurisdictional area.

Key considerations in pursuing alternative service delivery include clear communication of desired service quality and response times, a well-managed selection process, careful contract negotiation, close contract monitoring and the understanding that once a service infrastructure is dismantled, it is generally expensive to reestablish in the future. Analysis of alternative service delivery models needs to take a "long-term view" to assure that initial cost savings are sustainable into the future. Generally, the cost savings from alternative service come from sharing facilities, equipment and personnel and by eliminating duplicated layers of program management and supervision.

Savings also accrue if the contracted service provider's labor costs are lower than the City's.

In Mountain View, services that are contracted, provided in partnership with other agencies or by private for-profit or nonprofit entities include: animal control services, park ranger services, senior nutrition program, solid waste disposal and recycling, wastewater treatment, traffic signal maintenance and janitorial services. Many City programs, such as facility maintenance, fleet maintenance, landscape/tree maintenance and others, rely on contracted services to provide specialized expertise or to augment City staff resources. Mountain View also has several unique service partnerships in supporting Deer Hollow Farm, the sports pavilions and in maintaining elementary school field areas as community park sites.

In Santa Clara County, the most commonly contracted services are Fire, Library and Police. Cities that contract these services are listed below:

- Santa Clara County Fire: Campbell, Cupertino, Los Altos, Los Altos Hills, Monte Sereno, Los Gatos, Morgan Hill and Saratoga.
- County Library System: Campbell, Cupertino, Gilroy, Los Altos, Milpitas, Morgan Hill and Saratoga.
- County Sheriff: Cupertino, Saratoga and Los Altos Hills.

Without major study it is difficult to say whether or not contracting for these or any other services would produce significant, long-term General Fund savings. If the City Council is interested in evaluating the potential to contract Fire, Police or Library services, staff will develop a work plan, time line and cost for such a study. As a starting point it would be prudent to talk to the cities that currently contract for these services to understand what their experience has been, how costs have escalated over recent contracts, whether service levels improved or diminished, customer service satisfaction/responsiveness and contract management requirements.

As additional background, in 2004, the Santa Clara Assistant City Managers Association reviewed the potential for service delivery partnerships in Santa Clara County. Generally, these partnerships were defined as the County or one city buying or selling service to another. At that time, at least 5 of the 15 cities were interested in exploring partnerships in the following service categories:

- Administration: Human resources (recruitment, benefits management, training, drug and alcohol testing), information technology support, specialized legal services (labor, code enforcement, environmental law).
- Animal control.

- Cable franchise management/coordination.
- Planning/Building: Geographic information systems.
- Public Safety: Dispatch, fire, property storage.
- Public Works/Parks/Fleet: Fleet maintenance, heavy/specialized equipment maintenance, street maintenance and solid waste.

Other services of interest to some cities included hazardous materials response, fingerprinting, dispatch, economic development marketing, high-technology crime investigations, recreation services, park maintenance and lighting/signal maintenance. As the economy was robust at that time, there was no real incentive to take the project to the next step. Given the current economic challenges facing most of the cities in the County, the concept of partnerships could be revisited and pursued as a longer-term County-wide strategy.

Alternative service delivery methods are not "quick fixes" because it takes time to study the available alternatives (privatize, contract with another public agency, sell to another agency), develop and circulate a Request for Proposals, review proposals and select a new provider, negotiate with the new provider, develop a contract for service and communicate with employees and other stakeholders throughout the process. Some of these steps would not be required if the City chose to "sole" source with a single provider such as Santa Clara County Fire, for example. If the City is interested in selling service, it would need to be determined if there is excess service capacity to "sell" to another agency. If there is no existing excess capacity, then the cost of "ramping" up would have to be evaluated to see if there remained economic benefit to both the service buyer and seller.

If the City Council is interested in looking at specific service alternatives, staff will develop a scope of work and schedule for the required analysis. On a broader level, it would be appropriate to reengage a County-wide discussion about the potential for shared service delivery among the 15 cities and the County. The discussion could be initiated through the Cities Association or through the City Managers Association.

STRUCTURAL COMPENSATION CHANGES

There are a variety of structural compensation changes that are possible. Many of these are being discussed at agencies across the State and the nation. These changes will require meet-and-confer with employee organizations. The major components of compensation are:

- Salary and other pay benefits such as cost-of-living adjustments (COLAs).

- Health benefits.
- Retirement/pension.
- Retirees' Health Insurance.

Potential cost containment for salary or COLAs and health benefits are briefly discussed in the Employee Compensation and Benefit Potential Cost Containment section of the transmittal memo and are potential components of balancing the budget for Fiscal Year 2010-11. Others will be a longer-term strategy and will be necessary for the City's long-term fiscal sustainability.

The City provides pension benefits for employees as a member of the California Public Employees' Retirement System (CalPERS). There are a variety of formulas available from CalPERS for miscellaneous (nonsafety) and public safety members and the formula provided depends on what each agency has negotiated with its employee groups. The City currently provides 2.7@55 for miscellaneous employees and 3@50 for public safety employees. With the recent losses in the CalPERS investment portfolio, the cost of retirement benefits is expected to rise substantially in the near future, beginning in Fiscal Year 2011-12. See Attachment 18 for a discussion on future PERS rates and the PERS volatility index.

The City also provides retirees' health benefits to employees in retirement based on certain factors; generally, they must have 15 years of employment and retire with the City. The City generally pays 85 percent of the premium for the employee only. The cost of retirees' health continues to rise at a faster pace than can be sustained. The last actuarial valuation updated as of January 1, 2009 raised the liability from \$44.3 million to \$66.6 million (see Attachment 17 regarding background and history of the Retirees' Health Insurance Program).

It is important to note that changes to postemployment benefits will not see significant cost savings until far into the future, perhaps 10 to 15 years. This is due to current legal opinions that retirement benefits cannot be changed for current employees without negotiation and the employer providing a similar benefit in exchange. Therefore, these changes would be for future employees only and it would be some time before the cost savings from these changes would be realized. However, these areas are considered key to the City's long-term financial sustainability.

There are State-wide discussions regarding whether the current pension formulas are sustainable by agencies in the long term. Much of the discussion is to change the pension formula for future employees hired after a certain date, creating a two-tier pension system. This type of pension modification would provide a lower, sustainable level of benefits for future employees.

Past practice has been that once surrounding agencies have adopted enhanced retirement benefits, an agency must follow suit to remain competitive in attracting new employees. For this reason, cities in various counties, including Santa Clara County, have joined together to pursue pension change. The City Managers of Santa Clara and San Mateo Counties have recently pledged to pursue pension program modifications. On a State-wide level, there is a movement (Richman Initiative) to place "pension reform" on the November 2010 ballot.

With regard to retirees' health benefits, the City has made some progress in containing the cost of this benefit by creating the defined contribution option for new employees in some employee organizations. This option allows new employees to choose either the traditional defined benefit or a defined contribution (DC) benefit. The DC benefit provides the City establish and make contributions to a retirement health savings (RHS) account and allows an employee to vest in this benefit with five years of service. The account is also portable, whereby once vested, even if the employee leaves the service of the City, the account can be drawn by the employee for health-care uses upon retirement.

Originally, the DC option was negotiated in conjunction with the enhanced retirement benefit of 2.7@55 for miscellaneous employees in 2006. The single largest represented group, the EAGLES, along with other miscellaneous groups (department heads, miscellaneous unrepresented, Police and Fire Managers) agreed to the defined contribution option. Since that time, there have been approximately 41 employees hired in these groups and 92.7 percent has chosen the DC plan option. It is incumbent for the City to continue to manage its retirees' health cost by continuing to negotiate structural changes to this benefit, such as the DC option, with the remaining bargaining groups.

In summary, these two areas of postemployment benefits, pension and retirees' health, represent substantial costs in the future for the City and structural changes need to be pursued if these benefits are to be sustainable into the future.

BALLOT REVENUE MEASURES/PROPERTY OWNER-APPROVED DISTRICTS

There are a number of revenue measures the City Council could consider for voter/property owner approval. Each type of measure is generally described and, where possible, a rough estimate is provided for the amount of revenue the measure or district might produce. More detailed information about revenue measures can be found in two previous reports to the City Council—the February 19, 2008 Study Session report Item 2A, "Overview of Supplemental Voter-Approved Revenue Measures—Capital Projects," and the January 27, 2009 Study Session report Item 3.1, "Long-Range Financial Forecast and Economic Development Strategy Update."

The following types of revenue measures are the most common ones pursued by local governments for enhancing revenues in California:

- Sales Tax Increase.
- Business License Tax Increase.
- Utility Users Tax Increase.
- Transient Occupancy Tax Increase.
- Property Owner-Approved Special Assessment and Specific-Purpose Benefit Districts.

The specifics of each of these are complex; the summary information below provides basic information. A common practice in the evaluation of potential revenue measures is to hire outside expertise related to tax election law and financial advice/bond underwriting as well as conduct a professional survey to gauge the voting public's opinion on the need of the project/service to be funded by the additional revenue, the revenue vehicle most acceptable to fund the need and the acceptable tax rate.

Sales Tax Increase

Cities have the ability to ask the voters for approval of increases to the local sales tax (called transactions and use taxes) in multiples of 0.25 percent. Prior to April 2009, combined State-wide sales tax and local transactions and use taxes in Santa Clara County were 8.25 percent. In April 2009, the State increased the State-wide sales tax rate by 1.0 percent which is set to expire by July 2011. In Santa Clara County, the combined State-wide sales tax and local transactions and use taxes currently cannot exceed 10.25 percent. Therefore, Mountain View currently could ask the voters for approval of increases up to 1.0 percent.

Voter Requirement: Majority if for general purposes, two-thirds if special tax where use is specified.

Revenue Potential: Approximately \$4.0 million per one-quarter cent (0.25 percent) increase.

Business License Tax Increase

For many cities, the business license tax is a major revenue source. However, Mountain View has one of the lowest rates in Santa Clara County. The Mountain View ordinance is based on the number of employees, type of business and number of locations in the City, with rates ranging from \$30 to \$100 per license. The City's business license tax

generates approximately \$200,000 annually. There are many different ways to structure a business tax such as based on gross revenues, payroll or headcount. It is, therefore, difficult to estimate revenue potential without additional detailed analysis of these variables.

Voter Requirement: Majority if for general purposes, two-thirds if special tax where use is specified.

Revenue Potential: Revenues would depend on the structure of the tax which could be based on gross revenues, payroll, headcount, etc.

Utility Users Tax Increase

The City's Utility Users Tax is a locally administered tax established in City Code that establishes a rate of 3.0 percent on consumer/resident monthly service charges for gas, electricity and telephone use (including cell phone charges), generating approximately \$5.9 million in revenues annually. Utility Users Tax rates State-wide range between 1.0 percent and 11.0 percent with the most common rate (the mode) being 5.0 percent.

Voter Requirement: Majority if for general purposes, two-thirds if special tax where use is specified.

Revenue Potential: Approximately \$2.0 million per 1.0 percent increase.

Transient Occupancy Tax Increase

The hotel room tax rate is currently 10.0 percent of the value of the room (which is usually the amount charged) and, currently, generates \$3.0 million to \$4.0 million in revenues annually. It is a volatile revenue source with large swings in different economic conditions and is not recommended as a reliable source for recurring debt service payments. Most cities in Santa Clara County are between 9.0 percent and 10.0 percent TOT with Los Altos at 11.0 percent and Palo Alto at 12.0 percent.

Voter Requirement: Majority if for general purposes, two-thirds if special tax where use is specified.

Revenue Potential: Approximately \$300,000 to \$400,000 per 1.0 percent increase.

Results of recent ballot measure elections showing results by tax measure type are shown in Exhibit A.

Property Owner-Approved Special Assessment and Specific-Purpose Benefit Districts

Various California laws allow the establishment of Special Assessment and Specific-Purpose Benefit Districts to fund improvements and services such as lighting, landscaping, revitalization of areas, etc. Assessments are based on the benefit to the property.

Voter Requirement: Majority of voters in District.

Revenue Potential: *Variable.*

CONCLUSION

The strategies discussed in this briefing paper all have long implementation lead times and substantially change the way services are provided and paid for in the City. Entering into service contracts carries other challenges from defining service levels and negotiating and monitoring the City's contractors. Longer-term compensation and benefit changes will require negotiation with employee organizations. Voter approval of revenue-raising ballot measures is challenging and requires clear communication with the community about the need for the additional revenue.

Recognizing that the priority is to solve the Fiscal Year 2010-11 budget deficit and the limitations on staff resources, it will be difficult to aggressively tackle a substantial number of longer-term initiatives. However, it may be prudent to begin developing strategies and plans to pursue the most promising longer-term options, despite the challenges and uncertainties associated with them.

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**2008-2009 California Statewide Revenue Measure Election Results
for Counties, Cities and Special Districts and Authorities**

General Sales/Use Tax* (majority voter approval required)										
Election Date	<u>≤1/4 cent</u>		<u>1/2 cent</u>		<u>3/4 cent</u>		<u>1 cent</u>		<u>Total</u>	
	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>
2/5/2008	-	-	-	-	-	-	1	-	1	0
6/3/2008	-	-	1	1	-	1	2	-	3	2
11/4/2008	4	1	6	1	3	1	2	2	15	5
3/3/2009	-	-	-	-	-	-	-	1	0	1
5/5/2009	-	-	-	-	-	-	-	1	0	1
5/19/2009	-	-	-	1	-	-	-	1	0	2
11/3/2009	1	-	1	2	-	-	-	1	2	3
Total	5	1	8	5	3	2	5	6	21	14

Success Rate: 60%

Special Sales/Use Tax* (2/3 voter approval required)										
Election Date	<u>≤1/4 cent</u>		<u>1/2 cent</u>		<u>3/4 cent</u>		<u>1 cent</u>		<u>Total</u>	
	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>
2/5/2008	-	-	2	1	1	-	-	-	3	1
6/3/2008	1	1	1	1	-	-	-	-	2	2
11/4/2008	2	1	5	3	-	3	-	-	7	7
11/3/2009	-	-	-	-	-	-	-	-	0	0
Total	3	2	8	5	1	3	-	-	12	10

Success Rate: 55%

*Assessed as part of the sales tax but for local agencies called Transaction/Use Tax.

Utility User Tax (UUT) (majority voter approval required)								
Election Date	<u>New</u>		<u>Expanded*</u>		<u>Increased</u>		<u>Total</u>	
	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>
2/5/2008	-	-	6	-	-	-	6	0
6/3/2008	-	1	5	-	-	-	5	1
11/4/2008	2	2	14	-	1	4	17	6
3/3/2009	1	-	3	-	1	-	5	0
4/7/2009	-	-	-	-	1	-	1	0
5/19/2009	1	-	-	1	1	-	2	1
6/9/2009	-	-	1	-	-	-	1	0
11/3/2009	-	2	8	1	1	-	9	3
Total	4	5	37	2	5	4	46	11

Success Rate: 81%

* Expanded means covering new telecommunications technologies, but maintaining same or lower rate.

**2008-2009 California Statewide Revenue Measure Election Results
for Counties, Cities and Special Districts and Authorities**

Transient Occupancy Tax (TOT) (majority voter approval required)										
Election Date	<u>New</u>		<u>< 2% incr.</u>		<u>2-3% incr.</u>		<u>≥ 4% incr.</u>		<u>Total</u>	
	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>
2/5/2008	-	-	-	-	-	-	-	-	0	0
6/3/2008	-	-	1	-	2	-	-	-	3	0
11/4/2008	-	1	1	1	4	2	2	1	7	5
3/3/2009	-	-	-	-	1	-	-	-	1	0
5/19/2009	-	-	-	-	1	1	-	-	1	1
7/21/2009	-	-	-	-	1	-	-	-	1	0
11/3/2009	1	1	1	-	6	2	1	-	9	3
Total	1	2	3	1	15	5	3	1	22	9

Success Rate: 71%

Parcel Taxes (2/3 voter approval required)										
Election Date	<u>≤\$30</u>		<u>\$30-50</u>		<u>\$50-100</u>		<u>>\$100</u>		<u>Total</u>	
	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>	<i>pass</i>	<i>fail</i>
2/5/2008	-	2	-	2	1	-	1	-	2	4
6/3/2008	-	1	3	-	2	1	-	2	5	4
11/4/2008	1	3	2	5	2	2	3	5	8	15
3/10/2009	-	-	-	-	-	-	-	1	1	0
11/4/2009	-	-	-	-	-	1	-	1	0	2
5/5/2009	-	-	-	-	-	-	-	1	0	1
5/19/2009	-	-	-	-	1	-	-	-	1	0
8/25/2009	-	-	-	-	1	-	1	-	2	0
11/3/2009	-	-	-	-	-	1	-	1	0	2
Total	1	6	5	7	5	4	4	10	19	28

Success Rate: 40%

Attachment 7

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COMMUNITY INVOLVEMENT

INTRODUCTION

A section of the September 29, 2009 Study Session report on the budget was devoted to the subject of community involvement. The report section noted several mechanisms that can be employed to involve the community in the budget process. As the report noted, the mechanisms that are selected depend on the goal for the involvement. During the Council's deliberation on the topic during the September 29 Study Session, there were a variety of opinions expressed as to the goal for community involvement including:

- Providing information on City finances and the budget process.
- Gaining feedback on specific budget proposals regarding reductions and or revenue increases.
- Involving the public in proposing potential budget recommendations.
- Facilitating the public in active involvement in crafting an overall strategy for a structurally balanced budget for Council consideration.

BACKGROUND AND INFORMATION

No conclusion was reached on the topic at the Study Session and staff was requested to provide more information on a range of purposes and mechanisms that could be employed to involve the community. In response to Council's request, staff has researched a variety of mechanisms and approaches to involve the community and has gathered information on approaches employed by other communities. For purposes of presenting the results of the research, staff has elected to look at community involvement on a spectrum of activities ranging from "informing" (notifying) to "consulting" (obtaining input) to "active strategizing" (proposal of specific strategies). Eleven (11) other cities were asked about their methods for informing and soliciting feedback for engaging their residents during the budget development process (see Exhibit A).

Informing the Community about the City's Finances and Budget

Sharing information on the City of Mountain View's finances with the community has been an integral part of the City's budget process for many years and is considered essential to the engagement process. The City's newsletter (*The View*) and web page have been the primary mechanisms for disseminating financial and budget information. There is also a phone line where callers may obtain information on the location, date,

time and content of budget meetings. In November 2009, two informational presentations facilitated by the City Manager and Finance and Administrative Services Director were held to inform the public on how the City's budget process works and provide foundational information about the City's financial structure (see Attachment 11). The associated slideshow and video are posted on the City's web page.

The City's web page is updated whenever upcoming meetings on budget-related matters are scheduled by the Council. In addition to the informational sessions and budget meeting information, the web page hosts a link where users may e-mail their comments and inquiries about the budget to City staff. All of the cities surveyed maintained a web page dedicated to budget-related topics. Their web pages generally contained the adopted budget, associated staff reports and information on upcoming meetings. Seven (7) of the 11 cities had a direct e-mail link within their budget web sites where persons could e-mail a comment or question. The recent addition of the Customer Relationship Management (CRM) software enhances the ability for the community to ask questions on the budget and provide their ideas for consideration.

Many of the cities' web sites present annotated budget information in addition to actual budget documents. Santa Clara's web page has a budget brochure that highlighted planned fee increases and/or significant budget challenges in addition to charts showing how the City receives and distributes its revenues to provide services. Redwood City provides a link in its budget web page to another page titled "How the City Works" that describes the City's two-year priorities set by Council and their relationship to the adopted budget. Santa Cruz and Ventura hosted informal surveys on their web sites where persons could respond to the questions asked followed by an in-time display of the cumulative survey results. Menlo Park's web site had an interactive feature that allowed visitors (without a requirement to identify as a resident or not) to "virtually" balance the budget using stated amounts and existing services. The results of each attempt were tallied and used as a gauge for the communities' funding priorities.

Consulting with the Community on the Budget

For purposes of this discussion, "consultation with the community" means obtaining feedback from the community on specific budget proposals and alternatives. Historically, Mountain View has consulted with the community on specific budget-related proposals during the narrative budget process and the Council's budget hearings. If the Council desires, there are ways to consult with the community earlier in the budget development process. These include surveys (either scientific or informal), focus groups, neighborhood meetings or a combination of these approaches. All approaches require the development of a thoughtful process and a clear objective for the consultation. Five (5) of the 11 cities surveyed chose to consult their communities on budget options in addition to keeping them informed: Menlo Park, San Jose, Santa Cruz, Santa Rosa and Ventura. In all cases, a combination of approaches was used and

the cities first developed a framework and specific parameters for obtaining feedback prior to enacting their community participation activities. The Cities of Menlo Park and San Jose hired outside firms to assist in the development of their entire community consultation processes. Both cities' processes involved the facilitation of stakeholder groups and community input meetings and the implementation of surveys. The City of Ventura relied primarily on its internal staff in developing its stakeholders group and input meeting formats but hired an outside firm to design and conduct its survey. Santa Rosa and Santa Cruz opted to use internal city staff in developing their community participation formats. Santa Rosa chose to facilitate a series of small focus groups, while Santa Cruz held structured community meetings. Although Santa Cruz conferred with outside firms on the setup and design of its on-line survey, the city internally administers and maintains the web site for it. Key factors in choosing whether to use an outside firm to develop some or all of the consultation components include expertise, cost feasibility, the availability of staff resources and the desired time line for completion. Before determining how best to allocate resources toward developing a community consultation framework, two significant questions should be answered:

- Should input be sought on all or some of the budget alternatives? The answer to this question helps to determine which approach may be more suitable in terms of cost feasibility, staff resources and timing. San Jose and Menlo Park, which sought input on a wide range of alternatives within a specified time frame, hired an outside firm to develop the framework and help facilitate the community consultation processes. Ventura initially used a statistically valid survey to help develop its framework but in subsequent budget cycles has relied mostly on its in-house management staff to oversee its focus group meetings.
- How should the approach be designed? This question emphasizes the importance of presenting and articulating alternatives in a manner so that the community can provide meaningful input. For example, an alternative that makes a change in the Police or Fire Departments would need to be clearly presented to obtain feedback on the specific alternative versus a general reaction that all changes impact the level of the community's public safety.

Approaches to Community Consultations

A scientific survey can provide a sense of how the community views alternatives within a statistically accurate confidence level, whereas informal surveys and focus groups generally do not provide the same level of confidence on how the community, in general, perceives alternatives. Ventura found that its informal survey, which was conducted on-line, yielded arbitrary results, while the statistical survey provided a more useful gauge for evaluating funding priorities. Although their results are measurable and considered reliable, statistical surveys contain finite parameters with participants ranking or choosing from a set of predetermined outcomes. This factor may attribute to the reason why cities such as San Jose, Ventura and Menlo Park that

used scientific surveys also administered associated focus/stakeholder groups and/or input meetings.

In focus groups, members are queried on their attitudes toward a particular concept or alternative in an interactive setting. The results, which are qualitative, are then summarized into conclusions or a general synopsis. With the exception of Santa Cruz, all five communities used focus groups. The groups generally consisted of key stakeholders representing neighborhood improvement, public safety, real estate, affordable housing, open space and business interests. One concern cities expressed in using the focus groups was the possibility of biased results. To minimize this possibility, they invited members who represented a cross-section of community interests. Often the groups were large in number which led to another challenge, the ability to maintain cohesive discussions, particularly if members representing high-profile interests were absent during key discussions. Another issue cited was group longevity. Typically, focus groups only last for the duration of the task to be completed.

Three of the four cities that utilized focus groups (Santa Rosa, Menlo Park and Ventura) maintained them in some form after the focus groups' expiration term to provide a forum for feedback on budget matters. The one exception was San Jose's stakeholder group which met to provide input and oversight on that city's Structural Deficit Elimination Plan (SDMP). If the Council was interested in forming a focus group, the duration and contingency of maintaining the group after the initial objective is met should be decided along with the group's initial charge and objectives and method of member selection.

The other form of community consultation that emerged was the input meeting. Menlo Park, Santa Cruz and Ventura held citywide input meetings to solicit feedback on budget alternatives that were open to everyone. The input meetings usually began with a background presentation on budget challenges followed by a presentation of the alternatives under consideration. Results from focus groups or surveys, if they were available, were also discussed.

San Jose and Santa Rosa held neighborhood input meetings through their established neighborhood councils/districts. San Jose's neighborhood meetings were held via their neighborhood councils. The input meetings were structured within the neighborhood council format with meetings facilitated by councilmembers. Santa Rosa implemented a series of small group input meetings within their neighborhood districts that were hosted and facilitated by neighborhood leaders. Santa Rosa staff commented that its small group process did not result in conclusive information that could be easily measured or integrated into the decision-making process.

Overall, the input meetings did not yield qualitative (focus groups) or quantitative (statistical surveys) results but were held instead to get general feedback on alternatives and inform the community about actions that had been taken or were under way. They

can also serve to initiate or conclude the overall consultation process. All cities that conducted surveys or held focus group meetings also held input meetings which provide a forum for summarizing survey and focus meeting results. Depending on the type and range of alternatives under consideration, Mountain View could hold input meetings either solely or in conjunction with focus groups and/or conducting a survey as a means to obtain supplemental feedback.

Potential limitations need to be considered when designing overall nonscientific methods such as informal surveys, focus groups or input meetings to provide additional forums for generating dialogue but often do not produce measurable results. The cities that administered focus groups did so with mixed results. San Jose, which formed a large stakeholders group to ensure broad and diverse representation, found it challenging to reach consensus on some of the funding priorities. Possible reasons cited were the numerous interests that were represented and the probability and frequency for those interests to conflict. Ventura considered its stakeholders' group to be successful due largely to the structured framework within which decisions were made. However, it took about a year for the stakeholder group process to coalesce and for the city to make adjustments to the group's structure. Input meetings typically result in general feedback supplemental to other community consulting mechanisms. None of the cities exclusively enacted one method, perhaps due to the limitations mentioned.

Facilitating the Public in Active Involvement in Crafting a Budget Strategy

Approaches exist to move beyond consulting with the community to active involvement in crafting an overall strategy for Council consideration. These approaches usually involve the invitation to a preselected group or self-selected group of the community to partake in an iterative "fiscal charette" process to develop a budget strategy. Usually, an outside expert is involved in designing the process and leading or assisting staff in facilitating the process. Very few communities have actually undertaken this process (to a limited degree the Cities of Menlo Park and Morgan Hill have utilized this approach in recent years). There are both pro and con commentary to be found on this approach. On the pro side, advocates argue that it permits a more comprehensive hands-on opportunity for the community to inform the Council of their values and desires. The downside of the approach, expressed by some, is that it requires an extensive knowledge of City services and organizational structure and municipal finances.

CONCLUSION

There are a range of mechanisms to involve the community in the budget process and the selection of an approach is dependent on the purpose for the involvement. Information sharing is at the core of community involvement and the City currently utilizes several mechanisms to inform the community on the City's finances and budget and staff is actively enhancing these mechanisms. If the Council desires to obtain

community feedback on either broad strategies or specific alternatives to structurally balance the budget, an approach can be developed to accomplish the goal. The factors that will inform the type of approach to use are the number and complexity of alternative budget-balancing options under consideration, the time line, cost and desired outcomes from the involvement. Once these factors are determined, a useful, meaningful approach can be designed.

In providing input to staff, Council may wish to consider the following questions:

- What is the intended outcome to be achieved from a community involvement process?
- How much can realistically be achieved through such a process?
- Does the Council wish to undertake a community consultation process within this budget cycle?
- What approach should the City implement?
 - Continue to inform the community and enact the planned information-sharing enhancements?
 - Conduct an informal (nonstatistical) survey?
 - Conduct a scientific survey?
 - Develop a focus group or groups?
 - Implement another mechanism not mentioned in the report?
 - Enact a combination of community consulting mechanisms choosing from those referenced?

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COMPARISON OF JURISDICTIONS' COMMUNITY ENGAGEMENT EFFORTS FOR THE CITY BUDGET

Jurisdiction	Inform				Consultation with the Community			
	Budget-Related Web Site				Other	Meetings, in Addition to Typical Budget Adoption Meetings and Hearings	Survey	
	City Has a Web Site Dedicated to Budget Topics	Budget Web Site Provides an E-Mail Link for Persons to Send Comments or Inquiries to Staff or Sign Up to Receive Additional Information	Web Site Incorporates Audio Presentations from Hearings and/or Community Presentations	Web Site Hosts an Interactive Survey	Community Meetings to Inform the Public	Focus/ Stakeholder Group Meetings	Input Meetings to Inform and Obtain Feedback	Online (O) In-Person (I) Phone (P) Free (FR) Paid (PD)
Mountain View	✓	✓	✓		✓			
Los Altos	✓							
Menlo Park	✓	✓		✓			✓	✓ O/PD (Still waiting for price)
Milpitas	✓	✓						
Palo Alto	✓	✓	✓		✓			
Redwood City	✓							

Jurisdiction	Inform					Consultation with the Community				
	Budget-Related Web Site					Other	Meetings, in Addition to Typical Budget Adoption Meetings and Hearings		Survey	
	City Has a Web Site Dedicated to Budget Topics	Budget Web Site Provides an E-Mail Link for Persons to Send Comments or Inquiries to Staff or Sign Up to Receive Additional Information	Web Site Incorporates Audio Presentations from Hearings and/or Community Presentations	Web Site Hosts an Interactive Survey	Community Meetings to Inform the Public		Focus/Stakeholder Group Meetings	Input Meetings to Inform and Obtain Feedback	Online (O) In-Person (I) Phone (P)	Free (FR) Paid (PD)
San Jose	✓						✓	✓	✓	P/PD \$30,000 for 500 persons
Santa Clara	✓									
Sunnyvale	✓									
Santa Cruz	✓	✓		✓			✓	✓	✓	O/F
Santa Rosa	✓	✓					✓	✓		
Ventura	✓	✓		✓			✓	✓	✓	O/F and I/PD \$20,000 for 420 persons

Attachment 8

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EMPLOYEE SUGGESTIONS

INTRODUCTION

Recognizing the unique perspective the City's employees bring to identifying potential ways to reduce operating costs and/or increase revenue, the City has sought suggestions from employees in various ways. Beginning in spring 2009, the City convened several meetings of the employee organization representatives, both to provide an understanding and dialogue of the nature of the City's financial issues and to invite suggestions on ways to help meet the City's anticipated Fiscal Year 2009-10 General Operating Fund revenue/expenditure gap. Following these meetings, each department head was instructed to design a process to seek suggestions from employees. Additionally, a suggestion box was established where employees could submit their ideas without attribution.

This effort resulted in 403 suggestions. Several of these suggestions were incorporated in the Fiscal Year 2009-10 recommended budget. This paper identifies the categories of suggestions; references which suggestions have been implemented; process used to sort the suggestions; and identifies those that staff is continuing to analyze for potential inclusion in the Fiscal Year 2010-11 proposed budget and beyond.

Nature and Status of Employee Suggestions

The 403 unique suggestions (after duplicated suggestions were eliminated) can be categorized as follows:

- Change in employee compensation and benefits (26).
- Departmental restructuring (10).
- Facility and equipment efficiencies (50).
- Change in fees (82).
- Internal policy and procedure change (98).
- Operational/service change (137).

The suggestions were also cross-referenced by their status as many were in the process of being implemented or did not have the potential to generate significant revenues or cost savings. The following eight suggestions were adopted in the Fiscal Year 2009-10 budget or implemented as a policy in Fiscal Years 2008-09 or 2009-10:

Expenditure Reductions

- Forego COLA increase for City Attorney, City Manager and City Clerk.
- Review current copier contract with outside vendor.
- Reduce frequency or duration of landscape irrigation.
- Reduce reliance on contractors for Parks.
- Close City Hall between Christmas and New Year's or around other vacations.

Revenue Generators

- Immediately deposit retiree health funds into long-term secured funds.
- Require upfront deposits for land development fees.
- Increase *Preview* magazine advertisement rates.

There are also 31 ideas that are either planned or under way. The remaining suggestions were assessed by the Budget Team and categorized as:

- Either not being applicable to generating revenue or reducing expenditures for the General Operating Fund. (55)

The majority of these suggestions would lead to improving customer service and increasing internal staff efficiencies. A few were fee-related but would not impact the General Operating Fund.

- Applicable to generating revenue or reducing expenditures but difficult to implement. (42)

About half of the 42 suggestions pertained to departmental restructuring or adjustments to the wages and/or benefits. Most of the fee-related suggestions would require voter approval, while the recommendations for operational changes involve multilayered processes that could take multiple years to implement.

- Feasible to implement but requires additional review in order to estimate the amount of cost savings or revenues. (108)

Most of these suggestions relate to changes in service delivery and would require policy decisions made at either a Council or department head level.

- Suggestions that would likely result in minimal cost savings or increased revenues for the General Operating Fund. (120)

These suggestions, while they may not generate significant cost savings or revenues, are still worthy of review. Some of the 120 suggestions are under consideration by the impacted departments for either immediate implementation or inclusion in the Fiscal Year 2010-11 budget.

- Suggestions likely to produce cost savings or increase revenues in an amount that exceeds \$10,000, if implemented. (39)

Eighteen (18) of the 39 recommendations were given priority consideration due to their potential to help reduce the projected General Operating Fund deficit. They are listed as follows:

- Ideas that could be considered for implementation in 2010-11 (short-term implementation) or already under way:
 - Eliminate nonessential vacant positions (under active consideration on a case-by-case basis via a partial hiring freeze).
 - Consolidate positions and cross-train (reviewed as appropriate by department heads).
 - Forego COLA increase in July (part of larger review of employee compensation/benefits).
 - Use reserves to "front load" PERS payment (under active consideration).
 - Review fee waivers policy (policy decision).
 - Review travel and training (currently being reviewed City-wide).
 - Permanently attach COLA to CPI index (part of larger review of employee compensation/benefits).
 - Ask for vendor price reductions (being done).

- Establish a Shoreline park entrance fee (being reviewed).
- Rent City Hall for special events (part of consideration for Fiscal Year 2010-11 budget).
- Reconsider cap of 75 percent cost recovery for land development fees (policy decision).
- Ideas that could take longer than 1.5 years to implement (long-term implementation):
 - Restructure department functions.
 - Make changes in health insurance programs (part of larger review of employee compensation/benefits).
 - Review overtime charges (part of ongoing analysis).
 - Review Workers' Compensation (part of consideration for Fiscal Year 2010-11 and future year budgets).
 - Sell services to other jurisdictions (part of consideration for Fiscal Year 2010-11 and future year budgets).
 - Alternative service delivery discussions and specific department reductions to be conducted and considered at department level (ongoing).
 - Replace Rengstorff Pool and Community Center boilers.

While a few of the suggestions, such as possible adjustments to the City's travel and training budget, could be implemented within a year at a department head level, other suggestions could take much longer to implement. For these long-term suggestions, particularly those related to establishing fees, the City would need to assess possible impacts in addition to estimating changes in service demands and staffing costs to administer the fee or provide the service.

CONCLUSION

Employees have used several input vehicles to identify and articulate changes they believe will accomplish either a reduction in City operating costs, increase revenue or both. These suggestions were analyzed by a team of analysts and those with the highest potential for achieving at least \$10,000 in savings or revenue increase in the short term (possible to implement either in the current fiscal year or Fiscal Year 2010-11) have been

prioritized for further follow-up. Several of them cannot be accomplished unilaterally and will require consultation and cooperation in partnership with the employee organizations. Additionally, several of the suggestions were incorporated in the current fiscal year budget. Other suggestions have been sent to the appropriate department with the direction that they be reviewed for potential implementation, where appropriate.

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