



**RELEASE OF THREE STAFF REPORTS
FOR THE CITY COUNCIL MEETING
of
JUNE 8, 2010**

The following staff reports are being released a week in advance of the normal packet distribution:

1. Review of the City Manager's Proposed 2010-11 Budget and Capital Improvement Program for the City of Menlo Park; Consideration of the Revised Long-Term Financial Forecast; Discussion of the Continuation of the Current Reduced Rate of Utility Users Tax Beyond September 30, 2010 and Discussion of the Findings Necessary to Continue the Utility Users Tax Beyond December 31, 2010 ([Staff Report #10-078](#))
2. Approval of revised 5-year Capital Improvement Program ([Staff Report #10-075](#))
3. Consideration and direction regarding potential increase in Transient Occupancy Tax for the City of Menlo Park ([Staff Report #10-077](#))

**THE NEXT REGULAR CITY COUNCIL MEETING IS
June 8, 2010**

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ADMINISTRATIVE SERVICES

Council Meeting Date: June 8, 2010
Staff Report #: 10-078

Agenda Item: E-1

PUBLIC HEARING: Review of the City Manager's Proposed 2010-11 Budget and Capital Improvement Program for the City of Menlo Park; Consideration of the Revised Long-Term Financial Forecast; Discussion of the Continuation of the Current Reduced Rate of Utility Users Tax Beyond September 30, 2010 and Discussion of the Findings Necessary to Continue the Utility Users Tax Beyond December 31, 2010

RECOMMENDATION

Staff recommends that the City Council discuss and provide direction on: the City Manager's proposed 2010-11 Budget and Capital Improvement Program and revised Long-Term Financial Forecast for the City of Menlo Park; continuing the temporary reduction of the Utility Users Tax (UUT) rate beyond the 12-month period ending September 30, 2010, per section 3.14.130 of the Municipal Code; and the findings necessary to continue the tax beyond December 31, 2010.

BACKGROUND

Due to the unprecedented changes in the economic environment experienced in the last two years, the process to develop the City Manager's Proposed Budget has been revised from that of prior years. Unlike mid-year analyses of years past, both the 2008-09 and 2009-10 Mid-year Reports presented to Council recommended downward adjustments to the budgets to reflect the decreasing revenues wrought by a severe downturn in the economy. Specifically, declines in development permits (\$750,000) and other revenues added to the \$1 million budget deficit adopted for the 2008-09 fiscal year. Mid-year revenue declines were over \$1.3 million for 2009-10, largely from reduced sales tax (\$962,000) and transient occupancy tax (\$320,000) revenues.

To offset these reduced revenues, staff recommendations for both years included temporary net reductions to the operating budget, including decreases in the General Fund transfer to the General Capital Improvement Projects (CIP) Fund and a deferral of certain capital projects. Because the CIP transfer is intended to fund the ongoing maintenance of City infrastructure at a level that preserves the current condition of the City's capital assets, decreasing the amount of the transfer is recognized as a short-term strategy. Although these adjustments allowed for decreased reliance on General

Fund reserves, the need for longer-term budget reductions strategies grew increasingly apparent. And due to resource reductions made in past fiscal years, implementation of further net-cost reduction strategies became even more challenging.

Following the adoption of the 2009-10 fiscal year budget, the City Manager directed a comprehensive review of the organization, called **2010 and Beyond**, in order to analyze all operations of the organization from a long-term point of view and align the City's resources with work load/service expectations. In conjunction with this review, vacant positions remained unfilled to allow for an appraisal of possible staffing changes that would optimize the use of each position in the long term. As a result, significant additional personnel savings were identified for 2009-10 as part of the mid-year budget adjustment, and staff was able to identify other strategies which would help move the City toward a sustainable budget in the long-term. Some of the strategies were immediately implemented and included in the preliminary budget for 2010-11, which was presented to the Council on April 20th. Because the preliminary budget indicated a \$1.3 million deficit for the upcoming fiscal year, other strategies were introduced for discussion at that same meeting. A description of each strategy and the estimated cost savings of each were provided. The strategies were grouped as to the severity of service impacts anticipated as a result of implementation. Council generally agreed that, in addition to the shorter-term strategies employed in the past, the strategies outlined and recommended (summarized in Attachment B to this report) were appropriate in responding to the current economic reality. Other budgetary options that had been analyzed but not included in the preliminary budget for 2009-10 were also reviewed. In addition, several policy options for eliminating any remaining gap were examined.

The City Manager's Proposed Budget for fiscal year 2010-11 reflects Council direction from the April 20th review, and includes a mix of short- and long-term strategies chosen to maintain the following elements:

- key services to the community
- the organization's ability to meet Council goals
- a long-term focus; preparedness for recovery opportunities
- existing infrastructure (to avoid higher costs in the future)
- the ability to move the City toward a sustainable budget over the next five years

The **2010 and Beyond** review continues, yielding positive organizational changes and strategies for reducing personnel costs in subsequent fiscal years. In addition, staff has updated the assumptions and projections incorporated in the City's 10-year financial forecast for the General Fund. This long-term forecast establishes an appraisal of fiscal sustainability beyond the current budget cycle, providing important context to the annual budget process. The revised long-term forecast (Attachment C) in this report illustrates the need for (1) additional on-going revenues, (2) additional reductions in costs and/or service levels, or (3) recurring draws on General Fund reserves, in order to fund future year operations. Although Menlo Park maintains enviable General Fund reserves, this is not a sustainable strategy in the long term.

ANALYSIS

Overview

The City Manager's Proposed Budget (and capital improvement program) for the City of Menlo Park for fiscal year 2010-11 is shown as Attachment A to this staff report. In the compilation of the proposed 2010-11 resource allocation plan, many factors were taken into consideration: the impacts of prior year budget reductions; the City's anticipated fiscal position at June 30, 2010; the current year economic environment; the availability and flexibility of the City's Utility Users Tax; a number of large capital projects under way; any unmet operational needs; risk management issues; and the long-term effect of the City's revenue environment and expenditure decisions. Council will no doubt deliberate on the many other challenges that will also impact the City's long-term financial future in considering this proposed budget.

The preliminary budget for the City's General Fund, which was reviewed by the Council at the April 20th study session, provided a foundation for the application of various budget strategies developed over the course of the 2009-10 fiscal year. The strategies were largely the result of the **2010 and Beyond** organizational review, coupled with a relatively high number of opportunities to restructure various programs within the organization due to retirements. However, most all of the strategies were burdened with some degree of service impact or reduced organizational flexibility, and the cost-effectiveness of each strategy had to be closely examined.

Again, the preliminary budget presented expenditures that outpaced operating revenues in the General Fund by approximately \$1.3 million. Consistent with the Mid-year Report presentation, the \$103,000 funding for the final work on the El Camino Real/Downtown Specific Plan project was shown "below the line" – to be funded from General Fund reserves accumulated in prior years – and was not included in this operational budget deficit amount. The budgetary strategies recommended by staff were estimated to reduce this deficit to approximately \$575,000. As these strategies were outlined and reflected in the General Fund's budget, several cost increases also became apparent and served to work contrary to the reduction effort. However, the application of two of the "policy options" served to further decrease the remaining budgetary gap.

As shown in Attachment A, the City Manager's Proposed Budget for 2010-11 reflects an operating deficit of approximately \$470,000. In addition to applying nearly all the recommended strategies discussed at the study session, the General Fund transfer to the General CIP Fund was decreased by \$64,900. This represents the three percent inflationary factor that was applied to the transfer in the development of the preliminary budget. Because inflation has been relatively low for the past two years, the transfer was reduced to the amount initially included in the 2008-09 budget. In addition, the cost of the City's C/CAG (City/County Association of Governments) of San Mateo County member dues, previously funded entirely from the General Fund, was shared equally from Measure A. Although this option is not a savings to the City as a whole, it allowed

a \$59,500 savings to the General Fund budget, and represents an appropriate expenditure of Measure A funds.

General Fund Summary

The following table shows the City's General Fund revenues and expenditures in fiscal years 2007-08 and 2008-09 as well as both the adopted and adjusted budgets for 2009-10. (Note that the 2009-10 adjusted budget includes \$434,172 of prior year encumbrances.) The last column of the table reflects a summary of the General Fund budget in the City Manager's proposed budget for 2010-11.

General Fund Revenue Summary	2007-08 Actual	2008-09 Actual	2009-10 Adopted Budget	2009-10 Adjusted Budget	2010-11 Preliminary Budget
Property Taxes	11,339,649	11,867,559	12,366,000	12,566,000	12,864,270
Sales Tax	7,676,943	6,865,152	6,978,000	6,016,000	6,245,000
Transient Occupancy Tax	1,474,119	1,351,578	2,800,070	2,480,000	2,702,000
Utility Users Tax	1,651,479	1,162,595	1,232,000	1,213,800	1,237,500
Franchise Fees	1,428,708	1,484,275	1,568,800	1,568,800	1,613,000
Licenses & Permits	4,005,693	2,843,479	2,991,988	2,991,988	2,840,020
Intergovernmental	2,009,244	1,827,065	1,782,509	1,817,446	1,834,947
Fines	951,145	1,105,836	1,348,442	1,248,442	1,088,000
Interest and Rent Income	2,745,485	1,746,993	1,087,823	1,098,173	1,409,000
Charges for Services	4,564,918	4,639,203	4,938,220	4,753,620	5,090,287
Transfers & Other	672,193	766,890	711,074	741,657	711,892
Total Revenue	38,519,576	35,660,625	37,804,926	36,495,926	37,635,916
Personnel	25,471,178	27,282,856	27,535,685	27,605,683	27,818,285
Salary Savings FY 09-10				-380,000	
Operating	4,688,423	4,534,018	5,339,720	5,328,112	5,469,359
Contract Services	2,433,891	2,683,126	2,951,315	2,499,766	2,439,147
Transfers Out	2,502,525	1,734,200	2,377,800	2,132,656	2,377,800
Total Expenditures	35,096,017	36,234,200	38,204,520	37,186,217	38,104,591
Net Operating Revenue	3,423,559	-573,575	-399,594	-690,291	-468,675
Add: Downtown/ECR Specific Plan Expenses				-477,010	-103,000
Total draw on General Fund Reserves				-1,167,301	-571,675

General Fund Revenues – Only two adjustments were made to the 2010-11 General Fund revenues as projected in the preliminary budget on April 20th. The proposed budget for Charges for Services was increased by \$52,000 to reflect further progress toward maximum cost recovery of the City's child care programs at the Menlo Children's Center, largely through optimizing enrollment practices. A \$29,000 reduction of Transfers In to the General Fund reflects the elimination of partial funding of a Librarian II position previously provided by a transfer from the Public Library Fund.

Revenues for the year have been projected employing the most recent data available. All told, fiscal year 2010-11 General Fund revenues are expected to increase over \$1.1 million (3.12 percent) when compared to the 2009-10 adjusted budget, largely due to the anticipated increase (approximately \$773,000) in tax revenue. Most other revenues are expected to stabilize, although fines are budgeted to decrease slightly due to the reduction in enforcement personnel. Development Permits are also expected to remain below the current year levels, as the credit markets are still sluggish and the volume of development activity remains depressed.

The factors pertaining to each of the City's General Fund revenue categories are discussed in **Appendix A** of this report.

General Fund Expenditures – With the implementation of the various cost-cutting strategies discussed on April 20th and detailed in this report, General Fund Expenditures (not including transfers out to other funds) are shown as reduced by nearly \$621,000 (1.7 percent) when compared to the preliminary budget presented at that meeting. As such, the proposed expenditure budget for fiscal year 2010-2011 (without transfers) is increased only slightly (less than one percent) from the current fiscal year's adjusted budget. Once the transfers are included, the proposed budget is approximately \$515,000 higher than the adjusted budget for the current fiscal year. This is because of mid-year adjustments to the 2009-10 budget reflecting anticipated personnel savings (\$380,000) and reducing transfers out to the General Capital Improvement Projects Fund by over \$245,000.

In summary, the proposed expenditure budget is similar in many respects to that proposed and adopted for the current fiscal year. Despite an overall reduction of 6.75 FTE (full time equivalent staff positions), an increase in citywide personnel costs in the coming fiscal year is unavoidable due to contractual wage increases in the Police Department and the rising cost of certain employee benefits. Increased salaries were negotiated in prior years for police officers (both POA and PMA) for the period through June 30, 2011. Despite offsetting personnel cost reductions in the Police Department – including the reduction of one vacant officer position – these increases resulted in personnel costs that were \$620,000 higher than the 2009-10 adjusted General Fund budget for the department. Despite small decreases in the City's employer rates charged by CalPERS for retirement benefits, the total costs of all benefits are projected to rise slightly City-wide in 2010-11 due to anticipated increases in health care premiums.

Overall, personnel costs were held at bay as no salary/wage increases were assumed in the 2010-11 proposed budget other than the contractual obligations noted above. In addition, this is the second year in which FTE reductions have been achieved. Many of these are the result of the implementation of the budget strategies proposed in April and summarized in Attachment B.

The total budget for General Fund expenditures is nearly flat when compared to the 2009-10 Adopted Budget, and reflects an increase of only \$918,374 (2.47 percent) over the adjusted budget for the current fiscal year. Note that the proposed expenditure budget provides funding necessary for all anticipated operations, including the full

normal (annual) cost of the City's retiree medical benefit plan and other allocated personnel costs, the full actuarial cost of risk management programs, ongoing Council goals and priorities, and full funding for the maintenance of existing City infrastructure. Details of the new 2010-11 departmental expenditure projections are discussed in *Appendix B* of this report.

Fund Balance – As a result of prudent fiscal management, the City is fortunate to have a sizable reserve. The General Fund's total balance as of June 30, 2009 is expected to be approximately \$25.6 million. The unreserved fund balance ("reserves") provides a safety net for emergencies and other operational contingencies, funding for significant, non-recurring capital expenditures and enhanced investment revenue to support City programs and Menlo Park's stellar credit rating.

The existence of adequate General Fund reserve levels provides the City with the opportunity to take a long-term approach in returning to structural balance. The City has avoided incurring unfunded liabilities and has in recent years eliminated large, non-recurring items from the General Fund spending plan to provide a more reliable long-term forecast. However, many cost reductions have been implemented in the past two years in order to keep deficit spending at the lowest possible level to protect reserves during this economic recession.

It is important to note that a *balanced* budget is not equivalent to a *sustainable* budget. In order to have an operating budget that is balanced, with revenues equaling expenditures each fiscal year, the level of municipal services provided would greatly fluctuate from year to year with economic conditions. A sustainable budget is one in which reserves are maintained over the long term, with revenues sufficient to cover expenditures over a period of years encompassing many economic cycles.

Sustainability – Sustainability cannot be gauged without making some assumptions about the long term. While the City continues to seek sustainable solutions that will yield an operating budget suitable to the new economy, many short-term cost reductions will be utilized that may be unsustainable. In addition, certain operating costs may increase or decrease absent any corresponding change in revenues. (For example, the City's facilities continue to expand, indicating higher operational and maintenance costs in the future.) For these reasons, caution is warranted when building the long-term forecast (Attachment C) using the 2010-11 proposed budget as a baseline. The long-term future holds many uncertainties.

The State government continues to grapple with enormous budget shortfalls for which there are no simple solutions. Drastic measures to solve the State's budgetary woes in the past have resulted in a grab of city and county revenues. Although the May revision of the Governor's 2010-11 budget does not call for further adverse impacts on local government revenue sources (beyond the second year take-away of redevelopment agency tax increment revenues), strong municipal budgets cannot be secured within an insolvent state.

The current economic environment is making it difficult for businesses to sustain the current level of activity, subdued as it may be. Oracle's recent merger with Sun

Microsystems, the City's largest employer and a significant contributor of sales tax revenues, will continue to impact the City's financial future. The Business Development Plan will be instrumental in actualizing opportunities to grow the City's revenue base and meet Council's goal of "a vibrant local economy supporting a sustainable budget". Although these efforts will play an important role in the City's long-term strategic plan and sustainable budget practices, an increased revenue base cannot be assumed in the development of the current long-term forecast.

As we move forward in the new fiscal year, staff will continue to focus on reviewing areas for long-term restructuring and other effective approaches to developing a sustainable budget providing for the appropriate delivery of services.

City Manager's Proposed Budget for the General Fund – Staff recommends that the Council fund the 2010-11 budget which proposes an operating deficit of approximately \$470,000. To the extent this 1.23 percent deficit is realized, a draw of General Fund reserves would be required in addition to that required to fund the 2010-11 commitment to the El Camino Real/Downtown Specific Plan (\$103,000). As proposed, the budget calls for an increase in General Fund revenue of 3.1 percent and an increase of General Fund expenditures of 2.5 percent over the 2009-10 Adjusted Budget.

Given that the economic downturn, though moderating, will continue to impact the City's resources throughout the upcoming fiscal year, staff has worked diligently to identify and quantify all reasonable cost reduction opportunities to incorporate into the 2010-11 budget including organizational restructuring and efficiencies as well as labor concessions and a contract imposition that holds the line on employee costs. Staff feels the proposed budget reflects prudent strategies aimed at achieving immediate (short-term) cost reductions, minimizing visible service impacts, preserving funding for infrastructure maintenance, safeguarding the fiscal health and appropriate utilization of the City's other funds, working towards Council goals and limiting deferral of ongoing operating expenses. Although some impacts to services could not be avoided, every effort was made to focus on those strategies which provided the largest and most certain cost savings with the least amount of negative impact to services.

Also, staff recommends that the Utility Users Tax rate be maintained at the current reduced rate for an additional 12-month period. Although staff has endeavored to budget as realistically as possible, the 2010-11 Mid-year report will provide an analysis of the adequacy of the various revenues that provide the funding required for General Fund operations as outlined in this proposed budget.

Community Development Agency

The Community Development Agency has seen wide variations in tax increment revenues over the past five years. Beginning in 2005-06, the Agency was battered with the impact of large refunds granted by the Assessment Appeals Board for outdated or underutilized office buildings in the redevelopment area. These appeals were processed in fiscal years 2005-06 and 2006-07, resulting in refunds for prior year taxes and a downward adjustment in the Agency's tax increment of over \$300,000 in each of these fiscal years. Moving beyond these refunds and reduced assessments, tax

increment revenues jumped nearly 20 percent in 2007-08 and an additional 3.3 percent in 2008-09. However, the recession has heavily impacted the area's taxable assessed value, and anticipated tax revenues in 2009-10 are expected to decrease approximately \$1.1 million (8.7 percent), with an additional one percent drop anticipated for 2010-11 based on the County Assessor's tax roll for the project area.

The state takeaway of redevelopment funds cost the Agency over \$3.4 million in 2009-10, and an additional \$710,000 will be charged to the 2010-11 fiscal year. (The California Redevelopment Association filed suit against this takeaway, and has appealed a court decision forcing the payments to the State ERAF funds. But the process will take over a year to conclude.) These amounts are included as operating expenditures of each year in the Agency's Non-Housing Fund. Other than these extraordinary expenditures, the operating budget for the RDA is similar to prior years. Although tax increment revenues are anticipated to be slightly reduced, operating costs have also decreased. The update of the Agency's 5-Year Implementation Plan was completed earlier in this fiscal year, so contract expenditures are reduced in the proposed budget for fiscal year 2010-11. The agency's future emphasis on business development and community outreach, critical to the implementation plan, is evident in an allocation of personnel costs budgeted for these areas.

Because the short-term municipal bond market has stabilized immensely since the restructuring of the Agency's bonded debt in May 2008, debt service costs remain stable. The 2006 Bond's Standard & Poors rating for the Agency's 2006 was upgraded recently from BBB+ to A-. Although the improved rating will not impact debt expenditures in the near future, it does ease concerns regarding the future cost of the letter of credit that secures the bonds.

The largest change in the Agency's budget overall (other than the State take-away) is the reduction in capital projects expense. The Police Substation construction has been stalled for most of the current fiscal year, and the Kelly Park Improvements project has just been started. Both of these projects, funded largely from the Agency's bond fund, were funded in previous fiscal years. The remaining four years of the current 5-Year Redevelopment Implementation Plan, however, sees an increase in infrastructure and other capital projects with a newly-initiated focus on economic development in the project area. A recent reorganization directed by the City Manager moves responsibility for the Agency to Business Development in order to support a greater emphasis on projects that will allow the area to prosper as the City's key economic engine. With an increased potential for new life sciences and green technology businesses in the City's Industrial/R&D zoning district, the Agency will play a critical role in supporting the Council goal of a vibrant local economy.

Other Funds

The City has over forty active funds, most of which are included in the annual budgeting process. Estimated year-end fund balances require careful tracking with each year's fiscal budget. Over time, dwindling fund balances may indicate a future reliance on General Fund appropriations in order to continue services, programs or projects that

were intended to be self-sufficient or funded through other means. A summary of Fund Balances over time is shown in Attachment D.

Many of the City's funds are designated largely for capital projects. In the past, the City Council has annually approved funding levels for specific capital improvement projects through its project priority process. This year the capital planning process was formalized in the development of a 5-Year Capital Improvement Plan (CIP). The use of a 5-Year CIP is intended to strengthen and stabilize future funding plans and scheduling, addressing Council's goal of improving long-term planning. Projects recommended in the 5-Year CIP for fiscal year 2010-11 were limited based on staffing needs for the existing list of approved projects, but this also made it an opportune time to establish the new longer-term process. The City's various commissions had a very limited window of time to consider the proposed CIP in this first year of the new process; the future project development and selection process will provide more time for commission/community feedback in accordance with the prioritization criteria and procedures described in Section II of the 5-Year Capital Improvement Plan document.

Capital Improvement Projects (CIP) Fund – Maintenance of the City's infrastructure (streets, parking plazas, storm drains, sidewalks, buildings, parks and bridges) remains a high priority for Menlo Park in 2010-11. Funding for infrastructure maintenance is planned for each year as a fund transfer from the General Fund to the General Fund Capital Improvement Projects (CIP) Fund. As noted, the recommended transfer to the General Fund CIP in 2010-11 was initially three percent higher than in the past two years, to adjust for minimum inflation. But the transfer amount was reduced to \$2,163,200 - the same amount provided in the 2008-09 adopted budget - in an attempt to ease the burden to the General Fund to the degree possible. Note that this operating transfer had been reduced as part of the mid-year strategies to reduce the General Fund deficit for the past two fiscal years. The impact of the reduced transfer in prior years was somewhat mitigated by the receipt of federal stimulus funding for the resurfacing of certain federal aid routes, which will serve to forward the City's pavement management program in the long term. It should also be noted that the General Fund CIP only funds a portion of infrastructure maintenance needs. Several other funding sources are used particularly for street maintenance, such as the City's Building Construction Impact Fee, State gasoline taxes, and Federal grants.

Infrastructure maintenance represents only a portion of the approved capital project listing for the year. Through the 5-Year CIP process, the City also makes funding decisions about land use studies, information systems upgrades, and new or replacement facilities (including infrastructure) that are not covered by the maintenance budget. While the City has done extensive planning for infrastructure maintenance, long-term needs in these other areas are less certain, and do not have a dedicated long-term funding source. In discussions regarding the development of a reserve policy for the General Fund, a separation of infrastructure maintenance funding from other capital projects was recommended in order to prevent the deferral of essential maintenance for existing assets and preserve the consistency of this annual funding.

851 - General CIP Fund	2009-2010 Adjusted Budget	2010-2011 Proposed Budget
20-010 - Street Resurfacing Project	1,810,618	0
20-011 - Sidewalk Repair Program	227,714	120,000
20-037 - Sidewalk Project	83,592	0
20-038 - Storm Drain Improvements and Cleaning	174,764	150,000
20-039 - Sidewalk Accessibility	238,070	0
20-044 - Citywide Sidewalk Master Plan	6,134	0
20-045 - Sidewalks on Santa Cruz Avenue	146,433	500,000
20-046 - Storm Drainage Fee Study	69,280	0
20-048 - Downtown Median Lights	14,717	0
20-049 - Middlefield Road Storm Drain	145,843	0
20-051 - AARA Resurfacing Project	664,852	0
20-052 - Trash Capture Device Installation	0	50,000
20-054 - Downtown Irrigation Replacement	0	30,000
20-055 - Downtown Landscaping Improvements	0	25,000
20-056 - Chrysler Pump Station Discharge Pipe Replacement	0	60,000
25-028 - Park Improvements (Minor)	188,435	110,000
25-034 - OHCC Gym Floor	30,000	0
27-033 - City Buildings (Minor)	605,998	250,000
27-039 - Gate House Fence Repair	25,000	0
70-049 - Street Light Painting	110	0
70-069 - Downtown Bike Rake Installations	6,626	0
70-076 - LED Streetlight Conversion	163,154	164,000
90-015 - Nealon Park Softball Field Improvements	9,411	0
210T10 - High Speed Rail Coordination	40,000	200,000
Menlo/Atherton Performing Arts Center	1,300,000	0
Other	14,148	0
All Projects	5,964,899	1,659,000

The proposed budget for infrastructure maintenance and improvements from the General Fund CIP for the 2010-11 fiscal year totals \$1,659,000. Although this expenditure is less than the proposed transfer in from the General Fund of \$2,163,200, this is an anticipated result of the scheduling of large street resurfacing projects every other year. The General Fund CIP has a healthy fund balance - projected to be over \$5.5 million at the end of the 2010-11 fiscal year- with which to absorb these year-to-year fluctuations.

Measure T Fund – This fund was created as the result of voter-approved general obligation bonds, first issued in April 2002 for the renovation and expansion of City parks and recreation facilities. The first phase of financing yielded \$13.2 million. The proceeds were largely expended on numerous municipal park updates and improvements, the Burgess Pool & Locker Room project, facilities at Burgess Park and

the Menlo Children's Center project. As of June 30, 2009, the fund had a remaining balance of approximately \$950,000. Much of this balance was committed in the current fiscal year to the programming and design of a new gymnasium at Burgess Park.

On July 1, 2009, the 2nd issuance of Measure T bonds was completed. The City's decision to include Build America Bonds (BABs) in the financing allowed the City to generate an additional \$1.05 million over the tax exempt bonds that typically are used, for a total 2009 issuance of over \$10.4 million. Although the majority of the construction of the new gymnasium will be funded through the generosity of Mr. John Arrillaga, the City budgeted approximately \$5.8 million of the bond proceeds toward this project in the current fiscal year.

Recently, Mr. Arrillaga expressed his willingness to also contribute generously to the construction of a new Gymnastics Center for the City at the site of the current facility. The project has been added to the 2010-11 fiscal year within the City's 5-Year Capital Improvement Plan (CIP), with funding of approximately \$6.2 million toward the project. Along with a \$54,000 project for new gymnastics equipment, the funding of these major projects will appropriately deplete the bond proceeds from the second Measure T financing. In addition to a contribution to building construction costs, the City's commitment for both projects include the costs of normal City plan-check, building permit and inspection fees, and utility connection fees.

Traffic Congestion Relief (Prop 42 Fund) – In November 2002, the voters of California approved Proposition 42, stipulating that certain gasoline sales tax revenues be allocated to state and local agencies for transportation purposes. As part of a special budget session called by the Governor in March, the legislature passed bills that basically swapped certain state sales taxes on gasoline for a new gasoline excise tax. The law includes expressed legislative intent to fully replace the local streets and road funds cities and counties would have received under Proposition 42 state sales tax on gasoline with allocations from the new (higher) motor vehicle excise tax rate. But the revenues are to be classified as Highway Users Tax revenues. With the Governor's signing of this gasoline tax swap, Proposition 42 funds are effectively eliminated in fiscal year 2010-11. Only investment income will accrue to this fund until the cash balances are totally expended.

Highway Users Tax Fund – Also known as the Gas Tax, the Highway Users Tax has been a fairly stable (though not increasing) revenue source for the City in prior years. With the economic downturn, revenues from this source have decreased approximately 9.6 percent, (from over \$580,000 in fiscal year 2007-08 to an estimated \$524,217 in the current fiscal year). Use of gas tax funds is restricted by Article XIX of the California State Constitution and by Streets and Highways Code Section 2101. Generally, the tax can be expended for the research, planning, construction, improvement, maintenance and operation of public streets and highways, and the planning and construction of public mass transit guideways. The gas tax was last increased from 9 cents per gallon to 18 cents per gallon during the early 1990s. Since that time, inflation adjusted gas tax revenues have declined steadily, despite the fact that travel and the cost of street maintenance have increased significantly.

In recent years, the Governor has authorized the delay of gas tax payments to cities and counties to reduce the State's interest expense and ease cash flow issues for a period of time, but paid in full within the fiscal year. As described earlier, the State anticipates future cash flow issues, and Gas Tax payments remain vulnerable to legislated delays.

In addition, revenues allocated from the State's new gasoline excise tax (above) will replace Proposition 42 state sales tax on gasoline, and will be shown as a separate category of Gas Tax revenue. Approximately \$314,000 of 2010-11 projected revenue in the Highway Users Tax fund is due to the gasoline sales tax – gasoline excise tax swap.

County Transportation Tax – Also known as “Measure A” funds, these revenues from the City's portion of the County-wide ½ cent sales tax are used to support transportation projects. The revenues increase or decrease with San Mateo County sales tax collections; \$690,000 is projected from this revenue source in 2010-11. Annual revenues from the fund have continued to support shuttle and other transportation programs, annual maintenance expenses, and only limited project expenses. For the current fiscal year, the fund is slated to provide \$300,000 of the \$4.7 million 2009-10 Street Resurfacing Project. As sales tax revenues fall, this funding source will be depleted more rapidly.

Storm Water Quality Management Fund – This fund's balance has declined steadily from a balance of \$965,000 in 2001-02 to an estimated fund balance of less than \$130,000 as of June 30, 2010. The fund balance will be further reduced in the 2010-11 fiscal year, and future budgetary support of storm water programs will either have to be limited to the approximate \$320,000 of annual tax revenues, or borne by the General Fund until a new funding source is pursued.

Council is aware of the Municipal Regional Permit (MRP), developed in 2008-09, which added numerous new requirements for storm water management programs in the Bay Area. Staff is now more familiar with the requirements of the MRP, and will keep Council apprised of additional costs under the MRP as they are known.

Bedwell-Bayfront Park Fund – The 160 acres located at Marsh Road and Highway 84 was used as a solid waste landfill from 1957 to 1984. In 1968, the City took ownership of the area and responsibility for the landfill and its eventual post-closure maintenance. Bayfront Park was built over the landfill in phases, starting in 1982 and completed in 1995. At that time, fees collected up to the point of the landfill closure created a “sinking fund” that is used to fund current Bedwell-Bayfront Park maintenance costs. (The landfill's post-closure costs are now funded from a surcharge on fees charged for solid waste collection and disposal.)

The fund balance of the Bedwell-Bayfront Park Maintenance Fund is estimated to be slightly less than \$1 million at June 30, 2010. Interest on the sinking fund is the only revenue source for the park fund, so these revenues have declined as investment yields and the fund's cash balance have dropped in the past two years. Maintenance operations for 2010-11 will require an additional \$200,000 draw from the fund's balance. The eventual depletion of the park's maintenance fund balance continues to be a

concern. There are no provisions for capital improvements in either the current year or 2010-11 proposed budget. Ultimately, the roads that access the area and pathways that traverse the park will require major repairs. To the extent that the pathways, perimeter road and main road are needed for landfill maintenance and gas recovery operations, these improvements will be shared by the Landfill Fund. However, capital expenses to the Park Maintenance fund will only accelerate the decline of that fund's reserve. Once the Park's "sinking fund" has been expended, other funding sources will need to be identified for the Park's continued operations.

Peninsula Partnership Grant Fund – This fund was established to account for federal and local grants used to improve the quality of life for children and their families in the Belle Haven neighborhood. In recent years the fund has supported the City's participation in the Community School. The fund reported a negative fund balance as of June 30, 2009 and will incur further revenue shortages in the current fiscal year due to cutbacks of Community Block grant funding at the federal level. For the 2010-11 fiscal year, more realistic revenue projections have been made based on more certain contributions and grants, and the program's expenditures have been reduced accordingly.

10-Year Forecast Update

The updated 10-Year General Fund Forecast that accompanies this report as Attachment C was developed using the 2010-11 proposed budget as a starting point for estimating revenues and expenses of future operating budgets. The 10-Year Forecast was prepared utilizing the MuniCast system, a series of Excel spreadsheets that allow optimistic, most likely and pessimistic scenarios, and a different scenario for every account within a revenue or expenditure category. For example, if water franchise fees are anticipated to grow faster than electric franchise fees, these different growth rates can be part of the assumptions. The casual reader will not be able to determine these forecast assumptions by simply calculating a growth ratio, as they are presented by categories rather than by individual line items. Likewise, different revenues are forecasted to rebound with the economy at different speeds, even within the same category of revenues. The forecast shown provides only the "most likely" scenario of future revenues and expenditures. The notes to the 10-Year Projection attempt to articulate major deviations from a flat growth assumption within any category.

Salaries and Wages are shown at levels which assume all existing labor agreements are adhered to, and then grow at the "most likely" scenario level of 3 percent. (Note that the 2010-11 proposed budget was based on a zero percent growth in salaries and wages as labor agreements expired.) This assumption will change as the multi-year contracts are up for negotiation, but the 3 percent growth rate is assumed for years through 2013-14. With respect to the short-term expenditure reductions taken to balance the General Fund Budget, it is assumed that contract expenditures will rebound with higher levels of development activity in the next few years. Operating costs are assumed to grow from adjusted levels at an annual rate of approximately 4 percent in 2011-12 and 2012-13, as the recession subsides.

Budgetary risks intensify as revenues and expenses are projected into future years. The possibility of another downturn in the economy beyond 2010-11 could have a constricting effect on both short-term local revenues and decisions affecting the City's fiscal health in the long term. Like many other public and private employers, Menlo Park will face the challenges of recruiting and maintaining a stable and competent work force in the face of large-scale baby-boomer retirements. The rising costs of utilities, infrastructure maintenance and operation of additional facilities will also need to be funded. Conversely, improved revenues from the implementation of business development strategies in progress may provide the headwind needed for smoother budgetary times in the near future. An increase in the hotel tax (TOT) rate is also being considered by the Council; there is no assumption made for this possible change in the 10-year forecast. Staff has endeavored to provide the most realistic budgetary projections possible using the most recent data available. Analysis of the long-term health of the General Fund and the City as a whole will continue throughout the new fiscal year, shaped by future economic development and community needs.

There are notable challenges to the assumption that revenue growth will keep pace with increasing operating costs. These challenges, which are not quantified in the 10-year Forecast, include the following:

- Residential property values in the Bay Area are generally in decline. Since property owners often look to the County to reassess their property values in times of flattening real estate prices, property taxes are not predicted to maintain such growth in the long term. In the development of San Mateo County's, a deflationary factor of .99763 percent was applied as of July 1, 2009. Despite this negative adjustment, Menlo Park's assessed roll has grown by nearly one percent as of the date of this report. The completion of the Sand Hill Hotel to the City's assessed roll was largely responsible for the anticipated 4 percent increase in property tax revenues for the City in 2009-10. With few large developments on the immediate horizon, this growth will likely not be replicated in the near future.
- With the expiration of labor contracts for each of the City's labor groups in the next two years, a reexamination of fair and competitive compensation packages will be undertaken. Although the new contracts for police officers and police sergeants (effective July 1, 2008, and January 1, 2009, respectively) proved to be very effective in addressing public safety retention and recruitment issues, they were more costly than the 4 percent multiplier used in previous long-term forecasts. The City will face additional challenges as it addresses the upcoming personnel void brought about by increased retirements at key administrative, professional and supervisory staff levels. A concerted effort to "grow" future leaders from within the organization by providing a culture which attracts and retains talented employees is underway to counteract turnover and employee disengagement issues that are so costly to the City as an employer.
- No additional staffing resources for the new Police/City Service Center, under construction at the corner of Willow Road and Ivy Drive, have been included in the 2010-11 budget.

- As noted earlier, the State of California's budget gap for 2010-11 is estimated to be approximately \$10.2 billion. As the State struggles with cash flows and explores every opportunity to conserve funding for vital program services, there is likely to be an impact on counties, cities, and school districts throughout the State.
- Demands on the City's Non-General funds (such as the Storm Water Quality Management Fund and the Bayfront Park Maintenance Fund) continue to increase; a shifting of funding sources to draw from the General Fund and General CIP Fund may be required.
- The California High Speed Rail (HSR) Bay Area to Central Valley route is being planned along the existing Caltrain tracks through the City of Menlo Park. The proposed budget for 2010-11 includes a \$200,000 appropriation for technical expertise and consulting support to provide protection of the City's interest during the planning and implementation stages of the project. Because of the significant and long-term impact of this project to the City, redirected and/or increased transportation resources will undoubtedly be required in future years.
- A number of resource additions were identified (as necessary to maintain current levels of service in the long-term) but not funded in prior year budgets; these remain unfunded in 2010-11. To the extent that these needs do not dissipate, they will need to be managed within the long-term context of increasing revenue sources, or further cost reductions in unrelated services.

The bottom line long-term forecast for the City's General Fund once again indicates that budgetary deficits will persist under the assumptions noted, including the assumption of continued assessment of the UUT at the current reduced rate. Staff has endeavored to include all known liabilities and demands to be required of General Fund reserves in the foreseeable future. Changes in the business, legislative or environmental climate may have a profound effect on reserve levels. Whereas the City will always experience expenditure savings because of the nature of the appropriation process, revenue assumptions come with downside risk that is difficult to assess quantitatively. The need (or lack thereof) to restore reserves following any significant draw on reserves is also a serious consideration when planning for the long-term fiscal health of the City.

Utility User Tax Rate Considerations

The impact of the Utility Users Tax (UUT), which was passed in November 2006 to provide for the long-term sustainability of the General Fund budget, is evident in the updated 10-year forecast. If the tax were to be assessed at the higher rates provided for in the UUT ordinance, projected revenues would be nearly \$2.3 million higher on an annual basis. It is also clear that elimination of the tax would exacerbate the budgetary deficits shown in the long-term forecast. Based on the magnitude of such an ongoing deficit and its potential impact on the City's fiscal position, staff recommends that the City Council make the required finding that the Utility Users Tax is necessary for the financial health of the City at its June 22nd meeting (upon adoption of the 2010-11 fiscal year budget).

Although it is appropriate for Council to consider modulating the tax in response to major economic changes, frequent variation in the rate is not recommended. All utility service providers must be given a sixty-day written notice of rate and other changes that result from adjusting the rate. In addition, the \$12,000 annual cap on the UUT assessed for combined electric, gas and water usage presents unique administrative challenges to staff, commercial utilities consumers and utility suppliers:

- Large commercial utility consumers must determine whether it is advantageous to apply for the UUT cap. (An increase in the UUT rate increases the number of utility customers who would benefit from the fixed \$12,000 per year cap.)
- Service providers must be notified of customers exempt from the tax due to application of the cap. To avoid duplicate assessments, which would require refunds from the City, the City should provide such notification of exemptions 60 days in advance.
- Depending on the effective date of the rate change, the annual cap would need to be applied and billed on a pro-rata basis.

Due to the administrative implications of numerous rate changes and the general confusion and uncertainty surrounding such changes, staff recommends the current (reduced) UUT rate of one percent, assessed on all utilities, be extended. Temporary tax rate reductions for a period of up to twelve months can be implemented with the specific finding provided in the UUT ordinance: "The temporary tax reduction shall not adversely affect the City's ability to meet its financial obligations as contemplated in its current or its proposed budget." Staff contends that, though challenging, the Council and staff have been able to adequately restrain and manage General Fund costs thus far. Because the proposed budget for the 2010-11 fiscal year requires a relatively small draw on General Fund reserves, such an adverse effect is not of immediate concern.

By taking a measured approach to budgetary balance, the City will be in a better position to establish the level of tax needed for ongoing fiscal stability. Whether and to what extent the tax rate should be increased or decreased will be better known with further data on:

- the performance of the City's other revenues in uncertain economic times,
- the adequacy of the General Fund expenditure budget to support current expected levels of service,
- the capacity of the City's other funds to meet capital and further needs not provided for in the General Fund operating budget, and
- the emergence of future revenue opportunities or expenditure demands not captured in the current long-term forecast

Budget Result Measures

Menlo Park has used the current program-based, results-oriented budget since 2001-02. Although identified and organized by "lead department," City services are carefully defined within succinct programs and are charged with specific, quantifiable results upon which the City monitors progress in meeting citizen expectations. The status of each desired result is reported, measuring the extent to which each was attained in the preceding fiscal year. In many cases, result measures have been improved based on experience gained and a better understanding of performance measurement techniques. Service measurements benefited greatly from the community survey conducted in November 2008, which provided a benchmark comparison standard for resident perception of the quality of many services. Menlo Park chose to set its standard at "higher than the benchmark" of comparable cities to meet targeted results. Because this survey is done only biennially, service results that rely on the survey refer to the 2008-09 survey for measurement. Services with measurable results were "Exceeded" (29 percent), "Met" (40 percent), "Not met" (21 percent) or "Data not available" (10 percent). In summary, the City met or exceeded 69 percent of the established service results.

Although the status of the service results as a whole has not varied in prior years, staff is concerned with the increase in the number of results that could not be appropriately measured. The City's service orientation often requires extensive use of both internal and external surveys to gauge "satisfaction" to the population being served. Although desired results are designed to reflect established City priorities and staff endeavors to *achieve* high levels of service, *measurement* of these results may not occupy the same level of priority. In fact, when staff resources are spread thin, measurements of service results tend to be less of a priority than the actual realization of the desired results.

At the beginning of each fiscal year staff teams met to evaluate the performance results as presented in the budget document and to consider updates to the results and measures as necessary for continued clarity, relevance, and significance to the public as well as usefulness for internal decision-making. The merits of tracking each result are reviewed, and staff weighs alternative measurement practices for specific results that permit appropriate data collection for next year's budget document.

Cost and/or personnel reductions continue to affect the ability of many programs to achieve the results initially set. Though challenging, all City departments endeavor to build on past efficiencies and will continue practicing budgetary restraint in the 2010-11 fiscal year. As the City's priorities evolve and new Council goals/initiatives are implemented, new result measures will be developed, and existing measures will continue to be refined in order to gauge the success of each City service.

The Budget Document

"Attachment A" is the complete draft budget document as proposed by the City Manager for 2010-11. The budget is a spending plan reflecting the City's policies, goals and priorities as a whole.

The Budget document contains expense and funding information for all City funds and Redevelopment Agency operations. The Table of Contents is helpful in orienting the reader to each section. Each program service is listed along with actual 2008-09 spending, the current year (2009-10) adjusted budgets and estimates, and the proposal for the 2010-11 fiscal year. The funding source for each service is shown. In the back of the document is information about the City's estimated fund balances and the planned Capital Improvements projects for 2010-11. The budget transmittal letter will be included with the 2010-11 Budget prior to its presentation for adoption on June 22nd.

Summary

This budget is built on the basics: addressing the City's financial priorities in conjunction with Council goals, and providing basic services as well as those programs that make Menlo Park unique. The General Fund budget was balanced through a combination of ongoing revenue increases, aggressive spending constraints and a variety of strategies including the restructuring of personnel, and the implementation of operational efficiencies. However, some of the budgetary choices incorporated for the short term are clearly unsustainable, and a sufficient number of unmet resource needs were identified to justify concerns in the long term.

As a draw-down on reserves is not a long-term solution to budgetary deficits, options for subsequent fiscal years remain: (1) implement additional revenue through an increase in the UUT or other revenue sources; (2) cut expenditures and/or services to match revenues; or (3) a combination of these strategies. In regards to the UUT, Staff recommends the Council allow the rate to remain at its current reduced level of 1 percent on all utilities by adopting a consecutive temporary tax percentage reduction as provided in section 3.13.130.

Staff feels the proposed budget continues moving the City toward a sustainable budget over the next few years. A sustainable budget is one in which the long-term (10 year) forecasted revenues are adequate to support the long-term forecasted expenditures, assuming: appropriate and current community needs are met; adequate funding is provided annually for existing infrastructure maintenance; and undesignated General Fund balance is stable at an acceptable percent of General Fund expenses. Considering the extreme challenges of the current economy, the proposed budget successfully balances these long term needs with a focus on Council's goals for a vibrant economy, long term planning and regional cooperation.

Next Steps in the Budget Process – The City Manager's Proposed Budget for the 2010-11 fiscal year was packeted 10 days in advance of the June 8th meeting to allow a more thorough review by the Council. This proposed budget was prepared through a process and supporting systems that will enable staff to incorporate Council-requested adjustments, re-run the budget numbers and finalize the document without requiring extensive reconciliations or re-formatting. Once finalized, staff will summarize changes and provide any additional information or discussion requested by the Council in the final budget staff report, calculate the Appropriations Limit (required by State law), and prepare the necessary resolutions for budget adoption.

The 2010-11 Budget document will be available on-line and in Council packets on the normal distribution schedule for the June 22nd regular Council meeting. Resolutions regarding (1) continuance of reduced UUT rates or reinstatement of the original tax percentages as of October 1, 2010, and (2) findings necessary to continue the tax beyond December 31, 2010, will also be prepared according to Council direction for adoption on June 22nd.

IMPACT ON CITY RESOURCES

The budget for the 2010-11 fiscal year provides for projected expenditures which exceed anticipated revenues in the General Fund by approximately \$572,000, necessitating a draw on the City's reserves if sufficient budgetary savings or budgeted revenues are not realized. The 2010-11 commitment to the El Camino Real/Downtown Specific Plan project (\$103,000) is included in this amount to be funded from the General Fund Reserves. Although the General Fund transfer out to the City's CIP Fund for infrastructure improvement has been reduced in each of the past two years to help balance the budget, the proposed budget for 2010-11 includes a transfer equal to the amount proposed for fiscal years 2008-09 and 2009-10, with no inflationary increase. The Utility Users Tax rates are assumed to remain at the current level of one percent for all utilities.


Estimated increases or decreases to other fund balances are shown on pages 175 through 180 of the proposed Budget Report (Attachment A). Every effort has been made to identify all of the necessary and approved costs to be incurred in the fiscal period. The long-term forecast has been updated to assist decision makers in financial strategies, including the establishment of an appropriate UUT rate, for the long term.

POLICY ISSUES


Presentation of the City Manager's proposed budget is consistent with the City's budgeting process and represents no changes in City policy.

ENVIRONMENTAL REVIEW

Environmental Review is not required.



Glen Rojas, City Manager



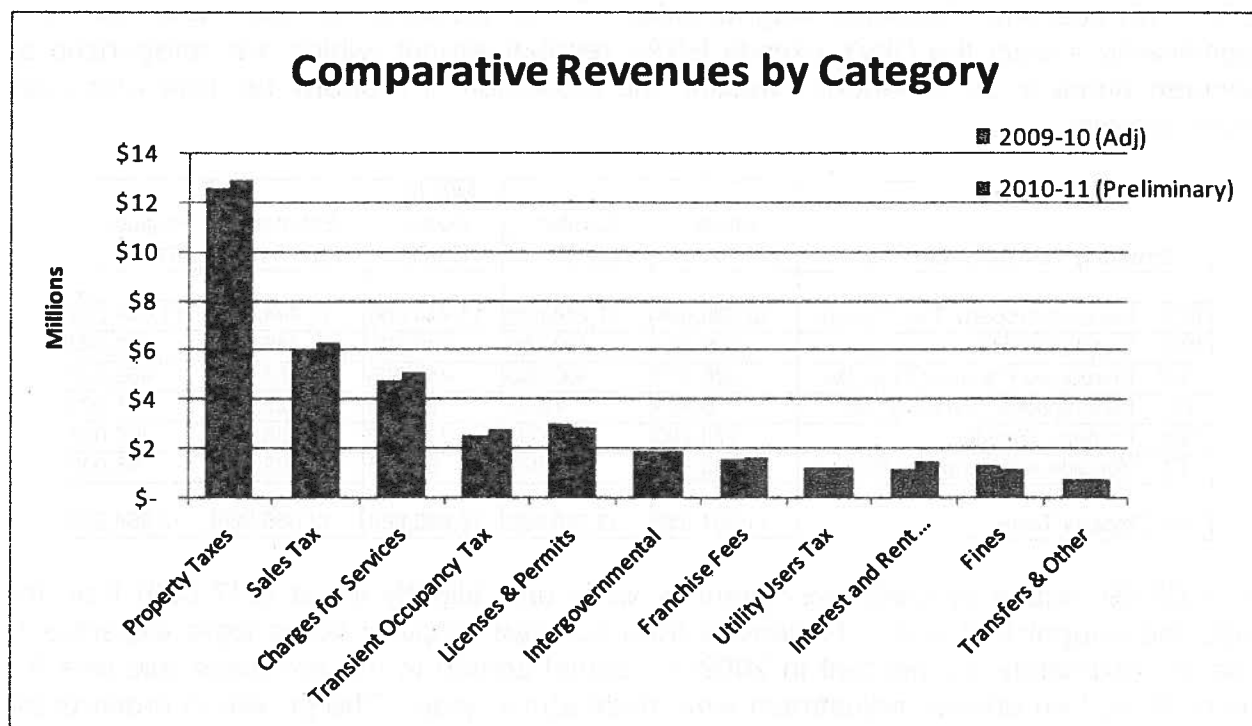
Carol Augustine, Finance Director
Report Author

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. City Manager's 2010-11 Proposed Budget Report
- B. Sustainable Budget Strategies
- C. Revised 10-year Forecast
- D. Schedule of Fund Balances, 2001-2010

Appendix A – General Fund Revenues



Property Taxes – The San Francisco Bay Area housing sector was a sustaining factor in the local economy through the difficult period following the “dot com” bust, but nearly three years of declines in home prices have left the area’s housing markets far from settled. Despite the surplus of bank capital, tight credit conditions persist. Historically high unemployment rates have decreased the demand for housing, creating an inventory of homes on the market and further driving down sales prices. Although home sales are now improving, a broader economic recovery will be needed to stabilize the market. An increased demand for housing will only be achieved through increased employment and incomes.

Property tax rolls are established prior to the beginning of the fiscal year, so changes in property tax revenues lag any changes in the market. The Assessor’s Office continuously posts adjustments to the tax rolls based on ownership transfers, new property additions/development, and reassessments. The tax rolls for the 2010-11 fiscal year will be based on the assessed valuation per the Assessor’s Office records as of July 1, 2010. All California property assessments were recently adjusted with the application of a negative deflationary factor (.99763%), which means offsetting growth to this same degree would have to occur for the tax roll to remain at the prior year’s level. But there are other factors involved in projecting property tax revenues for any given jurisdiction.

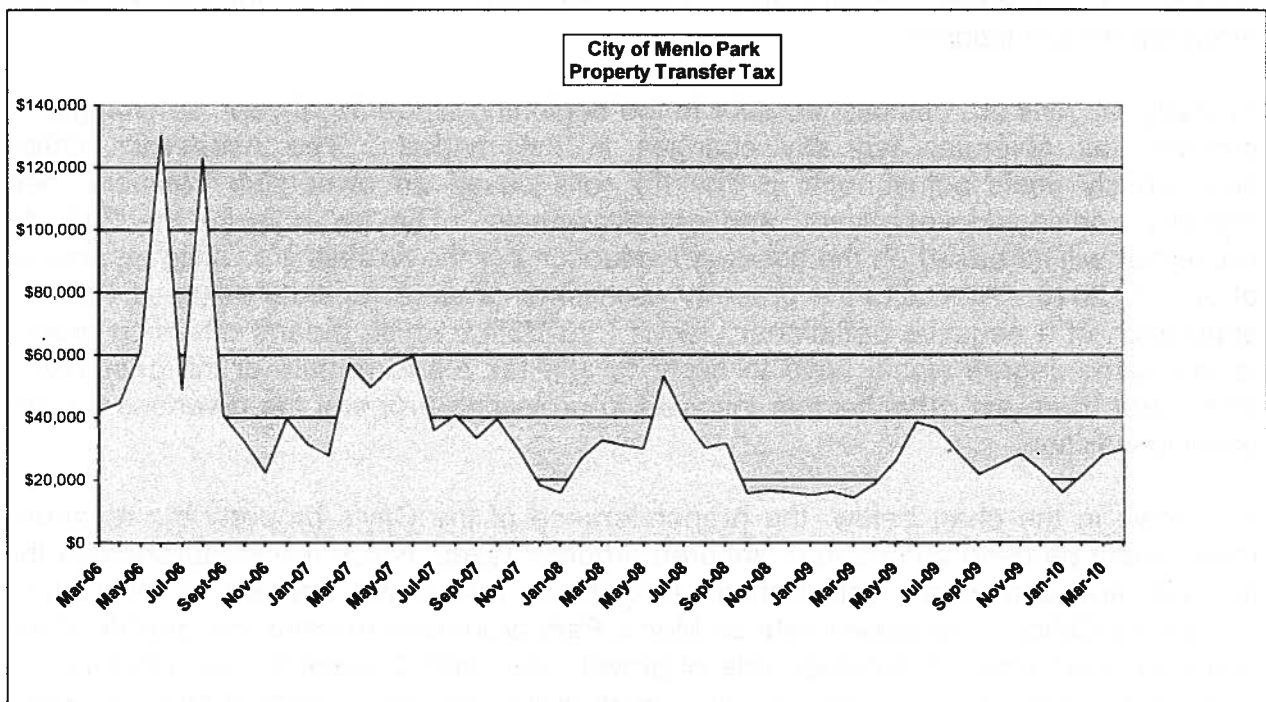
As shown in the chart below, the preponderance of the City’s property tax revenues (over ninety percent) comes from secured property taxes, which are established by the tax rolls and diminished only through refunds on successful appeals to the County Assessor’s Office. The appeal rate on Menlo Park properties remains low outside of the redevelopment area. A subdued rate of growth (less than 2 percent) was assumed for secured property tax revenues. As discussed previously, the impact of falling property

values and rising foreclosures in the redevelopment area were considered in preparing the 2010-11 budget for property tax increment revenues. Adjustments in the County ERAF (Educational Revenue Augmentation Fund) distributions each year can also significantly impact the City's excess ERAF reimbursement (which are categorized as secured property tax revenues), making the projection of property tax revenues even more complex.

Property Tax by Subaccount	Actual 2008-2009	Adopted 2009-2010	Midyear Budget 2009-2010	Estimate 2009-2010	Proposed 2010-2011
1001 - Secured Property Tax- Current	10,826,698	11,244,000	11,444,000	11,444,000	11,644,270
1002 - Supplemental Tax	309,814	400,000	246,700	246,700	300,000
1003 - Unsecured Personal Prop Tax	385,377	400,000	453,000	453,000	460,000
1004 - Redemptions - Property Tax	6,443	7,000	25,000	25,000	45,000
1005 - Property Transfer	278,290	250,000	335,000	335,000	350,000
1006 - Homeowners Prop Tax Rel.	60,937	65,000	62,300	62,300	65,000
Total Property Taxes	11,867,559	12,366,000	12,566,000	12,566,000	12,864,270

In 2008-09, actual property tax revenues were only slightly lower (\$17,000) than the adjusted budget that year. Revenues from secured property taxes were expected to rise approximately 3.0 percent in 2009-10; actual growth in the assessed role was 5.2 percent, and an upward adjustment was made at mid-year. The growth in property tax revenue was partially due to the completion of the Rosewood Hotel and office complex. As no major property developments are on the horizon for fiscal year 2010-11, such growth is not expected to continue.

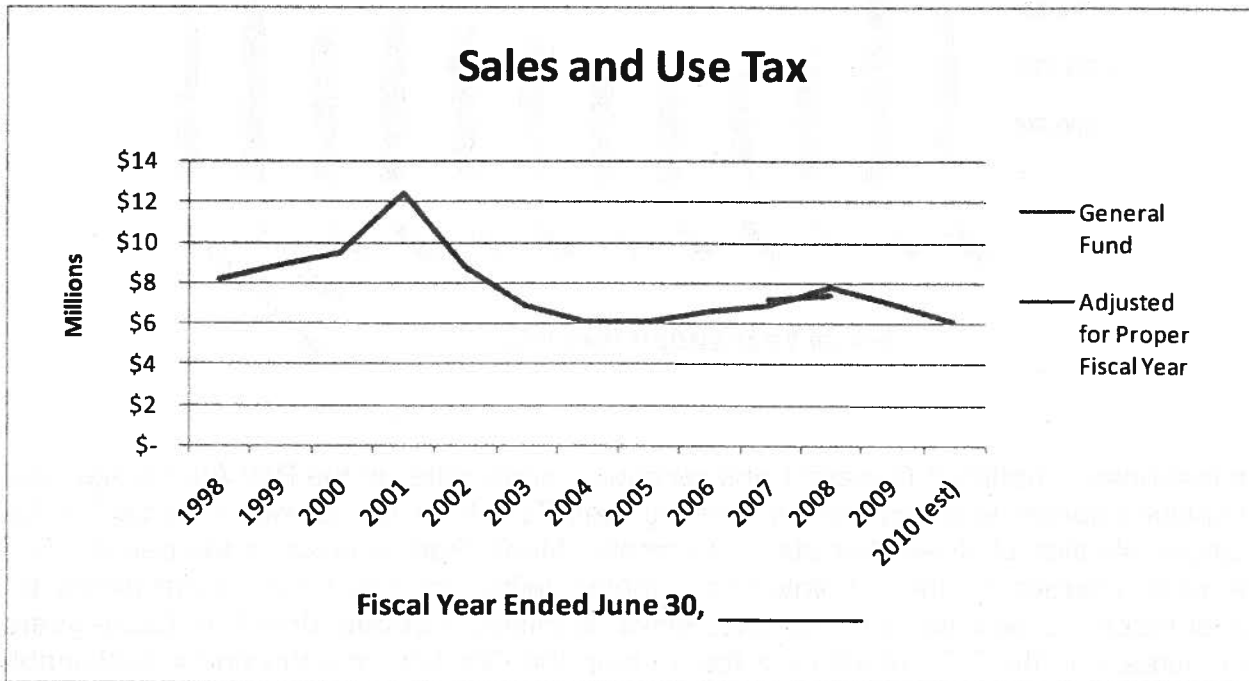
Although property transfer tax comprises less than three percent of the City's property tax revenues, it is an excellent indicator of real estate activity in the City. Since many sales transactions still result in an increase to the tax roll, higher turnover of properties serves to offset the lowered assessments on properties due to falling real estate prices.



A significantly decreased *volume* in real estate sales in recent years can be seen in the City's property transfer tax revenue chart above. In each of the three fiscal years prior to 2007-08, the dollar value of property transfers were nearly double the rate experienced in the two most recent years. Because the real estate market began to recover early in the current fiscal year, revenues from this source were increased \$85,000 at mid-year, for an estimated \$335,000 in property transfer tax revenue. For the 2010-11 fiscal year, the expectation is for slightly increased real estate activity, and approximately \$350,000 from this revenue source.

Unsecured personal property taxes have remained fairly stable through the economic recession. However, supplemental tax assessments have been low due to the decreased volume of real estate transactions. As a whole, revenues from property tax revenues are expected to increase moderately for a total budget of approximately \$300,000 over the adjusted budget for 2009-10.

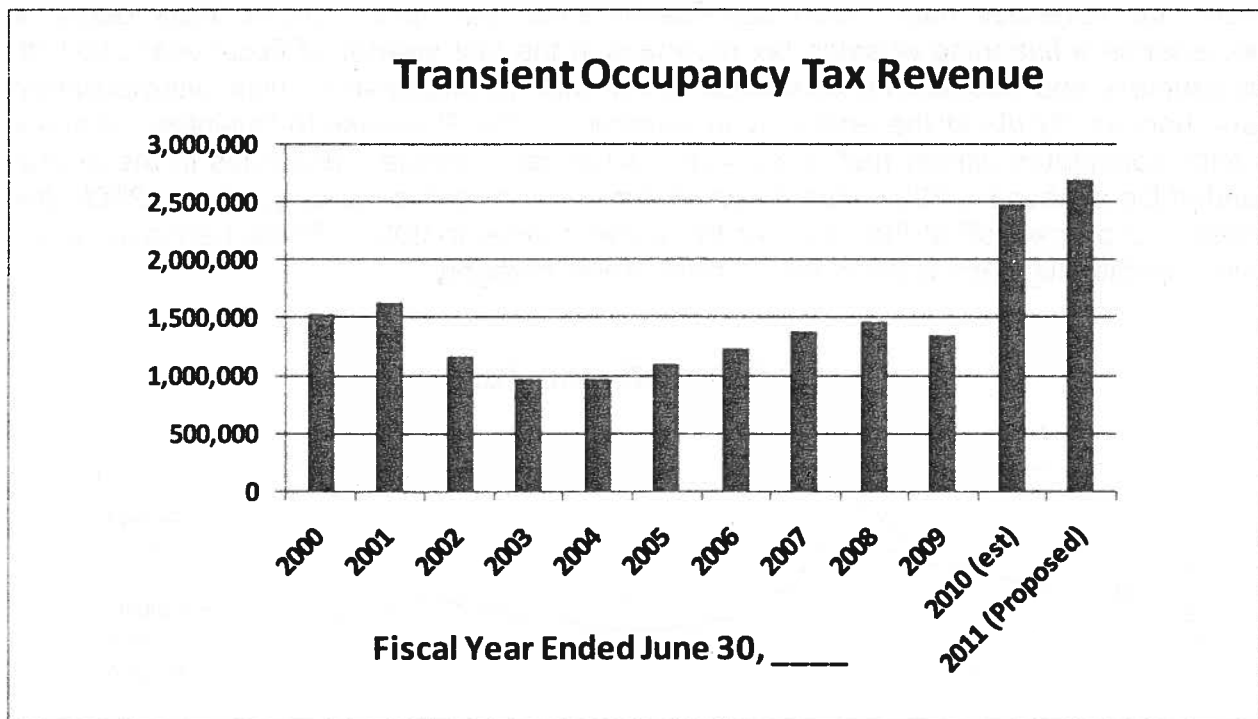
Sales and Use Taxes – Persistent declines in the real estate market and continued credit concerns began to change consumer habits over two years ago, and California sales tax revenues have fallen significantly since that time. Menlo Park began to experience a flattening of sales tax revenues in the last quarter of fiscal year 2007-08; consumers and businesses continued to retrench in response to high unemployment and uncertainty about the economy in general. In the Business-to-Business category, which constitutes almost half of the City's sales tax revenues, revenues in the quarter ended December 31, 2009 were down 28.9 percent from the same quarter in 2008, and nearly 32 percent off of the pace for the same quarter in 2007. Sales transactions are also significantly decreased in the General Retail category.



However, the fourth quarter indicated a slowing in the economic decline, and taxable sales are expected to stabilize during 2010. In the current fiscal year, a decrease of nearly 12.5 percent is anticipated in sales tax revenues. The recessionary impact is only a part of the decrease; other factors relate to the changes in the sales tax base in the City's M-2 district. A 3.8 percent growth is forecast for the 2010-11 fiscal year.

Although the Business-to-Business sales may post a further, more moderate decline, all other sales tax categories are anticipated to rise, albeit slowly, with improvements in the general economic climate.

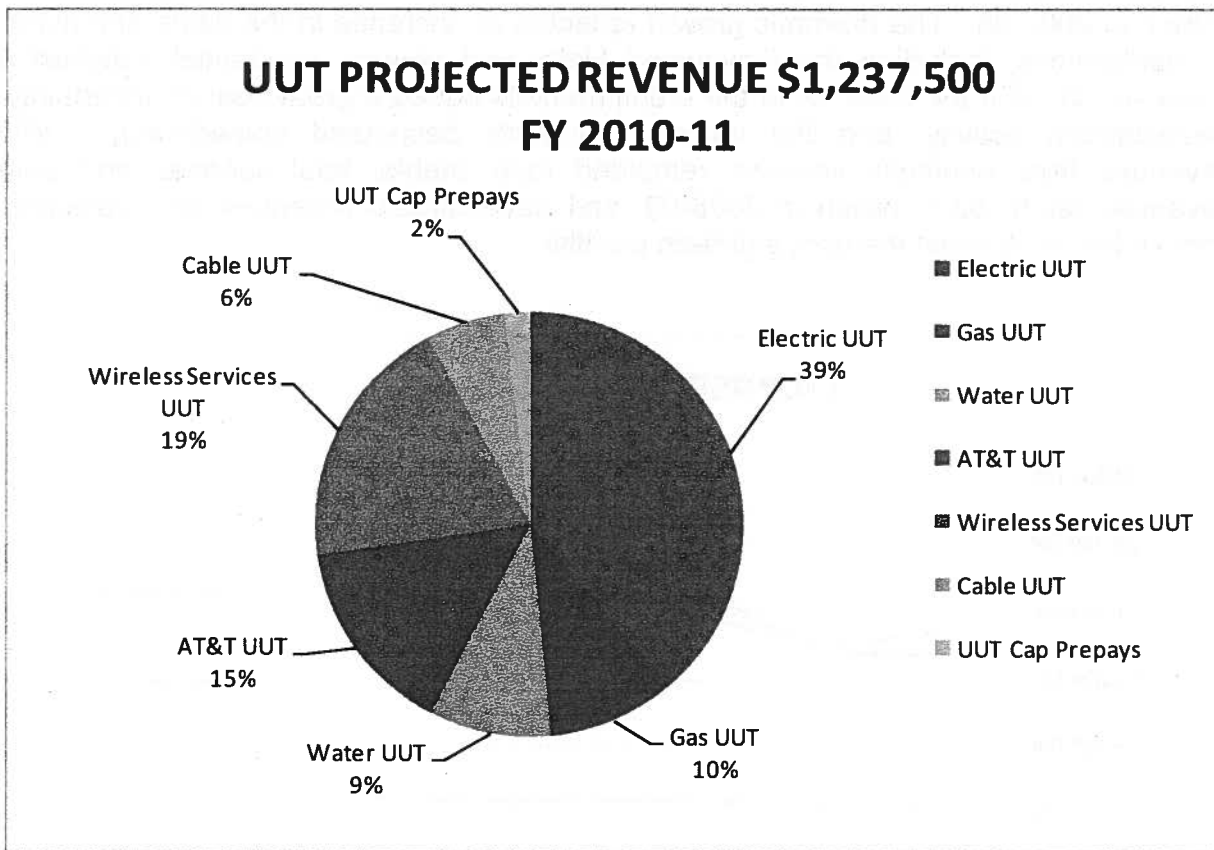
Transient Occupancy Taxes (TOT) – Actual hotel taxes in 2008-09 were more than 25 percent lower than budgeted; projections of revenues related to the additional hotel were difficult due to the lack of comparable data and the historically dismal economic environment at the time of the opening. Because the budget for 2009-10 was already in place before the results of the first quarter of operations were known, a mid-year downward adjustment of \$320,000 (11.5 percent) was posted for a revised TOT revenue budget of \$2,480,000 for the current fiscal year. Data from the most recent quarter is not particularly encouraging; however, the first and fourth quarters of the calendar year are always the slowest for the hotel/motel industry. An increase of 8.95 percent is anticipated (over the current year's adjusted budget) for 2010-11, as the Rosewood Hotel solidifies its prominence as a premier resort, and all of the City's hotels/motels benefit from a recovering economy and higher occupancy rates.



In response to battered General Fund revenues, some cities in the Bay Area sought and received majority vote approval for raising their TOT from ten to twelve percent in the general election of November 2009. Currently, Menlo Park imposes a ten percent TOT on rents charged by the 2 hotels and 5 motels within the city limits. Considering the most recent 10-year financial forecast, which identified a budget deficit for future years, an increase in the TOT could be a tool to help the City toward achieving a sustainable budget. The Council requested that staff provide a report that analyzed Menlo Park's TOT and examined the potential impacts of raising the tax on the City. The item is scheduled to be considered at the same meeting that this proposed budget is presented to Council. The 10-year forecast that accompanies this report assumes no change in the City's TOT rate.

Utility Users Tax (UUT) – Collection of the City’s UUT, passed in November 2006, began as of April 1, 2007. The tax was reduced from the 3.5 percent assessed on electric, gas and water utility use and 2.5 percent tax on telecommunication and video/CATV services to a flat 1 percent rate on all utilities beginning October 1, 2007. This reduced rate was reconfirmed by the City Council for the 2008-09 fiscal year, and again for the 2009-10 budget. The TOT comprises 3-3.5 percent of Menlo Park’s General Fund revenues.

Lower energy utilization offset the affects of slightly higher utility rates last year on these revenues. The economy plays an important role in energy use, but it is difficult to project the impact of any economic recovery on these revenues and in the future. At the current 1 percent rate, the City can anticipate revenues of \$1,237,500 from the tax in 2010-11, an increase of about two percent from the current fiscal year.



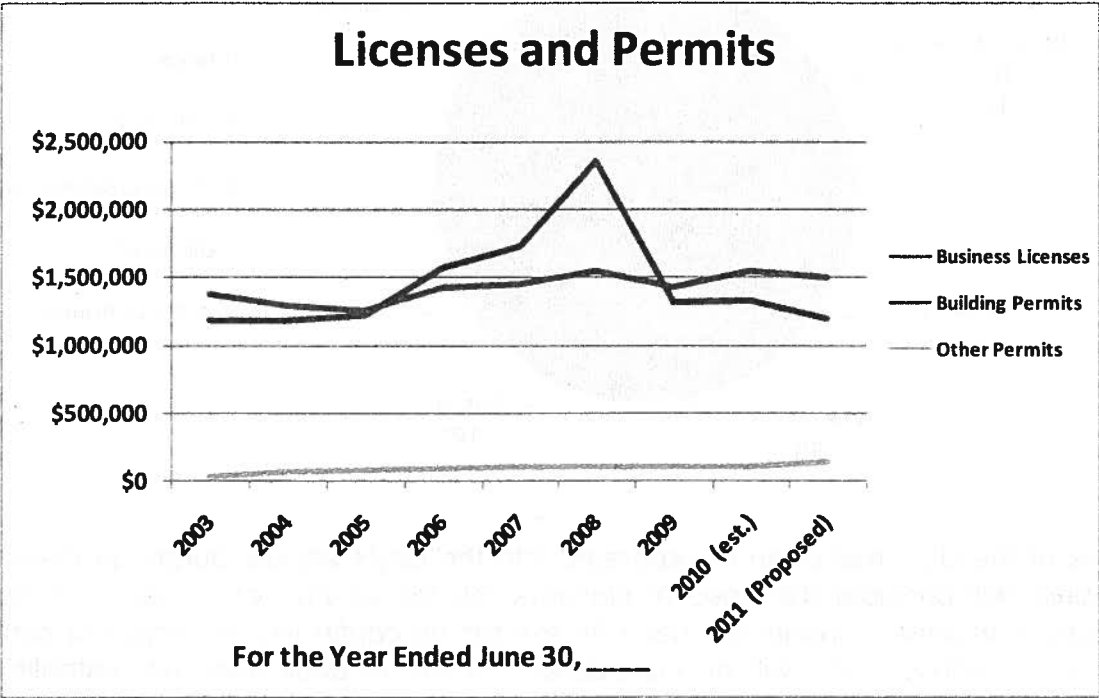
A review of the UUT has been incorporated into the City’s annual budget process, and the Council will consider the need to continue the tax as part of the 2010-11 budget deliberations in June. Should the need for the tax be confirmed, an action to continue the tax at a reduced rate will be considered. If the Council does not establish (by resolution), a reduced rate for the tax, the current temporary (12-month) tax rate reduction expires, and the original tax percentages would be automatically reinstated as of October 1, 2010.

Franchise Fees – Nearly half of the City’s franchise fee revenues (those from PG&E for electricity and gas) are paid in April each year for the subsequent calendar year. The cost of gas utilities decreased somewhat in 2009, and an analysis of UUT revenues at mid-year indicated that the franchise fees from both of these two utilities would be lower

than in the prior year. The franchise fees for water, cable and garbage services are received quarterly and have risen slightly due to higher rates/fees for these utilities.

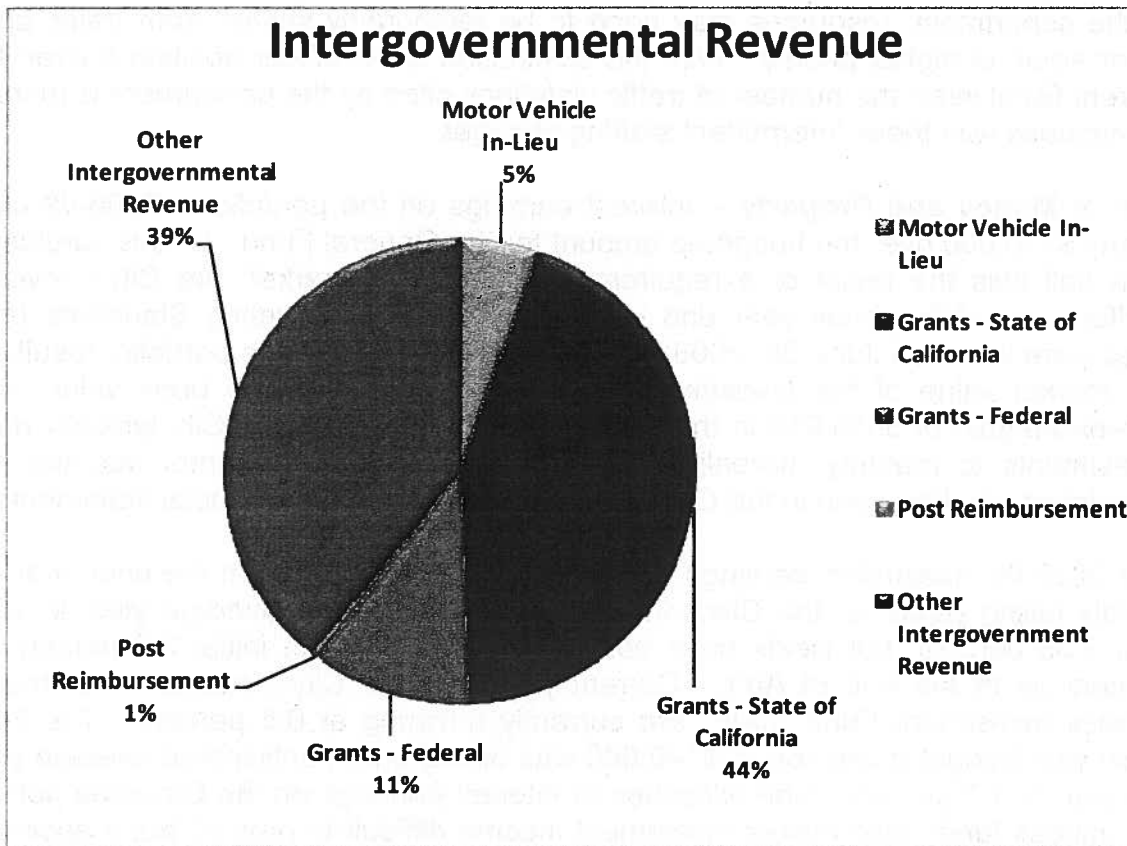
It is difficult to predict the usage of utilities in a changing economic environment. Although each type of franchise fee was analyzed separately, revenues from franchise fees are anticipated to increase overall by 2.8 percent, for a total of \$1,613,000 for the 2010-11 fiscal year.

Licenses and Permits – The City’s budget for this revenue category is largely comprised of two main sources: development permits and business license fees. Both budgets are driven by volume. As shown in the chart below, business license and development permits have typically contributed an equal amount of revenues in prior years, but development permits increased to comprise nearly 60 percent of this revenue category in 2007-08. The total revenues from these two sources were slightly over \$4 million in 2007-08. The dramatic growth reflected an increase in the value and number of applications, including the Rosewood Hotel and several residential subdivisions. However, in 2008 the collapse of the credit markets added a great deal of uncertainty in development activity, and the value of projects decreased considerably. While revenues from business licenses remained fairly stable, total licenses and permit revenues fell to \$2.8 million in 2008-09, and development revenues are projected to remain low for at least the next eighteen months.



Intergovernmental Revenues – This revenue category consists largely of state and federal grant funding and inter-jurisdictional contracts. Over half of the City’s intergovernmental revenue in the General Fund (a 2010-11 budget of slightly over \$1 million) is the result of state and federal grants, of which nearly \$850,000 is directed to the Belle Haven pre-school program. At mid-year, a \$60,000 increase was made to this revenue budget to reflect the City’s eligibility to participate in a special State

(Department of Education) Child Care Subsidy Pilot grant through its contract with San Mateo County. However, the program will not be initiated until fiscal year 2010-11.



The "Transaction Based Revenue" (TBR) received from the State of California for Library operations are also categorized as Intergovernmental Revenues. Amounts from this program have declined in recent years, but are expected to remain level (at approximately \$66,000) in 2001-11.

Revenues from the allocation of State motor vehicle license fees (MVLFF) have also declined in recent years due to a slump in new car sales throughout the state. In addition, rising DMV administrative costs served to reduce the amount of fee revenue available for allocation to cities and counties. Although new car sales have increased in the past six months, the allocation from the State continues to be burdened with large administrative charges. Revenues from MVLFF allocations from the state are expected to be approximately \$100,000 in 2010-11, up from the \$84,000 projected for the current fiscal year. Note that the temporary (through fiscal year 2010-11) increases to the MVLFF imposed by the State Legislature in 2008 will *not* impact the allocation of revenues to cities and counties)

Fines – Although revenues from fines have risen in the past couple of years with the introduction of a red light photo enforcement program, citation collections from Menlo Park's four camera system installations peaked in June last year and have declined since that time. The volume of citations appears to have been reduced at all four installations, although the costs of the enforcement program continue to be covered by the citation revenue. Based on this decrease in volume, the revenue budget for this program was decreased by \$100,000 at mid-year.

A further reduction of fines projected for fiscal year 2010-11 is due to the structuring of the traffic patrol unit in the Police Department. When staffing is reduced in other areas of the department, resources may need to be temporarily shifted from traffic patrol to other areas of higher priority. With the elimination of an officer position (frozen for the current fiscal year) the number of traffic violations cited by the department is more likely to decrease with these intermittent staffing changes.

Use of Money and Property – Interest earnings on the portfolio in 2008-09 came in nearly \$230,000 over the budgeted amount for the General Fund. Of this surplus, more than half was the result of a requirement to “mark to market” the City’s investment portfolio, as of the fiscal year end per Governmental Accounting Standards (interest rates were lower on June 30, 2009 than the average yield on the portfolio, resulting in a fair market value of the investments that was higher than the book value, and an *unrealized* gain of \$610,913 in the General Fund). Because the City typically holds its investments to maturity, unrealized gains and losses do not enter into the budget calculation, as discussed in the City’s quarterly and unaudited financial statements.

The 2008-09 investment earnings were significantly reduced from the prior year due to rapidly falling yields on the City’s investment portfolio. The average yield in 2008-09 was 3.35 percent, but yields have continued to fall from an initial 2.9 percent to 1.8 percent as of the end of April. Current yields on the City’s account with the Local Agency Investment Fund (LAIF) are currently hovering at 0.5 percent. The 2009-10 fiscal year budget projection of \$740,000 was based on an anticipated average yield for the year of 1.7 percent. The allocation of interest earnings on the City-wide portfolio to the various funds also makes investment income difficult to project, but it appears that the projection for 2009-10 will be met.

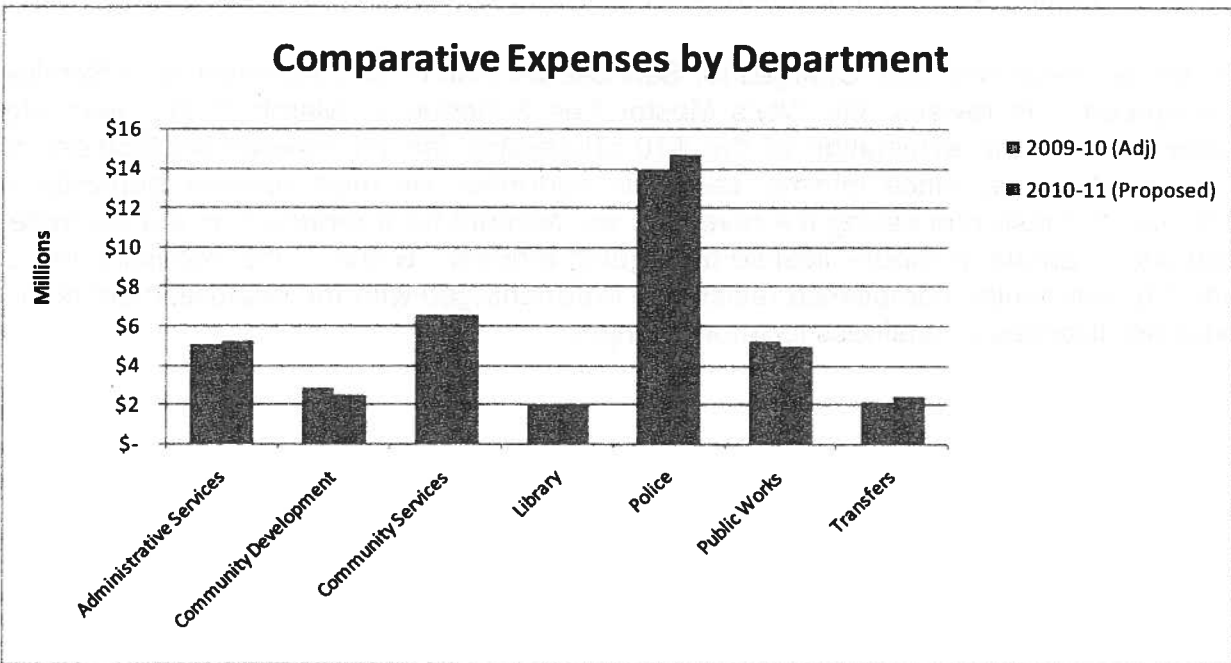
With shorter-term yields on treasury bills and other safe investments kept so low for the last two years, most analysts are expecting a rapid rise in interest rates in the next few years. But the *timing* of such an increase in yields is unknown; no upward movement has been seen to date. The 2010-11 budget projection for interest earnings net of advisory fees is \$1,052,000, representing a 2.4 percent average yield. Staff is currently developing an investment plan that takes advantage of the City’s excess liquidity and believes some opportunity for higher yields will be available in alternative, yet safe, investments vehicles in the upcoming year. A recommendation for slight changes to the City’s Investment Policy to accommodate the new investment plan will be brought forward in July.

Charges for Services – General Fund revenues from this category are projected to increase by 7.1 percent (\$330,000) overall in fiscal year 2010-11, largely due to increased activity in the City’s recreation programs. Programs are being expanded to take advantage of space at new Arrillaga Family Gymnasium. An increase in adult and youth sports leagues and recreational classes are anticipated. In addition, several fees were increased slightly to improve cost recovery in recreational programs when the Master Fee Schedule was updated in March of this year. Facility rental income is expected to increase as well – from approximately \$200,000 in the current fiscal year to \$250,000. Revenues at the Menlo Children’s Center (MCC) will be approximately \$60,000 higher due to fee increases and optimal enrollment in these programs.

However, the demand for some development services will most likely continue to decline, and fees assessed in the Community Development Department are expected to be approximately \$67,000 (10.3 percent) less than budgeted in the current fiscal year.

Revenues generated from Charges for Services will also drop in Administrative Services Department. In revising the City's Master Fee Schedule in March of this year, staff recommended the elimination of the \$10 processing fee on renewal applications for business licenses, since minimal review is performed on most renewal applications. The loss of these processing fee revenues will account for a reduction of approximately \$60,000 in annual business license fees going forward. Some of this reduction will be offset by the zoning compliance review fee (\$50) charged with the establishment of new business licenses or business location changes.

Appendix B – General Fund Expenditures



Administrative Services – All programs of the Administrative Services Department (ASD) were tapped to provide budgetary cost reductions for the 2010-11 fiscal year. Salaries expenditures are expected to decrease with the .5 FTE reduction in Print Shop staffing (an “Internal Service Impacts” budget strategy), the elimination of the Community Engagement Manager as a separate position, and the anticipated six-month vacancy of the Business Development Specialist position. However, a slightly higher percentage of staff costs are allocated to the General Fund than in the current fiscal year, as Finance staff will discontinue the annual billing of residential solid waste service charges with the beginning of the Recology contract as of January 1st of 2011. In addition, unemployment costs for the City are borne by ASD, and they continue to be higher as unemployment remains high and benefits are extended by federal law.

Operating costs for the Department are approximately \$100,000 higher, due to largely to the upcoming election (\$60,000). The costs of subscriptions to on-line services and software are projected to increase in 2010-11 by \$17,000. Increased printing and mailing charges are anticipated (\$5,000) and tax collection administration charges will also rise (\$5,000).

However, the large cost increase that is reported in this department is related to the amount of Transfers to Other Funds, which, while the same as the adopted budget for 2009-10, is \$245,000 more than the current year’s adjusted budget due to the mid-year reduction in the transfer out to the General CIP fund.

Community Development – As in the prior year, any opportunities for cost reductions in the Community Development Department are a direct result of the reduction in the demand for development services, experienced universally with the economic recession. Although contract services were reduced mid-year in 2008-09, further in the

development of the 2009-10 Adopted Budget, and still further with the 2009-10 mid-year analysis, no increase is anticipated in the new fiscal year. The largest cost reduction reflected in the 2010-11 proposed budget is due to the anticipated completion of the Downtown/El Camino Real Specific plan project. The amount budgeted for this final year of the project is \$103,000 – much lower than the appropriations needed in the prior two years.

Community Services – Increases in expenditures for Community Services are generally associated with the costs of the new Arrillaga Family Gymnasium opening in the fall of 2010. Utility costs are expected to increase approximately \$48,000 and additional capital outlay will be necessary for equipment (\$17,000). Overall operating expenses are also increased by roughly \$12,000 due to the addition of this 24,000 square foot building.

Savings are anticipated from implementation of several of the proposed budget strategies: The elimination of 1.75 FTEs are possible with the reduction of one teacher position at the Belle Haven Child Development Center (used primarily for vacation and sick time coverage), and a three-quarter office assistant position at Onetta Harris Community Center due to a reduction of hours at that facility. Operational savings are also being achieved at the Senior Center by closing the facility on eight typically low-attendance days throughout the year. By cooking a larger number of light meals in-house, contracted food services will also be reduced by \$6,200.

Library – Cost reductions in the Library are anticipated largely due to personnel cost reductions which result from the implementation of two budget strategies proposed at the April 20th meeting. The retirement of a vacant ¾-time Librarian III position allowed for an overall reduction of permanent staff assigned to circulation services at the main library by one-half of an FTE.

A proposed strategy to reduce hours at the Belle Haven Library was *not* implemented. Instead, the library's schedule was changed to *optimize* the branch's hours of operation, providing evening and weekend hours to increase access to the entire community. Savings of \$10,000 in temporary staff resulted from closure of the Main Library on nine low-use days (generally following holidays).

Police – A continued increase in the Police Department's personnel costs in the coming fiscal year is unavoidable due primarily to contractual wage increases and the scheduled implementation of a longevity benefit. The increased salaries negotiated for police officers (both POA and PMA) in 2008-09 were to have resulted in personnel costs that were \$704,000 higher than the adopted budget for 2009-10. However, significant salary cost reductions in the Police Department – including the elimination of an officer position that was intentionally left vacant in the current fiscal year – managed to offset this increase somewhat. A budget strategy that will reduce FTEs in the department (identified in Attachment B) over the next two years was initiated for 2010-11, with a savings of over \$51,000, and overtime costs within the department are anticipated to be further decreased by approximately \$38,000. Pension costs will increase due to an increase in covered salaries, although the CalPERS rate for safety retirement was reduced slightly for 2010-11 (from 34.909 percent to 33.125 percent). In addition, increases in health care premiums impacted all departments. For Police, this was a \$68,000 addition to the department's budget. The total anticipated increase in Police

personnel costs for the 2010-11 fiscal year (compared to the current year adjusted budget) is \$620,000.

The department was able to reduce its non-personnel budget, however. As reported at mid-year, the City was relieved of the cost of booking fees from the County, originally anticipated to be approximately \$85,000. In addition, expenditures on fixed assets and capital outlay will be reduced by almost \$19,000 in 2010-11.

Public Works – The proposed 2010-11 General Fund budget for the Public Works Department provides expenditure savings of over \$228,000 from the 2009-10 adopted budget. Most of the personnel cost reductions are the result of implementing budget strategies shown in Attachment B. One Custodian position was contracted out for a savings of over \$29,000 with only minor internal service impacts anticipated. The elimination of two seasonal Park Worker positions (for a savings of \$30,000), however, will reduce the frequency of both grounds maintenance around City buildings and litter removal in parks. Other personnel cost “reductions” are the result of a larger allocation of Public Work staff to other funds, due to the high level of capital project activity planned for 2010-11.

Utility costs charged to the department are expected to increase over 13 percent (from \$445,000 to \$503,000) due to higher utility rates (especially water) and added facilities. However, non-personnel expenditures will show a decline as the C/CAG member dues (recorded in Public Works) will be shared equally between the General Fund and the City’s Measure A Fund.

General Fund Personnel Savings

As previously noted, personnel cost savings have been generated for the current fiscal year through the implementation of certain strategies developed in the **2010 and Beyond** organization review, and are included in Attachment B of this report. Many of the cost savings experienced in the current fiscal year are the result of the delay in filling positions (vacated through retirements or other circumstances) while staffing in the area is assessed for restructuring opportunities. The use of contract and temporary staff to back-fill vacancies in some service areas also provides short-term savings at the same time as optimal staffing solutions can be determined. This same methodical review will continue in to the new fiscal year. In addition, the personnel reductions that have been made as a result of the organizational review and included in this proposed budget will be reviewed as to overall results and impacts with the 2010-11 Mid-Year Report.




Budget Strategies

Already implemented by Council / Management for 2010-11 budget

Strategy	Estimated Savings	Impacts	Department	Implementation Status/Savings
Remove funding of storm water trash capture from General Fund	\$100,000	Use CIP reserves	PW	✓ \$100,000
Replace streetlights with LEDs	\$25,000	Includes current project only	PW	✓ \$25,000
Continue pursuing appropriate cost recovery in all depts	\$200,000	Approved Master Fee schedule increases March 23, 2010	All	✓ \$200,000
Elimination of contract planners	\$30,000 until planning strategic plan completed	Minimal impact - contract planners not as useful given current planning and zoning complexities	CD	✓ \$30,000
Reduction for plan check contract services	\$0	\$100,000 expenditure savings offset by reduction in revenue / may adjust at mid-year	CD	✓ \$0
Consolidation of Executive staff	\$140,000	Elimination of 1 FTE	ADM	✓ \$140,000
No increases, contract concessions from AFSCME	\$140,000		All	✓ \$140,000
No salary increases for Executive staff	\$ 65,000		All	✓ \$65,000
No increase budgeted for SEIU	\$250,000	Still in negotiations	All	✓ \$250,000
Eliminate Community School summer school	\$60,000		CS	✓ \$60,000
No charge for PD Booking Fees for 2010-11	\$85,000	Confirmed by SM County Sheriff for 2010-11	PD	✓ \$85,000
Freeze Business Dev Specialist position for six months	\$60,000	Utilize internal staff (Community Development) and external resources to accomplish program directives	ADM	✓ \$60,000
Total Savings already included in 2010-11 preliminary budget	\$1,155,000	Reduction of 1 FTE		\$1,155,000

Remaining budgetary gap per preliminary budget as of April 20, 2010 = \$1,280,000

Internal Service Impacts

Strategy	Savings	Impacts	Dept.	Implementation Status/Savings
1. Decrease print shop staff to .5 (position currently vacant)	\$40,000	Departments must plan accordingly, pick up some printing tasks and manage their mail; reduce .5 FTE	ADM	 \$43,523
2. Contract out vacant custodian position	\$27,000	Should be no visible impact on service levels; reduce 1 FTE	PW	 \$29,281
3. Consolidate Records Mgr, Comm Mgr to create Tech Svs Dir.	\$50,000	Eliminates one management position in PD through attrition; reduce 1 FTE winter '10 (2-yr implementation)	PD	 \$51,409
2010-11 savings - recommended strategies	\$117,000	Reduction of 2.5 FTE		\$124,213

Significant Service Impacts

Strategy	Savings	Impacts	Dept.	Implementation Status/Savings
1. Eliminate one K-9 officer designation	\$ 32,000	Takes PD down to one K-9 unit / eliminates narcotic dog	PD	✓ \$35,573
2. Transition community school to improve community outreach	\$ 60,000	Create .5 neighborhood organizer funded through RDA; retain .5 community school director	CS	✓ \$43,631
3. Reduce hours at OHCC - open at noon rather than 8am	\$ 25,000	Open from noon to 8pm weekdays. Reduce .75 FTE vacant as of June 1	CS	✓ \$26,887
4. Eliminate frozen (vacant) police officer	\$187,000	Reduce 1.0 FTE	PD	✓ \$179,908
5. Reduce 2 seasonal parks workers	\$ 30,000	Reduce frequency of grounds maintenance around City buildings and reduce frequency of litter removal in parks	PW	✓ \$30,000
6. Eliminate 3/4 Librarian II	\$ 62,000	Service reductions in Circulation and Adult Reference; reduce .50 FTE	LIB	✓ \$52,496
2010-11 savings - recommended strategies	\$396,000	Reduction of 2.25 FTE		\$368,495

Severe Service Impact

Strategy	Savings	Impacts	Department	Implementation Status/Savings
1. Eliminate one BHCDC teacher	\$60,000	Reduce 1 FTE vacant	CS	✓ \$61,019
2. Initiate MCC Preschool full cost recovery	\$52,000 year one (1/3 total)	Major fee increases would be required (19% for full time care) over a three year period	CS	✓ \$52,000 (added to revenue budget)
3. Reduce hours at Joint Use Library	\$40,000	Close one day per week/ eliminate 20 hr Library Assistant	LIB	✗ \$10,000
4. Modify mgt of Belle Haven Pool / contract or partnership	\$50,000 (for FY 2011-12)	5,000 visitors per season, mostly city program participants (120 / day for 50 days)	CS	In progress for 2011-12
5. Operate Sr. Center 300 less hours per year	\$40,000	Serves average of 85 seniors daily; Reduced hours for staff	CS	✗ \$36,811
2010-11 savings - recommended strategies	\$192,000	Reduction of 1 FTE		\$149,830
Grand Total 2010-11, all recommended strategies	\$705,000			\$642,538

3. Strategy modified to include savings from reducing hours for temp staff at the Main Library by closing nine low use days (generally following holidays). Includes providing for evening and weekend hours at the Belle Haven Library (.5 FTE not eliminated).

5. Based on Council's request to minimize the impact of this strategy staff now proposes closing the Senior Center eight minimally attended days, spread throughout the year, and cooking a lighter meal "in-house" one day per week. A reduction of one FTE from full time to .75 that was included in the original strategy will be deferred and re-evaluated at mid year for implementation if necessary.

Policy Options

Strategy	Savings	Impacts	Implementation Status/Savings
Charge rent in the new contract for the Burgess Pool beginning 5/10	To be negotiated	Will need to be agreed to in new contract (two-year strategy) up in 2011	
Increase TOT (Hotel Tax) Rate	\$242,500 per each 1% increase	Requires ballot measure, overall impacts should be minimal	
Reduce / Eliminate Community Funding	Up to \$110,000	Community agencies must seek funding elsewhere	
Shift 50% of C/CAG member dues from GF to Measure A	\$59,500	Less money for projects	✓ \$59,500
Increase UUT	Up to max; \$510,000 – \$2.2 million	Approx. \$1 million per 1% increase	
Decrease CIP transfer	0 to \$2,228,000	Draws on CIP reserves for operations	✓ \$64,900 (to equal prior year)
Use Reserves	-	Will depend on actual revenues/expenses results for fiscal year	\$124,400

Total savings from strategies implemented = \$766,938

Revenue Categories	Scenario	Budget 2010	Proposed 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019
Property Taxes	Most Likely	\$ 12,566,000	\$ 12,864,270	\$ 13,185,877	\$ 13,713,312	\$ 14,261,844	\$ 14,832,318	\$ 15,425,611	\$ 16,042,635	\$ 16,684,341	\$ 17,351,714
Sales Tax	Most Likely	6,016,000	6,245,000	6,479,800	6,738,992	7,008,552	7,288,894	7,580,449	7,893,667	8,199,014	8,526,975
Transient Occupancy Tax	Most Likely	2,480,000	2,702,000	2,837,100	2,950,584	3,068,607	3,191,352	3,319,006	3,451,766	3,589,837	3,733,430
Utility Users' Tax	Most Likely	1,213,800	1,237,500	1,272,692	1,322,639	1,374,585	1,428,608	1,484,792	1,543,224	1,603,993	1,667,193
Franchise Fees	Most Likely	1,568,800	1,613,000	1,677,520	1,744,621	1,814,406	1,886,982	1,962,461	2,040,960	2,122,598	2,207,502
Licenses & Permits	Most Likely	2,991,988	2,840,020	3,083,211	3,206,539	3,334,801	3,468,193	3,606,921	3,751,198	3,901,246	4,057,295
Intergovernmental Revenue	Most Likely	1,817,446	1,834,947	1,914,917	1,991,514	2,071,174	2,154,021	2,240,182	2,329,790	2,422,981	2,519,900
Fines & Forfeitures	Most Likely	1,248,442	1,088,000	1,109,760	1,154,150	1,200,316	1,248,329	1,298,262	1,350,193	1,404,200	1,460,368
Interest & Rent Income	Most Likely	1,096,173	1,409,000	1,625,420	1,692,357	1,761,971	1,834,370	1,909,665	1,987,971	2,069,410	2,154,107
Charges for Services	Most Likely	4,753,620	5,090,287	5,351,826	5,565,899	5,788,535	6,020,077	6,260,880	6,511,315	6,771,768	7,042,638
Donations	Most Likely	49,683	29,050	53,212	55,340	57,554	59,856	62,251	64,741	67,330	70,023
Other Financing Sources	Most Likely	691,974	682,842	710,156	738,562	768,104	798,829	830,782	864,013	898,573	934,516
Total Revenues		\$ 36,485,926	\$ 37,535,916	\$ 39,301,480	\$ 40,874,510	\$ 42,510,451	\$ 44,211,829	\$ 45,981,262	\$ 47,821,472	\$ 49,735,291	\$ 51,726,663
Expenditure Categories											
Salaries and Wages	Most Likely	\$19,127,399	\$19,683,498	\$20,372,420	\$20,983,593	\$21,822,937	\$22,695,654	\$23,603,698	\$24,547,836	\$25,529,749	\$26,550,939
Benefits	Most Likely	8,098,293	8,134,787	8,710,178	9,145,687	9,511,515	9,891,975	10,287,655	10,699,161	11,127,127	11,572,212
Operating Expense	Most Likely	2,501,593	2,677,211	2,784,299	2,895,671	3,011,498	3,131,958	3,257,237	3,387,526	3,523,027	3,663,948
Utilities	Most Likely	1,146,330	1,109,980	1,154,379	1,200,554	1,248,577	1,298,520	1,350,460	1,404,479	1,460,658	1,519,084
Services	Most Likely	2,976,776	2,542,147	2,643,833	2,749,586	2,859,570	2,973,952	3,092,911	3,216,627	3,345,292	3,479,104
Fixed Assets & Capital Outlay	Most Likely	272,712	240,851	250,485	260,504	270,925	281,762	293,032	304,753	316,943	329,621
Travel	Most Likely	70,854	52,581	54,684	56,872	59,146	61,512	63,973	66,532	69,193	71,961
Repairs & Maintenance	Most Likely	943,181	939,812	977,404	1,016,501	1,057,161	1,099,447	1,143,425	1,189,162	1,236,728	1,286,198
Special Projects Expenditures	Most Likely	393,443	448,924	466,881	485,556	504,978	525,178	546,185	568,032	590,753	614,383
Transfers Out	Most Likely	2,132,656	2,377,800	2,472,912	2,571,828	2,674,702	2,781,690	2,892,957	3,008,676	3,129,023	3,254,183
Total Expenditures		\$37,683,227	\$38,207,591	\$39,867,477	\$41,366,354	\$43,021,008	\$44,741,848	\$46,531,522	\$48,392,783	\$50,328,494	\$52,341,634
Total Impact to Fund Balance		(1,167,301)	(571,675)	(565,987)	(491,844)	(510,557)	(530,020)	(550,261)	(571,311)	(593,203)	(615,972)
ECR/DT Visioning Phase II		(477,010)	(103,000)								
Net Operating Revenue		(690,291)	(468,676)	(565,987)	(491,844)	(510,557)	(530,020)	(550,261)	(571,311)	(593,203)	(615,972)

Notes to 10-year Forecast:

- (1) Revenues and expenditures are generally anticipated to grow by inflation of 4% unless otherwise indicated.
- (2) Property tax revenues increase 2.5% in 2011-12.
- (3) Sales tax revenues increase 3.7% in 2011-12.
- (4) Hotel tax revenues increase 5% in 2011-12.
- (5) Assumes 1% UUT tax rate on all utilities. 2.8% growth in 2011-12; assumes no increase on UUT tax cap prepaids.
- (6) Licenses and Permits increase 8.3% in 2011-12.
- (7) Intergovernmental revenues to increase 2.7% in 2011-12.
- (8) Fines revenue to increase 2% in 2011-12.
- (9) Portfolio earnings recover slightly with growth of 30%; rents increase for rentals of city facilities.
- (10) Charges for Services increase 5.1% in 2011-12 as development activity increases.
- (11) Only existing multi-year labor contracts included; otherwise 3% growth through 2012-13
- (12) Only existing multi-year labor contracts included; increased CalPERS rates assumed in 2011-12 and 2012-13
- (13) Services increase for contract planners and storm water management in 2011-12

City of Menlo Park
Schedule of Unreserved Fund Balances

Attachment D

	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	6/30/2006	6/30/2005	6/30/2004	6/30/2003	6/30/2002	6/30/2001
General Fund (Unreserved)	22,966,825	23,553,685	24,744,493	26,603,074	35,121,304	33,613,206	29,149,898	30,153,559	29,289,927	27,842,190	25,470,496
Internal Service Funds	1,261,213	1,354,753	1,337,642	901,967	409,059	-	-	-	-	-	-
Workers Compensation	(500,461)	(385,432)	(299,254)	(10,261)	(123,063)	-	-	-	-	-	-
Liability/Fire Insurance	0	-	(1,313)	160,409	473,897	-	-	-	-	-	-
Other Post Employment Benefits	18,171	37,564	84,350	107,502	136,140	-	-	-	-	-	-
Vehicle Replacement Fund	778,923	1,006,885	1,121,425	1,159,617	896,013	-	-	-	-	-	-
Total Internal Service Funds	34,202,211	34,807,857	38,984,055	20,498,461	17,371,387	15,427,842	15,642,527	12,576,777	12,605,830	14,174,377	19,460,337
Community Development Agency	649,430	624,430	602,704	455,067	68,013	9,683	731	566	-	-	-
Community Dev Block Grant	2,343,177	1,677,688	1,411,919	1,228,501	1,556,580	1,649,179	1,004,645	747,214	799,076	534,332	1,523,331
Highway Users Tax	473,779	463,779	603,778	415,852	392,330	142,543	1,208	89,903	-	346,515	-
Traffic Congestion Relief	12,412	57,412	63,382	68,580	62,211	52,531	73,501	75,226	71,249	65,344	145,181
South County Garbage & Refuse	72,123	133,359	272,820	290,105	95,654	226,816	411,946	507,500	479,383	412,800	58,836
Federal Revenue Sharing	473,616	497,941	531,580	387,200	504,314	423,113	340,001	198,087	134,867	95,861	73,480
Landscapw Tree Assessment	1,853,210	1,674,070	1,549,600	1,126,110	858,832	582,552	350,203	156,691	4,353,231	4,421,518	4,235,611
Bayfront Park Landfill	10,558,982	10,389,982	11,344,082	8,534,592	7,854,813	4,662,381	4,594,069	4,594,069	1,597,169	1,790,854	1,839,257
Below Market Rate Housing	281,980	437,686	1,602,733	1,951,700	1,668,963	1,588,060	1,603,227	1,521,334	1,597,169	1,790,854	1,839,257
County Transportation Tax	71,537	90,737	113,149	146,002	138,435	120,743	108,959	96,730	81,951	67,626	97,559
Public Library	32,838	48,941	33,474	10,206	20,445	16,425	20,572	32,904	41,748	36,555	55,066
Literacy Grants	21,888	21,888	21,888	17,014	14,205	8,772	10,025	6,610	4,128	7,576	5,138
Narcotic Seizure	268,091	487,256	773,635	1,009,640	751,859	477,291	519,592	615,930	1,525,741	1,238,699	1,772,750
Traffic Impact Fees	2,699,413	2,525,027	2,680,568	2,383,034	2,051,964	1,453,384	1,641,182	1,378,146	1,092,487	780,753	495,276
Downtown Parking Permits	172,843	162,843	234,247	14,081	182,778	14,081	80	71	-	91,231	133,730
Storm Drainage Fees	206,947	371,259	378,082	543,208	207,130	447,377	493,161	641,948	814,786	891,369	968,287
Solid Waste Service	21,968	20,868	48,264	46,230	45,840	47,861	46,923	43,682	4,577	3,190	-
Bay Area Air Quality Mngmt	2,190	130,049	333,961	407,477	615,942	476,989	559,136	632,006	738,851	965,025	851,990
Storm Water Mngmt.	(33,999)	(34,173)	(14,010)	16,165	24,298	31,690	60,212	40,858	74,021	20,845	51,449
Peninsula Partnership	(7,362)	(7,362)	(7,362)	15,986	136,068	113,616	111,512	114,320	91,816	137,661	167,681
Supplemental Law Enforce Svs	-	-	-	-	-	-	2,213	11,465	10,300	7,134	-
Local Law Enforce Block Grant	-	-	-	-	-	-	-	-	-	-	-
California Law Enforcement Equip	2,666,749	2,216,749	2,457,891	2,158,579	1,410,213	-	-	-	124,819	-	-
Construction Impact Fees	787,267	992,984	1,201,858	1,344,994	1,431,295	1,491,526	1,646,015	1,696,361	1,756,965	1,939,274	1,777,783
Bedwell Bayfront Park Maintenance	32,002	2,382,002	3,595,277	3,406,195	1,881,039	290,517	111,758	57,146	17,432	-	1,208,978
Recreation In-Lieu	100,183	111,283	121,983	131,490	136,631	142,726	160,556	168,595	167,360	173,492	176,841
Sharon Hills Park	105,532	123,651	140,991	149,381	154,683	161,389	170,000	177,331	188,546	197,063	208,883
Vintage Oak Landscape	747,682	838,041	974,859	1,057,194	1,208,818	1,353,202	1,718,208	1,796,322	1,334,606	1,567,274	1,219,552
Miscellaneous Trust	-	-	-	-	-	-	-	-	-	136,942	-
PERS Dividend	58,916,689	61,246,247	70,075,014	48,033,210	40,844,740	31,412,299	31,487,895	27,977,792	27,986,120	30,228,129	37,111,192
Community Development Agency	8,933,768	8,943,768	9,073,768	8,349,895	8,690,632	6,849,552	-	-	-	-	-
Library Bond	823,390	816,140	817,665	725,753	690,315	631,671	611,715	592,548	606,813	589,283	508,081
Recreation GO Bond - 2002	2,403,591	2,403,391	2,292,567	1,683,424	1,200,558	885,125	675,692	549,507	401,338	-	-
Library Addition	149,327	201,327	351,366	400,941	388,094	412,568	445,111	511,058	594,494	580,514	560,470
Measure T 2002 GO Bond	219,430	4,397,262	915,030	1,193,794	1,385,434	1,996,118	6,412,618	10,333,286	13,014,389	13,397,527	9,694,437
Capital Improvement General	6,457,212	6,079,238	8,928,962	10,477,685	7,199,976	5,558,135	8,835,858	8,277,240	8,579,794	9,743,914	9,694,437
Community Dev Agency - 1992	43,803	43,003	42,303	40,698	38,395	36,584	35,374	34,922	39,943	40,970	374,194
Community Dev Agency - 2000	1,850,479	2,467,502	7,651,943	7,667,365	7,782,425	7,865,919	12,000,548	17,226,144	22,075,475	28,547,908	35,587,315
Library Bond	8,720,251	13,188,332	17,889,624	19,800,483	16,794,324	15,869,324	27,729,509	36,382,350	44,304,095	52,310,833	46,216,416
Recreation GO Bond - 2002	11,713,774	11,375,590	17,295,167	16,600,729	22,953,126	22,161,930	21,404,316	20,707,075	20,594,182	19,765,977	19,952,120
Library Addition	115,157,211	122,534,038	143,309,723	122,956,185	127,191,012	111,423,107	111,059,025	116,362,831	123,182,475	130,736,412	129,258,305

1) Water Funds reflect net assets only starting in this year.



ADMINISTRATIVE SERVICES

Council Meeting Date: June 8, 2010
Staff Report #: 10-075

Agenda Item: F-1

PUBLIC HEARING: Approval of Revised 5-Year Capital Improvement Plan

RECOMMENDATION

Staff recommends that Council approve the 5-Year Capital Improvement Plan (CIP) as revised in the plan document (Attachment).

BACKGROUND

The 5-Year Capital Improvement Plan (CIP) for Menlo Park was developed as a result of the **2010 and Beyond** organizational review launched by the City Manager to identify efficiencies, improvements and restructuring opportunities in order to further the goal of developing a sustainable operating budget. Having a multi-year plan for capital spending allows the City to optimize its resources through improved long-term planning for major undertakings aligned with Council goals.

Due to the complexity of transitioning to a 5-Year CIP, Staff pursued a phased approach to develop the plan. For the first year of implementation (fiscal year 2010-11) Commissions were given a short window of time in February to review the document; going forward they will have the opportunity to view projects five years out and provide comment. Utilizing feedback from the commissions, the draft CIP was updated and presented to Council on March 9th. Council feedback was incorporated into the plan and a revised draft was discussed at the March 23rd meeting. At that time, Council also approved the projects identified in the plan for funding in fiscal year 2010-11 for inclusion in the City Manager's Proposed Budget.

ANALYSIS

The purpose of this staff report is to provide Council with a revised draft of the 5-Year CIP document, which incorporates changes to the plan as presented on March 23rd, for adoption.

Revisions to the Draft 5-Year CIP

One reoccurring comment from the Council at its March 9th meeting which could not be addressed for the March 23rd presentation was the desire for **expanded descriptions** of each project considered. Although projects proposed for the 2010-11 fiscal years were

described and enhanced with photos in Section D of the document, and non-funded project request descriptions were carried over from prior year project priorities processes, projects recommended for funding in fiscal years 2011-12 through 2014-15 had not yet been fully developed. Staff has now completed these descriptions. Similar to the project cost estimates, descriptions for projects proposed in the first couple of years provide more specific detail than those proposed for the last years of the plan.

Added Burgess Gymnastics Center Project for 2010-11 –

Since the 5-Year CIP was last presented to Council, funding for the construction of a new Gymnastics Center has become a reality for the upcoming fiscal year via a generous donation from Mr. John Arrillaga. The City will fund \$5 million in construction, plus the cost of site work completion, architectural approval and building permits. The total funding of \$6.2 million is available from the remainder of Measure T funds (\$4,150,000) and additional Rec-In-Lieu Funds (\$2,050,000). The projects, schedules and funding sources have been update in the revised CIP document to reflect this additional project.

Added Gymnastics Equipment Project for 2010-11 –

With the Arrillaga Family Gymnasium under construction, Community Services Staff has been developing programs and planning for optimal use of space during the transition between the current and new facilities. The department anticipates the need for gymnastics equipment which will allow the expansion of gymnastic programs at the current facility. The equipment will then be easily transferrable to another location while the new gymnastics center is under construction. The anticipated cost is \$54,000, and is now scheduled as a Measure T project in fiscal year 2010-11. As such, a complete description and identifying photo are included in Section D of the revised 5-Year CIP document.

Modified Carpet Replacement Projects –

Acting upon a suggestion from the Library Commission, Public Works reconsidered the timing of the Administration Building and Main Library carpet replacement projects. Previously, the Administration Building carpet was scheduled for replacement (\$200,000) in fiscal year 2011-12, and the \$175,000 Library carpet replacement was scheduled largely in fiscal year 2012-13. Because the Administration Building carpet is in better condition than that of the Main Library, the schedule for these projects has been reversed. The new schedule is reflected in the revised 5-year Capital Improvement Plan.

Updated Funding Information –

With the development of the proposed budget for fiscal year 2010-11, estimated fund balances and operating projections have changed. The schedule, "Projects by Funding Source" (Section A.2 of the CIP) has been updated to reflect these changes. Of note:

The **Traffic Congestion Relief Fund** now shows no intergovernmental funding in 2010/11, whereas previously over \$300,000 in Prop 42 funding was anticipated. As part of a special budget session called by the Governor in March, a new law swaps the state sales taxes on gasoline (which fueled Prop 42 allocations) for a gasoline excise tax with an entirely different allocation to cities and counties. The law includes expressed legislative intent to fully replace the local streets and road funds that would have been received under Proposition 42 with allocations from the new (higher) excise tax rate. In fiscal year 2010-11, the **Highway Users Tax Fund** revenues will be higher, but Prop 42 funds are effectively eliminated for the year.

Grant revenues for the Hillview and Laurel Schools safe routes projects are included in projected revenues in the **Measure A Fund** budget for fiscal year 2010-11. Previously the \$525,000 grant reimbursements were included in 2011-12 revenue projections, but the funds will be expended (and the reimbursement due) by the end of the 2010-11 fiscal year.

The available balance and projected commitments in the **Water Capital Fund** have been updated to reflect planned deficits in the Water Operating Fund through fiscal year 2012-13 as part of the long-term plan developed with the Water Rate Study presented to the Council on May 18th. These commitments will decrease as the Water Operating Fund experiences surpluses in subsequent years.

In addition, it should be noted that the "Available Balance" for each fund as shown in the 5-Year CIP is often not the same as the "Fund Balance" shown in the budget document. In calculating *available* balance, commitments of the fund (not just actual expenditures) are considered. The fund balance as shown in the budget document and other financial reports includes estimated revenues and expenditures only – there is a designation of the fund balance reported for commitments of each fund.

At its March 23rd meeting the City Council approved the projects on page D.1 of the revised 5-Year CIP (Attachment A) so that the development of the 2010-11 budget could proceed with a more accurate distribution of personnel costs between programs, projects and funds. The inclusion of the project for Gymnastics Equipment in the upcoming fiscal year results in a revised page D.1, and the Council can consider this and any other project funded in the 2010-11 fiscal year when discussing the City Manager's Proposed Budget. Staff recommends the approval of the 5-Year CIP document as a whole, revised and submitted as an attachment to this report.

Removed from Index of Non-Funded Project Requests –

Two projects formerly listed as unfunded (Section C of the 5-Year CIP document) in the "Comprehensive Planning Projects and Studies" category were completed this fiscal year as part of staff's regular work and have therefore been removed from the list of unfunded projects: (1) ***BMR Program Updates to Guidelines and Use of BMR Housing Reserve Fund***, and (2) ***Senior Housing Needs Assessment***.

Finally, the *Safe Routes to Laurel School* project was removed from the 2010/11 project listing, as the project was previously funded in the current (2009-10) fiscal year.

IMPACT ON CITY RESOURCES

Council discussions of the CIP will allow for longer-term planning of the appropriate staff and funding resources needed to address capital needs for the City. Ultimately, the choices that the City Council makes about service levels and projects will determine where City resources are budgeted. Actual appropriations for the City's capital projects will be approved annually with the adoption of each year's budget.

POLICY ISSUES

The 5-Year CIP represents no changes in City policy. Only the projects for the upcoming fiscal year are actually approved for funding by the City Council each year. However, a review of the City's project needs over the next five years will serve as a long-term planning and resource allocation tool. A yearly update of the Capital Improvement Plan will replace the previous (annual) project prioritization and allow for a more effective process for scheduling and funding the City's major projects.

ENVIRONMENTAL REVIEW

Environmental review is not required of the 5-year CIP for fiscal years 2010/11 through 2014/15. Certain projects, however, may be subject to environmental review before they are implemented.


Carol Augustine
Finance Director


Kent Steffens
Deputy 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.

ATTACHMENT: A. Five-Year Capital Improvement Plan

CITY OF MENLO PARK
**FIVE-YEAR
CAPITAL IMPROVEMENT PLAN**
FY 2011-15



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<u>Table of Contents</u>	<u>Page</u>
I. Introduction	1
II. Procedures for Developing Five-Year Capital Improvement Plan	2
III. Project Development and Selection Process	3
IV. Proposed Projects	4
V. Project Funding Sources	5
VI. General Plan Consistency	5
VII. Environmental Review	5

Appendix A. Capital Improvement Plan Project Summaries

Appendix B Overview Schedule of Previously Funded Projects

Appendix C Index of Non-Funded Project Requests FY 2007/08, 2008/09, 2009/10

Appendix D Descriptions of Projects Proposed for FY 2011/12 through FY 2014/15

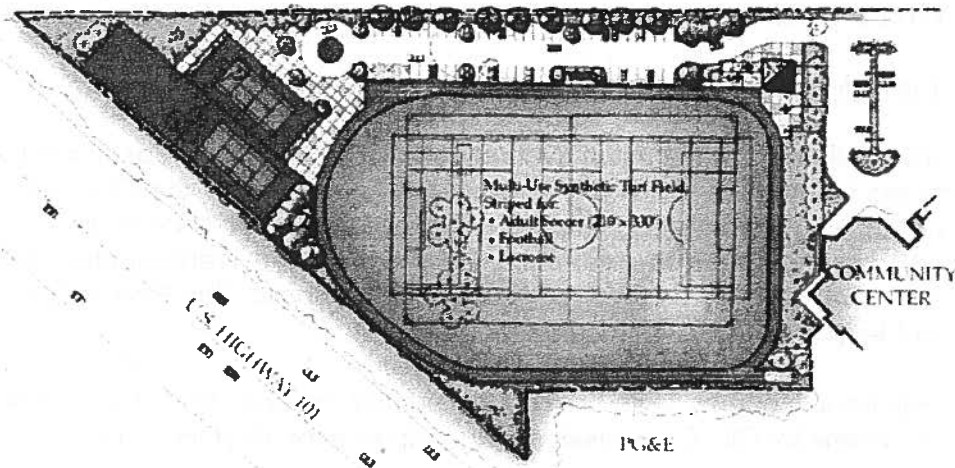
Appendix E Proposed Projects for FY 2010/11

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I. INTRODUCTION

This 5-year Capital Improvement Plan (CIP) for the City of Menlo Park is the community's plan for short and long-range development, maintenance, improvement and acquisition of infrastructure assets to benefit the City's residents, businesses, property owners and visitors. It provides a linkage between the City's General Plan, various master planning documents and budget, and provides a means for planning, scheduling and implementing capital and comprehensive planning projects over the next 5 years (through FY 2014/15).

This 5-year Capital Improvement Plan (CIP) presents a new approach and format for prioritizing and selecting new projects in the City, along with an overview of works in progress. The CIP incorporates the City's investments in infrastructure development and maintenance (i.e. capital improvements), redevelopment and other significant capital expenditures that add to or strategically invest in the City's inventory of assets. Studies and capital expenditures of less than \$25,000 are not included in the CIP.



Above: Conceptual design for Kelly Park Improvements project funded for construction in FY 2009/10.

II. Procedures for Developing Five-Year Capital Improvement Plan

The procedures for developing the five-year CIP aim to enhance the City's forecasting, project evaluation and community engagement processes by creating a resource "toolbox" to be used throughout the decision-making process. It is not intended to limit the City's ability to adjust its programs, services and planned projects as unexpected needs or impacts arise. With this in mind, the Council, City Manager, CIP Committee and other participants will need to observe these procedures and draw upon a variety of resources in order to effectively update and administer the plan.

Procedures for Submitting and Amending Projects

It shall be the responsibility of Department managers to initiate requests for new projects or purchases, and modifications to or reprioritization of existing projects. Initiating requests will be accomplished by sending completed request form(s) and supporting information to the City Manager within the timeframes established by the Finance Department for annual budget preparation.

Request forms shall include estimated costs, benefits, risks associated with not completing the project/purchase, funding source(s), availability of funds, estimated timeframe for completing the project/purchase, and any anticipated impacts to previously approved projects.

Evaluation and Preliminary Ranking by Committee

The CIP Committee will perform the initial evaluation and ranking of proposed projects. Committee members will consist of the City Manager or his designee; the Directors of Community Development, Community Services, Finance and Public Works; the Redevelopment Agency Manager; Maintenance, Engineering and Transportation Division Managers and any other staff, as designated by the City Manager. The Committee will meet as needed, but not less than once each calendar year.

The Committee will furnish copies of its preliminary project rankings to all Department managers prior to review by City Commissions and approval by the City Council.

Community Input

Annual updating of the City's 5-year CIP plan is an integral part of the budget process. Early development of the CIP will provide time for adequate review by the City's various commissions prior to Council consideration and incorporation into the annual budget. The draft CIP will be posted to the City's website to encourage public input during this review process. The public will have opportunities to comment on the plan through the review processes of the various commissions, and during the public hearing held prior to the adoption of the plan.

Prioritization Criteria

Projects will be prioritized in accordance with evaluation criteria which will include, but not be limited to, the following:

- Public Health and Safety/Risk Exposure
- Protection of Infrastructure and Cultural Heritage
- Economic Development and Redevelopment
- Impacts on Operating Budgets
- External Requirements
- Population Served
- Community/Commission Support
- Relationship to Adopted Plans
- Cost/Benefit
- Availability of Financing
- Capacity to Deliver/Impacts to Other Projects

Projects that are not ranked high enough to be prioritized for this 5-year plan will be recorded in an ongoing index attached to the CIP. Indexing shall extend back a minimum of 3 years from the current fiscal year.

Funding Plans for Five-Year CIP

Once each year the Council will adopt, by Resolution, an updated 5-year CIP that will include all prioritized short and long-term projects. Each year, the prioritized list will be published in advance of and discussed during a Public Hearing, which will be held prior to adoption of the CIP.

III. Project Development and Selection Process

The projects proposed in this FY 2010/11 CIP were derived from a variety of sources, including recommendations from the City's Infrastructure Management Study (2007), the Sidewalk Master Plan (2009), and the Climate Action Plan (2009). Projects were analyzed and ranked by Department heads and staff during the development of the draft plan. The procedures followed in developing this plan did not include the request forms and formal Committee evaluation and rankings described above, as those processes were concurrently under development. All future projects will be processed in accordance with the prioritization criteria and procedures listed in Section II above.

Although not typically included as capital improvements, studies are included in the CIP if they are estimated to cost over \$25,000. Capital expenditures amounting to less than \$25,000 are not included in the CIP. Budget information relating to studies and capital expenditures of less than \$25,000 will be found in the City Manager's Recommended Budget, utilizing appropriate operating funds.

This 5-Year CIP includes 24 new projects recommended for implementation commencing in FY 2010/11 and 105 additional projects recommended for implementation in future fiscal years. Other desirable projects that are not currently recommended are incorporated into the index of non-funded projects in Appendix C. The index also includes projects for which grant

funding is being sought but has not yet been awarded, and without a grant there is insufficient funding available. The projects recommended for FY 2010/11 and future years are listed under "Proposed Projects" below.

IV. Proposed Projects

Several of the proposed projects in this CIP address ongoing infrastructure or facility maintenance needs and are programmed on an annual, bi-annual or similar basis. Examples include street resurfacing and the sidewalk repair program. Other proposed projects involve subsequent phases of a prior year's project. For example, the proposed construction of sidewalks on Santa Cruz Avenue follows the FY 2009/10 project to design sidewalks on Santa Cruz Avenue.

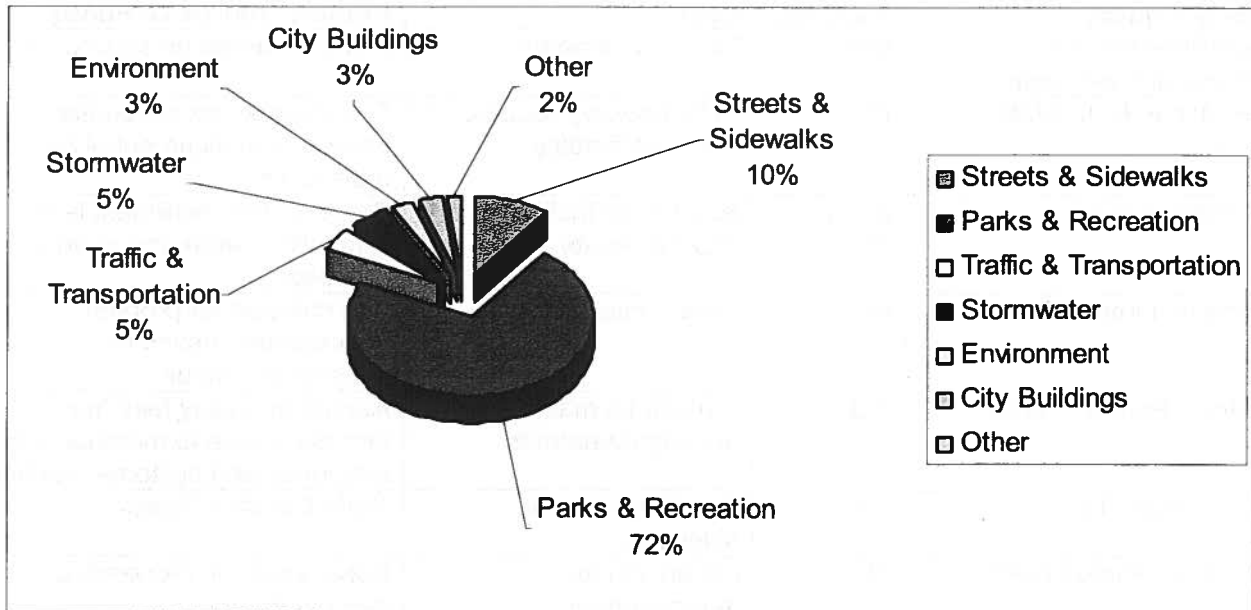
New capital projects and projects involving maintenance of current infrastructure proposed for FY 2010/11 are listed in Appendix A and described in detail in Appendix E. Projects approved in prior fiscal years that have not yet been completed are listed in Appendix B.

Table 1 lists total funding levels for project categories proposed for FY 2010/11 with corresponding percentages of the total funding. Figure 1 on the following page graphically presents the percentages of total funding for each category.

Table I - Proposed Project Funding Levels for FY 2010/11 by Category

Project Category	FY 2010/11 Funding	Percent of Total CIP FY 2010/11
Streets & Sidewalks	1,025,000	10%
City Buildings	250,000	3%
Traffic & Transportation ¹	465,000	5%
Environment	254,000	3%
Water System	0	0%
Parks & Recreation	7,099,000	72%
Comprehensive Planning Projects & Studies	0	0%
Stormwater	460,000	5%
Other/Miscellaneous	235,000	2%
TOTALS	\$9,788,000	100%

¹ The funding level for Traffic & Transportation excludes the cost of the Downtown Parking Modifications project recommended in FY 2010/11. Costs for that project have not been determined pending completion of the Downtown Parking Modifications study.

Figure I – FY 2010/11 Proposed Projects by Category

V. *Project Funding Sources*

The proposed FY 2010-14 CIP coordinates physical improvements with financial planning, allowing maximum benefits from available funding sources. The Plan relies on funding from various sources, largely retained in the Capital and Special funds, with uses that are usually restricted for specific purposes. Although an annual transfer from the General Fund to the City's General CIP Fund (currently \$2.17 million) is part of the City's operating budget, this funding is intended solely for maintaining existing infrastructure at its current level of condition. The restricted funding sources shown in Table 2 on the following page make up the remainder of the City's major project funding.

VI. *General Plan Consistency*

The FY 2010/11 projects listed in this Five-Year CIP were presented to the Planning Commission during a Public Hearing on May 17, 2010. The Planning Commission reviewed the CIP and adopted a finding that it is consistent with the City's General Plan.²

VII. *Environmental Review*

The development of this 5-year plan is not a project, as defined in the California Environmental Quality Act (CEQA), and an environmental review is not required for its adoption. Individual projects listed herein may be subject to CEQA. Environmental reviews will be conducted at the appropriate times during implementation of those projects.

² The Burgess Gymnastics Center project was added to the 5-Year CIP after the Planning Commission meeting. The General Plan consistency determination will be included as one of the necessary findings when the project is presented to the Planning Commission for architectural approval.

Table 2 – Project Funding Sources

Funding Sources	Fund No.	Uses	Primary Source Of Funds
Bedwell/Bayfront Park Maintenance/Operations	809	Park maintenance	Interest earned on sinking fund.
Below Market Rate (BMR) Housing	832	BMR housing acquisition and loan funding	Fee charged for residential property development of 5 or more units
CDA Non-Housing	856 858	Recreation facilities, park improvements	Property Tax Increment from within RDA area and/or bond proceeds
Construction Impact Fee	843	Street resurfacing	Fee charged for property development based on construction value
Downtown Parking Permit	758	Parking lot maintenance and improvements	Annual and daily fees from permits issued to merchants for employee and customer parking
Highway Users Tax	835	Street resurfacing, sidewalks	State Gasoline Taxes
Library Bond Fund (1990)	853	Library capital improvements	Bond issuance proceeds and interest earned
Marsh Road Landfill	754	Landfill post-closure maintenance and repairs	Surcharge on solid waste collection fees paid by customers
Measure A	834	Street resurfacing, bicycle lanes, Safe Routes to Schools	½ cent countywide sales tax
Measure T Bond	845	Recreation facilities, park improvements	2006 and 2009 bond proceeds and accumulated interest
Recreation In-lieu Fee	801	Recreation facilities, park and streetscape improvements	Fee charged for property development based on number units and market value of land
Sidewalk Assessment	839	Sidewalk repairs	Annual property tax assessment, per parcel
Storm Drainage Connection Fees	713	Storm drainage capacity improvements	Fee charged for property development per lot, per unit, or per square foot of impervious area
Storm Water Management Fund (NPDES)	841	Storm water pollution prevention activities	Annual property tax assessment based on square footage of impervious area
Traffic Congestion Relief (AB 2928)	842	Street resurfacing	State sales and use tax
Transportation Impact Fee (replaces Traffic Impact Fee)	710	Intersection improvements, sidewalks, traffic signals, traffic calming, bicycle circulation, transit systems	Fee charged for property development at per unit or per square foot rates
Water Fund – Capital	855	Water distribution and storage	Surcharge per unit of water sold

***Appendix A
Capital Improvement Plan Summaries***

NOTE: The 3 tables presented on the following pages provide the same listing of proposed projects sorted (1) by category, (2) by funding source and (3) by responsible department.

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Table A.1
Projects by Category

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Projects by Category

	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Streets & Sidewalks						
Street Resurfacing	200,000	4,770,000	225,000	4,770,000	230,000	10,195,000
Sidewalks on Santa Cruz Avenue	500,000	0	0	0	0	500,000
Sidewalk Repair Program	300,000	300,000	300,000	300,000	300,000	1,500,000
Implement Sidewalk Master Plan	0	100,000	100,000	100,000	100,000	400,000
Streetlight Painting	0	75,000	0	0	75,000	150,000
Streetscape – O'Brien Drive	25,000	100,000	400,000	0	0	525,000
Streetscape – Pierce Road	0	0	100,000	400,000	0	500,000
Streetscape – Haven Avenue	0	0	0	125,000	425,000	550,000
Streetscape – Willow Road	0	0	0	80,000	250,000	330,000
Streetscape – Overall	0	0	0	0	2,000,000	2,000,000
TOTAL	\$1,025,000	\$5,345,000	\$1,125,000	\$5,775,000	\$3,380,000	\$16,650,000

City Buildings						
City Buildings (Minor)	250,000	275,000	275,000	300,000	300,000	1,400,000
Administration Building Carpet Replacement	0	0	200,000	0	0	200,000
Administration Building Emergency Generator	0	25,000	170,000	0	0	195,000
Main Library Carpet Replacement	0	175,000	0	0	0	175,000
Main Library Paint Exterior	0	0	0	0	75,000	75,000
Main Library Interior Wall Fabric Replacement	0	0	0	0	150,000	150,000
Little House Roof Replacement	0	175,000	0	0	0	175,000
Menlo Children's Center Carpet Replacement	0	0	0	60,000	0	60,000
Recreation Center Boiler/Fan Replacement	0	0	75,000	0	0	75,000
Belle Haven Child Development Ctr. Carpet Replacement	0	0	50,000	0	0	50,000
Belle Haven Pool Boiler/Pumps Replacement	0	50,000	0	0	0	50,000
TOTAL	\$250,000	\$700,000	\$770,000	\$360,000	\$525,000	\$2,605,000

Projects by Category

	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Traffic & Transportation						
Safe Routes to Hillview School	140,000	0	0	0	0	140,000
Linfield/Middlefield Crosswalk	50,000	0	0	0	0	50,000
Sand Hill Road/Branner Signal Mast Arm Construction	75,000	0	0	0	0	75,000
Downtown Parking Modifications	TBD	0	0	0	0	TBD
High Speed Rail Coordination	200,000	100,000	100,000	100,000	100,000	600,000
Dumbarton Transit Station	0	0	0	0	1,000,000	1,000,000
Willow Road Signal Interconnect		300,000				300,000
Willows Area-wide Traffic Study Implementation	0	TBD	0	0	0	TBD
Safe Routes to Oak Knoll School	0	40,000	50,000	0	0	90,000
Newbridge Street/Willow Road Traffic Circulation Improvements	0	0	100,000	0	0	100,000
Sand Hill Road Signal Interconnect	0	0	0	100,000	0	100,000
Highway 84/Willow Road Bike/Ped Underpass Connections	0	0	0	100,000	800,000	900,000
El Camino Real/Ravenswood NB Right Turn Lane	0	0	0	0	TBD	TBD
Sand Hill Road Improvements (Addison/Wesley to I280)	0	0	0	TBD	0	TBD
TOTAL	\$465,000	\$440,000	\$250,000	\$300,000	\$1,900,000	\$3,355,000

Environment						
El Camino Real Tree Planting ¹	0	0	100,000	100,000	0	200,000
LED Streetlight Conversion ²	254,000	250,000	0	0	0	504,000
Bedwell Bayfront Park Gas Collection System Improvements Study & Conceptual Design	0	80,000	0	0	0	80,000
Onetta Harris Community Center Solar Power Conversion	0	400,000	0	0	0	400,000
TOTAL	\$254,000	\$730,000	\$100,000	\$100,000	\$0	\$1,184,000

1. El Camino Real Tree Planting project totals assume matching funds are available through a grant or other funding source(s).

Coordination with the El Camino Real/Downtown Specific Plan implementation will be required.

2. LED Streetlight Conversion project totals assumes City receives award of \$164,000 State Energy Efficiency Block Grant in addition to CDA Non-Housing funds.

Projects by Category

	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Water System						
Water Main Replacements	0	300,000	2,200,000	0	300,000	2,800,000
Emergency Water Supply Project	0	2,500,000	2,000,000	2,000,000	0	6,500,000
Automated Meter Reading	0	500,000	500,000	500,000	0	1,500,000
TOTAL	\$0	\$3,300,000	\$4,700,000	\$2,500,000	\$300,000	\$10,800,000

Parks & Recreation						
Park Improvements (Minor)	110,000	110,000	120,000	120,000	130,000	590,000
Bedwell Bayfront Park Restroom Repair	0	0	0	95,000	0	95,000
Burgess Gymnastics Center ¹	6,200,000	0	0	0	0	6,200,000
Burgess Gymnastics Center Equipment	54,000	0	0	0	0	54,000
Hillview School Fields Renovation / Tinker Park Replacement Project	500,000	0	0	0	0	500,000
Jack Lyle Park Restrooms	0	40,000	200,000	0	0	240,000
Jack Lyle Park Sports Field Sod Replacement	0	0	0	75,000	0	75,000
Belle Haven Pool Improvements	200,000	0	0	0	0	200,000
Onetta Harris Community Center Campus Signage	35,000	0	0	0	0	35,000
Seminary Oaks Park Pathway Replacement	0	140,000	0	0	0	140,000
Willow Oaks Dog Park Renovation	0	0	0	50,000	250,000	300,000
TOTAL	\$7,099,000	\$290,000	\$320,000	\$340,000	\$380,000	\$8,429,000

1. Budget for construction of Burgess Gymnastics Center does not include relocation, temporary lease(s) or other costs associated with continuing operation of gymnastics programs during construction.

Comprehensive Planning Projects & Studies						
TBD ¹	0	0	0	0	0	0
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

1. Community Development is in process of developing a long range work plan that will provide projects for future CIPs. Work on the El Camino Real/Downtown Specific Plan will continue in FY 2010/11 with funding from General Fund Reserves.

Projects by Category

Fiscal Year Project Funding Projection						
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Stormwater						
Storm Drain Improvements	150,000	160,000	160,000	175,000	175,000	820,000
Trash Capture Device Installation	50,000	60,000	0	0	0	110,000
Atherton Channel Flood Abatement	200,000	300,000	2,000,000	0	0	2,500,000
Chrysler Pump Station Discharge Pipe Replacement	60,000	0	0	0	0	60,000
Chrysler Pump Station Improvements	0	0	80,000	320,000	0	400,000
Middlefield Road Storm Drainage Improvements	0	0	0	0	350,000	350,000
TOTAL	\$460,000	\$520,000	\$2,240,000	\$495,000	\$525,000	\$4,240,000

Other/Miscellaneous						
Bedwell Bayfront Park Leachate Collection System Replacement	0	0	0	100,000	900,000	1,000,000
Bedwell Bayfront Park Gas Collection System Repair	0	0	100,000	0	0	100,000
City Entry Signage on Willow and Marsh Roads	0	0	0	200,000	0	200,000
City Facilities Telephone System Upgrade	0	0	275,000	0	0	275,000
Dark Fiber Installation Pilot Project	0	50,000	0	0	0	50,000
Downtown Irrigation Replacement	30,000	120,000	0	0	0	150,000
Downtown Streetscape Improvements	0	0	0	25,000	150,000	175,000
Downtown Landscaping Improvements	25,000	0	0	0	0	25,000
Haven Avenue Security Lighting	0	50,000	0	0	0	50,000
Library RFID Conversion	0	100,000				100,000
Neighborhood Computer Lab Improvements	0	0	25,000	0	0	25,000
Parking Plaza 7 Renovations	180,000	800,000	0	0	0	980,000
Parking Plaza 8 Renovations	0	0	250,000	1,000,000	0	1,250,000
Sand Hill Road Pathway Repair	0	0	150,000	0	150,000	300,000
TOTAL	\$235,000	\$1,120,000	\$800,000	\$1,325,000	\$1,200,000	\$4,680,000

FISCAL YEAR TOTALS	\$9,788,000	\$12,445,000	\$10,305,000	\$11,195,000	\$8,210,000	\$51,943,000
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**Table A.2
Projects by Funding Source**

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Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
General Fund - CIP						
Available Balance	5,055,518	5,559,718	4,313,718	4,963,718	3,843,718	
Revenues	2,163,200	2,439,000	2,525,000	2,325,000	2,400,000	
Operating Expenditures/Commitments	0	0	0	0	0	
Recommended Projects						
Street Resurfacing	0	2,000,000	0	2,000,000	0	4,000,000
Sidewalks on Santa Cruz Avenue	500,000	0	0	0	0	500,000
Sidewalk Repair Program	120,000	120,000	120,000	120,000	120,000	600,000
City Buildings (Minor)	250,000	275,000	275,000	300,000	300,000	1,400,000
Streetlight Painting	0	75,000	0	0	75,000	150,000
Administration Building Carpet Replacement	0	0	200,000	0	0	200,000
Administration Building Emergency Generator	0	25,000	170,000	0	0	195,000
Main Library Carpet Replacement	0	175,000	0	0	0	175,000
High Speed Rail Coordination	200,000	100,000	100,000	100,000	100,000	600,000
Chrysler Pump Station Discharge Pipe Replacement	60,000	0	0	0	0	60,000
Chrysler Pump Station Improvements	0	0	80,000	320,000	0	400,000
Main Library Exterior Paint	0	0	0	0	75,000	75,000
Main Library Interior Wall Fabric Replacement	0	0	0	0	150,000	150,000
Library RFID Conversion	0	100,000	0	0	0	100,000
Little House Roof Replacement	0	175,000	0	0	0	175,000
Menlo Children's Center Carpet Replacement	0	0	0	60,000	0	60,000
City Facilities Telephone System Upgrade	0	0	275,000	0	0	275,000
Recreation Center Boiler/Fan Replacement	0	0	75,000	0	0	75,000
Belle Haven Child Development Center Carpet Replacement	0	0	50,000	0	0	50,000
<i>General Fund - CIP Continued on next page</i>						

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
General Fund - CIP (Continued)						
Belle Haven Pool Boiler/Pumps Replacement	0	50,000	0	0	0	50,000
El Camino Real Tree Planting ¹	0	0	100,000	100,000	0	200,000
LED Streetlight Conversion ²	164,000	0	0	0	0	164,000
Park Improvements (Minor)	110,000	110,000	120,000	120,000	130,000	590,000
Replace Sod at Jack Lyle Park Sports Field	0	0	0	75,000	0	75,000
Seminary Oaks Park Pathway Replacement	0	140,000	0	0	0	140,000
Willow Oaks Dog Park Renovation	0	0	0	50,000	250,000	300,000
Storm Drain Improvements	150,000	160,000	160,000	175,000	175,000	820,000
Trash Capture Device Installation	50,000	60,000	0	0	0	110,000
Sand Hill Road Pathway Repair	0	0	150,000	0	150,000	300,000
Downtown Irrigation Replacement	30,000	120,000	0	0	0	150,000
Downtown Streetscape Improvements	0	0	0	25,000	150,000	175,000
Downtown Landscaping Improvements	25,000	0	0	0	0	25,000
TOTAL	\$1,659,000	\$3,685,000	\$1,875,000	\$3,445,000	\$1,675,000	\$12,339,000
Ending Fund Balance	5,559,718	4,313,718	4,963,718	3,843,718	4,568,718	

1. El Camino Real Tree Planting project totals assume matching funds are available through a grant or other funding Coordination with the El Camino Real/Downtown Specific Plan implementation will be required.

2. Grant reimbursement totaling \$164,000 for LED Streetlight Conversion is included in revenue projection for FY 2011/12.

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Bedwell Bayfront Park Landfill						
Available Balance	1,674,070	1,853,210	2,044,316	2,373,316	2,718,316	
Revenues	505,000	610,000	645,000	670,000	697,000	
Expenditures/Commitments	325,860	338,894	216,000	225,000	240,000	
Recommended Projects						
Bedwell Bayfront Park Leachate Collection System Replacement	0	0	0	100,000	900,000	1,000,000
Bedwell Bayfront Park Gas Collection System Improvements Study & Conceptual Design	0	80,000	0	0	0	80,000
Bedwell Bayfront Park Gas Collection System Repair	0	0	100,000	0	0	100,000
TOTAL	\$0	\$80,000	\$100,000	\$100,000	\$900,000	\$1,180,000
Ending Fund Balance	1,853,210	2,044,316	2,373,316	2,718,316	2,275,316	

Bedwell Bayfront Park Maintenance						
Available Balance	992,984	787,284	627,284	462,284	192,284	
Revenues	15,000	20,000	20,000	15,000	10,000	
Expenditures/Commitments	220,700	180,000	185,000	190,000	195,000	
Recommended Projects						
Bedwell Bayfront Park Restroom Repair	0	0	0	95,000	0	95,000
TOTAL	\$0	\$0	\$0	\$95,000	\$0	\$95,000
Ending Fund Balance	\$787,284	\$627,284	\$462,284	\$192,284	\$7,284	

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
CDA Non-Housing/RDA Bonds						
Available Balance	20,119,683	19,320,083	18,470,083	16,145,083	15,640,083	
Revenues	9,254,400	9,900,000	10,200,000	10,400,000	10,600,000	
Expenditures/Commitments	9,504,000	9,600,000	9,900,000	10,000,000	10,100,000	
Recommended Projects						
Dumbarton Transit Station	0	0	0	0	1,000,000	1,000,000
Atherton Channel Flood Abatement	200,000	300,000	2,000,000	0	0	2,500,000
Newbridge Street/Willow Road Traffic Circulation Improvements	0	0	100,000	0	0	100,000
Streetscape – Overall	0	0	0	0	2,000,000	2,000,000
Streetscape – Haven Avenue	0	0	0	125,000	425,000	550,000
Streetscape – O'Brien Drive	25,000	100,000	400,000	0	0	525,000
Streetscape – Pierce Road	0	0	100,000	400,000	0	500,000
Streetscape – Willow Road	0	0	0	80,000	250,000	330,000
City Entry Signage on Willow and Marsh Roads	0	0	0	200,000	0	200,000
Highway 84 / Willow Road Bike /Ped Underpass Connections	0	0	0	100,000	800,000	900,000
LED Streetlight Conversion	90,000	250,000	0	0	0	340,000
Haven Avenue Security Lighting	0	50,000	0	0	0	50,000
Dark Fiber Installation Pilot Project	0	50,000	0	0	0	50,000
Belle Haven Pool Improvements	200,000		0	0	0	200,000
Onetta Harris Community Center Solar Power Conversion	0	400,000	0	0	0	400,000
Onetta Harris Community Center Campus Signage	35,000	0	0	0	0	35,000
Neighborhood Computer Lab Improvements	0	0	25,000	0	0	25,000
TOTAL	\$550,000	\$1,150,000	\$2,625,000	\$905,000	\$4,475,000	\$9,705,000
Ending Fund Balance	\$19,320,083	\$18,470,083	\$16,145,083	\$15,640,083	\$11,665,083	

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Construction Impact Fees						
Available Balance	569,400	1,019,400	499,400	979,400	459,400	
Revenues	450,000	500,000	500,000	500,000	500,000	
Expenditures/Commitments	0	20,000	20,000	20,000	20,000	
Recommended Projects						
Street Resurfacing	0	1,000,000	0	1,000,000	0	2,000,000
TOTAL	\$0	\$1,000,000	\$0	\$1,000,000	\$0	\$2,000,000
Ending Fund Balance	\$1,019,400	\$499,400	\$979,400	\$459,400	\$939,400	

Downtown Parking Permits						
Available Balance	2,480,200	2,655,200	2,179,600	2,167,600	1,395,600	
Revenues	495,000	470,000	470,000	470,000	470,000	
Expenditures/Commitments	140,000	145,600	232,000	242,000	252,000	
Recommended Projects						
Parking Plaza 7 Renovations	180,000	800,000	0	0	0	980,000
Parking Plaza 8 Renovations	0	0	250,000	1,000,000	0	1,250,000
TOTAL	\$180,000	\$800,000	\$250,000	\$1,000,000	\$0	\$2,230,000
Ending Fund Balance	\$2,655,200	\$2,179,600	\$2,167,600	\$1,395,600	\$1,613,600	

Highway Users Tax						
Available Balance	1,303,300	1,968,300	1,691,050	2,286,050	2,102,550	
Revenues	865,000	800,000	900,000	900,000	900,000	
Expenditures/Commitments	0	77,250	80,000	83,500	87,000	
Recommended Projects						
Street Resurfacing	200,000	1,000,000	225,000	1,000,000	230,000	2,655,000
TOTAL	\$200,000	\$1,000,000	\$225,000	\$1,000,000	\$230,000	\$2,655,000
Ending Fund Balance	\$1,968,300	\$1,691,050	\$2,286,050	\$2,102,550	\$2,685,550	

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Measure A						
Available Balance	328,400	622,641	482,641	692,641	712,641	
Revenues	1,469,943	1,170,000	960,000	990,000	1,020,000	
Expenditures/Commitments	960,702	600,000	600,000	600,000	600,000	
Recommended Projects						
Street Resurfacing	0	270,000	0	270,000	0	540,000
Implement Sidewalk Master Plan	0	100,000	100,000	100,000	100,000	400,000
Safe Routes to Hillview School ¹	140,000	0	0	0	0	140,000
Sand Hill Road/Branner Signal Mast Arm Construction	75,000	0	0	0	0	75,000
Downtown Parking Modifications	TBD	0	0	0	0	TBD
Willow Road Signal Interconnect	0	300,000	0	0	0	300,000
Willows Area-wide Traffic Study Implementation	0	TBD	0	0	0	TBD
Safe Routes to Oak Knoll School	0	40,000	50,000	0	0	90,000
El Camino Real/Ravenswood NB Right Turn Lane	0	0	0	0	TBD	TBD
Sand Hill Road Improvements (Addison-Wesley to I280)	0	0	0	TBD	0	TBD
TOTAL	\$215,000	\$710,000	\$150,000	\$370,000	\$100,000	\$1,545,000
Ending Fund Balance	\$622,641	\$482,641	\$692,641	\$712,641	\$1,032,641	

1. Grant reimbursements totaling \$840,000 for Hillview and Laurel Schools (FY 09/10) Safe Routes and Willow Road Signal projects included in revenue projections for FY 2010/11 and 2011/12.

Measure T						
Available Balance	4,140,850	16,850	17,850	18,850	19,850	
Revenues	80,000	1,000	1,000	1,000	1,000	
Expenditures/Commitments	0	0	0	0	0	
Recommended Projects						
Burgess Gymnastics Center	4,150,000	0	0	0	0	4,150,000
Burgess Gymnastics Center Equipment	54,000	0	0	0	0	54,000
TOTAL	\$4,204,000	\$0	\$0	\$0	\$0	\$4,204,000
Ending Fund Balance	\$16,850	\$17,850	\$18,850	\$19,850	\$20,850	

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Rec-in-Lieu Fund						
Available Balance	2,375,208	25,208	126,208	69,208	211,208	
Revenues	200,000	141,000	143,000	142,000	145,000	
Expenditures/Commitments	0	0	0	0	0	
Recommended Projects						
Burgess Gymnastics Center	2,050,000	0	0	0	0	2,050,000
Hillview School Fields Renovation/Tinker Park Replacement Project	500,000	0	0	0	0	500,000
Jack Lyle Park Restrooms	0	40,000	200,000	0	0	240,000
TOTAL	\$2,550,000	\$40,000	\$200,000	\$0	\$0	\$2,790,000
Ending Fund Balance	\$25,208	\$126,208	\$69,208	\$211,208	\$356,208	

Sidewalk Assessment						
Available Balance	257,000	233,000	221,000	219,000	226,000	
Revenues	174,000	190,000	200,000	210,000	220,000	
Expenditures/Commitments	18,000	22,000	22,000	23,000	24,000	
Recommended Projects						
Sidewalk Repair Program	180,000	180,000	180,000	180,000	180,000	900,000
TOTAL	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$900,000
Ending Fund Balance	\$233,000	\$221,000	\$219,000	\$226,000	\$242,000	

Storm Drainage Fund						
Available Balance	162,843	172,843	192,843	222,843	352,843	
Revenues	10,000	20,000	30,000	30,000	30,000	
Expenditures/Commitments	0	0	0	0	0	
Recommended Projects						
Middlefield Road Storm Drainage Improvements ¹	0	0	0	0	350,000	350,000
TOTAL	\$0	\$0	\$0	\$0	\$350,000	\$350,000
Ending Fund Balance	\$172,843	\$192,843	\$222,843	\$252,843	\$32,843	

1. Assumes \$100,000 in Proposition 1B funds added to the available balance in FY 14/15.

Projects by Funding Source

Funding Source	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Traffic Congestion Relief						
Available Balance	453,079	463,079	298,079	648,079	513,079	
Revenues	10,000	335,000	350,000	365,000	380,000	
Expenditures/Commitments	0	0	0	0	0	
Recommended Projects						
Street Resurfacing	0	500,000	0	500,000	0	1,000,000
TOTAL	\$0	\$500,000	\$0	\$500,000	\$0	\$1,000,000
Ending Fund Balance	\$463,079	\$298,079	\$648,079	\$513,079	\$893,079	

Traffic Impact Fees						
Available Balance	462,498	243,298	258,298	273,298	188,298	
Revenues	18,000	150,000	150,000	150,000	150,000	
Expenditures/Commitments	187,200	135,000	135,000	135,000	135,000	
Recommended Projects						
Linfield/Middlefield Crosswalk	50,000	0	0	0	0	50,000
Sand Hill Road Signal Interconnect	0	0	0	100,000	0	100,000
TOTAL	\$50,000	\$0	\$0	\$100,000	\$0	\$150,000
Ending Fund Balance	\$243,298	\$258,298	\$273,298	\$188,298	\$203,298	

Water Fund – Capital						
Available Balance	11,165,735	11,615,735	9,086,735	4,827,735	3,091,735	
Revenues	1,020,000	900,000	850,000	800,000	750,000	
Expenditures/Commitments	570,000	129,000	409,000	36,000	38,000	
Recommended Projects						
Water Main Replacements	0	300,000	2,200,000	0	300,000	2,800,000
Emergency Water Supply Project	0	2,500,000	2,000,000	2,000,000	0	6,500,000
Automated Meter Reading	0	500,000	500,000	500,000	0	1,500,000
TOTAL	\$0	\$3,300,000	\$4,700,000	\$2,500,000	\$300,000	\$10,800,000
Ending Fund Balance	\$11,615,735	\$9,086,735	\$4,827,735	\$3,091,735	\$3,503,735	

FISCAL YEAR TOTALS	\$9,788,000	\$12,445,000	\$10,305,000	\$11,195,000	\$8,210,000	\$51,943,000
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Table A.3
Projects by Responsible Department/Division

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Projects by Responsible Department

Responsible Department	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Public Works - Engineering						
Street Resurfacing	200,000	4,770,000	225,000	4,770,000	230,000	10,195,000
Sidewalks on Santa Cruz Avenue	500,000	0	0	0	0	500,000
Sidewalk Repair Program	300,000	300,000	300,000	300,000	300,000	1,500,000
Implement Sidewalk Master Plan	0	100,000	100,000	100,000	100,000	400,000
Streetlight Painting	0	75,000	0	0	75,000	150,000
Streetscape – Overall	0	0	0	0	2,000,000	2,000,000
Streetscape – Haven Avenue	0	0	0	125,000	425,000	550,000
Streetscape – O'Brien Drive	0	100,000	400,000	0	0	500,000
Streetscape – Pierce Road	0	0	100,000	400,000	0	500,000
Streetscape – Willow Road	0	0	0	80,000	250,000	330,000
Administration Building Carpet Replacement	0	0	200,000	0	0	200,000
El Camino Real Tree Planting	0	0	100,000	100,000	0	200,000
LED Streetlight Conversion	254,000	250,000	0	0	0	504,000
Bedwell Bayfront Park Gas Collection System Improvements Study & Conceptual Design	0	80,000	0	0	0	80,000
Onetta Harris Community Center Solar Power Conversion	0	400,000	0	0	0	400,000
Water Main Replacements	0	300,000	2,200,000	0	300,000	2,800,000
Emergency Water Supply Project	0	2,500,000	2,000,000	2,000,000	0	6,500,000
Automated Meter Reading	0	500,000	500,000	500,000	0	1,500,000
Burgess Gymnastics Center	6,200,000	0	0	0	0	6,200,000
Hillview School Fields Renovation/Tinker Park Replacement Project	500,000	0	0	0	0	500,000
Jack Lyle Park Restrooms - Construction	0	0	200,000	0	0	200,000
Belle Haven Pool Improvements	200,000	0	0	0	0	200,000
Seminary Oaks Park Pathway Replacement	0	140,000	0	0	0	140,000
Willow Oaks Dog Park Renovation	0	0	0	50,000	250,000	300,000
Sand Hill Road Pathway Repair	0	0	150,000	0	150,000	300,000
Storm Drain Improvements	150,000	160,000	160,000	175,000	175,000	820,000
Trash Capture Device Installation	50,000	60,000	0	0	0	110,000
<i>Public Works - Engineering Continued on next page</i>						

Projects by Responsible Department

Responsible Department	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Public Works - Engineering (Continued)						
Atherton Channel Flood Abatement	200,000	300,000	2,000,000	0	0	2,500,000
Chrysler Pump Station Improvements	0	0	80,000	320,000	0	400,000
Middlefield Road Storm Drainage Improvements	0	0	0	0	350,000	350,000
Bedwell Bayfront Park Leachate Collection System Replacement	0	0	0	100,000	900,000	1,000,000
Bedwell Bayfront Park Gas Collection System Repair	0	0	100,000	0	0	100,000
City Entry Signage on Willow and Marsh Roads	0	0	0	200,000	0	200,000
Dark Fiber Installation Pilot Project	0	50,000	0	0	0	50,000
Downtown Irrigation Replacement	30,000	120,000	0	0	0	150,000
Downtown Streetscape Improvements	0	0	0	25,000	150,000	175,000
Parking Plaza 7 Renovations	180,000	800,000	0	0	0	980,000
Parking Plaza 8 Renovations	0	0	250,000	1,000,000	0	1,250,000
TOTAL	\$8,764,000	\$11,005,000	\$9,065,000	\$10,245,000	\$5,655,000	\$44,734,000

Projects by Responsible Department

ATTACHMENT A

Responsible Department	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Public Works - Maintenance						
City Buildings (Minor)	250,000	275,000	275,000	300,000	300,000	1,400,000
Administration Building Emergency Generator	0	25,000	170,000	0	0	195,000
Main Library Carpet Replacement	0	175,000	0	0	0	175,000
Main Library Paint Exterior	0	0	0	0	75,000	75,000
Main Library Interior Wall Fabric Replacement	0	0	0	0	150,000	150,000
Little House Roof Replacement	0	175,000	0	0	0	175,000
Menlo Children's Center Carpet Replacement	0	0	0	60,000	0	60,000
Recreation Center Boiler/Fan Replacement	0	0	75,000	0	0	75,000
Belle Haven Child Development Center Carpet Replacement	0	0	50,000	0	0	50,000
Park Improvements (Minor)	110,000	110,000	120,000	120,000	130,000	590,000
Bedwell Bayfront Park Restroom Repair	0	0	0	95,000	0	95,000
Jack Lyle Park Sports Field Sod Replacement	0	0	0	75,000	0	75,000
Belle Haven Pool Boiler/Pumps Replacement	0	50,000	0	0	0	50,000
Chrysler Pump Station Discharge Pipe Replacement	60,000	0	0	0	0	60,000
Haven Avenue Security Lighting	0	50,000	0	0	0	50,000
Neighborhood Computer Lab Improvements	0	0	25,000	0	0	25,000
Downtown Landscaping Improvements	25,000	0	0	0	0	25,000
TOTAL	\$445,000	\$860,000	\$715,000	\$650,000	\$655,000	\$3,325,000

Projects by Responsible Department

Responsible Department	Fiscal Year Project Funding Projection					TOTAL
	2010/11	2011/12	2012/13	2013/14	2014/15	
Public Works - Transportation						
Safe Routes to Hillview School	140,000	0	0	0	0	140,000
Linfield/Middlefield Crosswalk	50,000	0	0	0	0	50,000
Sand Hill Road/Branner Signal Mast Arm Construction	75,000	0	0	0	0	75,000
Downtown Parking Modifications	TBD	0	0	0	0	TBD
High Speed Rail Coordination	200,000	100,000	100,000	100,000	100,000	600,000
Dumbarton Transit Station	0	0	0	0	1,000,000	1,000,000
Willow Road Signal Interconnect	0	300,000	0	0	0	300,000
Willows Areawide Traffic Study Implementation	0	TBD	0	0	0	TBD
Safe Routes to Oak Knoll School	0	40,000	50,000	0	0	90,000
Newbridge Street/Willow Road Traffic Circulation Improvements	0	0	100,000	0	0	100,000
Highway 84/Willow Road Bike/Ped Underpass Connections	0	0	0	100,000	800,000	900,000
Sand Hill Road Signal Interconnect	0	0	0	100,000	0	100,000
El Camino Real/Ravenswood NB Right Turn Lane	0	0	0	0	TBD	TBD
Sand Hill Road Improvements (Addison-Wesley to I280)	0	0	0	TBD	0	TBD
TOTAL	\$465,000	\$440,000	\$250,000	\$300,000	\$1,900,000	\$3,355,000

Community Development (Planning)						
TBD ¹	0	0	0	0	0	0
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0

1. Community Development is in process of developing a long range work plan that will provide projects for future CIPs.

Community Services						
Streetscape – O'Brien Drive	25,000	0	0	0	0	25,000
Burgess Gymnastics Center Equipment	54,000	0	0	0	0	54,000
Jack Lyle Park Restrooms - Outreach & Conceptual Design	0	40,000	0	0	0	40,000
Onetta Harris Community Center Campus Signage	35,000	0	0	0	0	35,000
TOTAL	\$114,000	\$40,000	\$0	\$0	\$0	\$154,000

Projects by Responsible Department

ATTACHMENT A

Fiscal Year Project Funding Projection						
Responsible Department	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Library						
Library RFID Conversion	0	100,000	0	0	0	100,000
TOTAL	\$0	\$100,000	\$0	\$0	\$0	\$100,000
Management Information Systems						
City Facilities Telephone System Upgrade	0	0	275,000	0	0	275,000
TOTAL	\$0	\$0	\$275,000	\$0	\$0	\$275,000
FISCAL YEAR TOTAL	\$9,788,000	\$12,445,000	\$10,305,000	\$11,195,000	\$8,210,000	\$51,943,000

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Appendix B
Overview Schedule of Previously Funded Projects

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**Public Works Department
Project Composite**

Project Name	2009						2010						2011											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Engineering																								
Police/City Service Center																								
Supplemental Emergency Water Supply																								
Atherton Channel Study/Design																								
Water Main Replacement Project																								
Parking Plaza 2 Renovation																								
Sidewalk Repair Program 2007-08																								
Storm Drain Improvements and Cleaning 2007-08																								
Storm Drain Fee Study																								
Library Redesign Projects																								
Citywide Sports Field Study																								
Burgess Gym & Gymnastics Center (EIR & design coordination)																								
Sharon Heights Pump Station Replacement Design																								
Green @ Home Conservation Project																								
Kelly Park Improvements (Environmental document & design)																								
Sidewalk Repair Program 2008-09																								
Street Resurfacing Project 2008-09																								
Reservoirs #1 and #2 Mixers																								
Middlefield Road Storm Drain																								
Utility Undergrounding Study of City Parking Plazas																								
Grant Funding Search for Climate/Energy Coordination																								
Burgess Gymnasium Construction Phase																								
Water Rate Study																								
Reservoir Re-roofing																								
Climate Action Supplemental Research																								
Storm Drain Improvements and Cleaning (2009-10)																								
Commercial Recycling Ordinance																								
Kelly Park Improvements Construction																								
Santa Cruz Sidewalks Construction																								
Street Resurfacing (2009-10)																								
Urban Water Management Plan Update																								
Sidewalk Repair Program (2009-10)																								
Sharon Heights Pump Station Construction																								

Legend

- FY 2006/07 or Prior
- FY 2007/08 or Project Priority
- FY 2008/09 or Project Priority
- FY 2009/10 Project Priority

**Public Works Department
Project Composite**

Project Name	2009						2010						2011											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Transportation																								
School Traffic Trip Reduction Study																								
Transportation Impact Fee Study																								
Study of Sand Hill Road (btw Addison-Wesley and I-280 including Bicycling)																								
Safe Routes to Hillview school Project Implementation																								
Caltrain Bicycle/Pedestrian Undercrossing																								
Ringwood Avenue Bicycle/Pedestrian Overcrossing Improvements																								
Willows Area-Wide Traffic Study																								
Residential Shuttle Service to Menlo Park Caltrain Station (Study)																								
Sidewalk Accessibility Project																								
Sidewalks on Santa Cruz Avenue																								
Downtown Parking Study																								
Safe Routes to Encinal School (Implementation)																								
Alternative School Transportation (Implementation)																								
Safe Routes to Laurel School Implementation																								
Coleman Avenue Bicycle/Pedestrian Improvements (Implementation)																								
Safe Route to Valparaiso Avenue Plan																								
Bike Lane Mitigation Study																								
Middle Ave Bike Lane Feasibility Study																								
High Speed Rail Coordination																								
Maintenance																								
Burgess Park Signage																								
City Buildings-Minor (2007-08)																								
City Buildings-Minor (2008-09)																								
Gate House Fence Repairs																								
City Buildings-Minor (2009-10)																								
Park Improvements-Minor (2009-10)																								
Resurfacing Willow Oaks and Nealon Parks Tennis Courts																								
Onetta Harris Community Center Gym Floor																								
Street Tree Reforestation - Extended Tree Trims																								
<p>Legend</p> <ul style="list-style-type: none"> FY 2009/10 Project Priority FY 2008/09 or Project Priority FY 2007/08 or Project Priority FY 2006/07 or Prior 																								

Appendix C
Index of Non-Funded Project Requests FY 2007/08, 2008/09, 2009/10

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Index of Non-Funded Project Requests FY 2007/08, 2008/09, 2009/10**Streets & Sidewalks*****El Camino Real Streetscape***

Completion of the third and final phase of the El Camino Real Street Tree project. The project consists of installing trees in the median and sidewalks on El Camino Real from Roble Avenue to Oak Grove Avenue. The tree planting portion of this project has been proposed for the FY 2012/13 and 2013/14 funding projections assuming matching funds are available through grants or other sources. Implementation will require coordination with any projects that result from the El Camino Real/Downtown Specific Plan.

Estimated Cost: \$700,000 (FY 2008/09)

Source: Staff

Sidewalk Accessibility Installations

This project involves the installation of new curb, gutters, and sidewalks where the sidewalk is missing and there are gaps between existing sidewalks in the public right-of-way. The project will also make ADA-related accessibility improvements to sidewalks and facilities. This project is not recommended this year, pending the completion of the Citywide Sidewalk Master Plan, but will be recommended next year.

Estimated Cost: \$80,000 (FY 2007/08)

Source: Staff

City Buildings***Council Chambers Upgrade***

This project was intended to improve the Council Chambers technology configuration so that it is more conducive to better communication among the Council, the public and staff. The project was initially funded in fiscal year 2007-08. Some of the initial (\$48,250) funding was used to develop options for the upgrade, purchase certain furniture additions, and upgrade the operator's room to enable the digital recording of meetings. Funding of the project was retracted and the project was deferred with the budget revisions made for fiscal year 2009-10 in February.

The facility can be improved in a number of ways, but a substantial renovation of the chambers audio-visual capabilities would be much more costly than could have been provided with the remaining \$45,000. Recent estimates call for \$120,000 to supply switching equipment, monitors and large-screen projection equipment, the preferred solution initially considered.

Estimated Cost: \$120,000 (FY 2007/08, 2010/11)

Source: Council, Staff

Traffic & Transportation**Bicycle-Related*****Bay Road Bike Lane Improvements***

This project would study the feasibility and implementation of moving the existing bike lane away from the trees on the Atherton side of Bay Road between Ringwood Avenue and Marsh Road. Staff has determined that the roadway width is too narrow to make the requested improvements for this project.

Estimated Cost: N/A

Source: Bicycle Commission

Bike Safety Event

This project would use the Street Smartz public education safety campaign program along with Safe Moves safety education classes to coordinate a bicycle and walking-to-school safety event. This project would work in conjunction with the Safe Routes to School programs for Encinal, Laurel, and Oak Knoll Elementary Schools.

Estimated Cost: \$18,000 (FY 2008/09, FY 2009/10)

Source: Bicycle Commission

Bike Lane Parking Study

This project would review all the bike lanes throughout the City to study whether there is sufficient room for parking without impeding into the bike lane. If there is not sufficient room, analyze the impact of remaining parking and possibly install restrictions in areas where none exist.

Estimated Cost: \$30,000 (FY 2008/09)

Source: Bicycle Commission

Study of Ordinance to Require Bike Parking in City Events

This project would investigate the potential to create an ordinance requiring bicycle parking facilities at all outdoor city events (such as block parties, art/wine festivals, 4th of July events, music in the park series, etc.). The city policy would provide bike parking facilities and publicize this option to participants. Outside groups using city or public facilities for public events (e.g. Chamber of Commerce) would also be required to provide these same services. The city ordinance shall have some means of recognizing or rewarding (by city certificate or resolution) those events which provide exceptional bicycle parking service.

Estimated Cost: \$15,000 (FY 2009/10)

Source: Bicycle Commission

Willow Road Bike Lane Study

This project would study the area on Willow Road between O'Keefe and Bay Road to assess what would be needed to install bike lanes in both directions. (The 101/ Willow Road interchange is currently in the environmental review stage.)

Estimated Cost: \$70,000 (FY 2008/09)

Source: Bicycle Commission

Schools

None.

Shuttles***Study Possible Improvements to Menlo Park's Free Shuttle Service***

This is a project to review the shuttle service and what incremental improvements and expansion of scope might be possible and appropriate.

Estimated Cost: \$50,000 (FY 2009/10)

Source: Transportation Commission

Study – Shuttle Bus Expansion for Student-School-Busing Use

This is a study to evaluate and analyze the use of City shuttle buses to pick up and drop off students at their schools, thereby reducing vehicular traffic throughout the City and at school sites in particular. This could be subject to other regulations because of school bus requirements that may not allow City shuttle buses to be used for that purpose.

Estimated Cost: \$95,000 (FY 2008/09)

Source: Transportation Commission

Shuttle Expansion Study

This study is to identify how the City shuttle services may be expanded to meet the needs and desires of the residents and businesses of Menlo Park. This study would not include specific school bus routes.

Estimated Cost: \$125,000 (FY 2008/09)

Source: Transportation Commission

Miscellaneous Traffic and Transportation***Downtown Parking Structures - A Feasibility Study***

This project will conduct a cost, site, and circulation feasibility study of installing parking one or more parking structures on City parking plazas near El Camino Real.

Estimated Cost: \$75,000 (FY 2009/10, FY 2007/08)

Source: Transportation Commission

El Camino Real Lane Reconfiguration - A Feasibility Study

A traffic study to determine the level of service at the intersections on El Camino Real when a third through lane is added for both the northbound and southbound directions between Encinal Avenue and Live Oak. The study will include the impacts of removing the on-street parking on El Camino Real.

Estimated Cost: \$75,000 (FY 2007/08, FY 2009/10)

So Source: Transportation Commission

Installation of Pedestrian Audible Signal on El Camino Real at Santa Cruz Avenue

This project will install a pedestrian audible signal on El Camino Real at Santa Cruz Avenue. (Caltrans will be upgrading signals along El Camino Real over the next two years; this project could be considered at a later date as part of that project.)

Estimated Cost: \$20,000 (FY 2007/08)

Source: Transportation Commission

Wayfinding Signage Phase II

The first phase of the wayfinding bicycle signage in the Willows neighborhood is complete. The signs, attached to pre-existing sign posts, point to destinations such as the pedestrian bridge to Palo Alto, downtown, and Burgess Park. This is the next phase to this project as indicated in the bicycle development plan. This will include another neighborhood, an east/west cross-city route, and/or routes to schools.

Estimated Cost: \$15,000 (FY 2009/10)

Source: Bicycle Commission

Willow Oaks Park Path Realignment

This project would study the entrance to Willow Oaks Park at Elm Street to add a bike path adjacent to the driveway to East Palo Alto High School.

Estimated Cost: \$18,000 (FY 2008/09)

Source: Bicycle Commission

Willow Road Traffic Study

This project would study the causes of traffic congestion on Willow Road and would propose and evaluate possible remedies. This project does not include any type of construction improvements on Willow Road. (This is currently analyzed in conjunction with the Gateway 2020 Corridor Study, and the City has partial funding for implementing an adaptive traffic signal system on Willow Road.)

Estimated Cost: \$70,000 (FY 2007/08, FY 2008/09)

Source: Transportation Commission

Environment***Increase Tree Planting***

Increase tree planting efforts citywide to increase tree planting by 50% greater than in 2008-09. This would result in 50 additional new trees being planted.

Estimated Cost: \$15,000 (FY 2009/10)

Source: Environmental Quality Commission (Climate Action Plan Strategy)

Climate Smart

Climate Smart is a carbon dioxide offset program PG&E offers its customers to achieve climate neutrality. The City began purchasing offset credit through the program in 2008. Continued participation in Climate Smart offsets the greenhouse gas emission from all of the City's gas and electric usage in City facilities.

Estimated Cost: \$18,000 (FY 2009/10)

Source: Staff (Climate Action Plan Strategy)

Water Efficient Plumbing Fixture Upgrades

This project will evaluate, prioritize, and install water efficient fixtures (e.g. low flow toilets, sensor activated faucets, etc.) in City-owned buildings.

Estimated Cost: \$50,000 (FY 2009/10)

Source: Staff (Climate Action Plan Strategy)

Suburban Park Streetlight Conversion

Take streetlights in the Suburban Park area off the high-voltage PG&E system and convert to low-voltage parallel-wiring system.

Estimated Cost: \$100,000 (FY 2008/09)

Source: Staff

Canopy Tree-Planting and Education Project

Under contract with the City, Canopy, a local non-profit organization, would recruit and train volunteers to plant up to 100 trees along streets and in parks. Planting locations and trees will be provided by the City. Canopy will also conduct a public education program about urban forestry, including tree steward workshops, presentations to neighborhood groups, a tree walk, and printed and website information. Canopy will also advise the City on reforestation grant opportunities. Canopy has carried out similar programs with the cities of Palo Alto and East Palo Alto (www.canopy.org). The project was recommended by the Environmental Quality Commission again for FY 2011/12, but was not included in the projects listed for that year due to the volume of projects currently listed and the labor intensive nature of this project.

Estimated Cost: \$55,000 (FY 2008/09)

Source: Environmental Quality Commission & Green Ribbon Citizens Committee

Water System

None.

Parks & Recreation***Burgess Gymnastics Center Construction***

This project will involve the construction of the new Burgess Gymnastics Center to replace the existing Gymnastics Center and old Burgess Gymnasium at the same location. The conceptual design was completed in FY 2008/09 and the Environmental Impact Report (EIR) was completed and certified in FY 2009/10. Anticipated funding sources include remaining Measure T funds and Rec-in-Lieu funds.

Estimated Cost: \$13,000,000 (FY 2009/10)

Source: Parks & Recreation Commission

Recreation Center HVAC

The project consists of installing air conditioning in the Burgess Recreation Center. Currently the building does not have air conditioning, and during hot days the building becomes uncomfortable for participants and staff using the facilities. The air conditioning system would be designed for reuse if the building were remodeled as part of Measure T work.

Estimated Cost: \$250,000 (FY 2007/08)

Source: Staff

Comprehensive Planning Projects & Studies***Development and Implementation of an Economic Vitality Element***

Develop and implement an Economic Vitality Element as a part of the General Plan in order to update the City's strategy for maintaining fiscal health and economic vitality.

Estimated Cost: \$130,000 (FY 2007-08)

Source: Staff

Fiscal Impact Analysis Policy and Guidelines

Development of policies and procedures for conducting fiscal impact analyses related to development projects.

Estimated Cost: \$57,500 (FY 2008/09)

Source: City Council

Housing Element Update

The Housing Element is a policy document that provides direction on the provision of housing in the City. Regular updates of the Housing Element are mandated by State law. The update includes identification of potential housing sites, background report, goals and policies, rezoning of property and environmental review. Deferred in 2008/09 mid-year update.

Estimated Cost: \$300,000 (FY 2009/10)

Source: Staff

Develop Program for Streamlined Processing of Sustainable Development

Building on the current practice of providing educational materials on sustainable building to the public, develop a program to establish building permit processing timelines for residential and commercial buildings, adopt green building standards, and establish a streamlined review process for development projects that meet the adopted green building standards.

Estimated Cost: \$45,000 (FY 2008/09)

Source: Planning Commission & Green Ribbon Citizens Committee (GRCC)

Modify Single Family Residential Zoning Standards and Review Process

Development of modified standards, design guidelines, and/or review processes for single-family residential development. Moving forward would require further Council direction on the purpose and focus of the project.

Estimated Cost: \$300,000 (FY 2008/09)

Source: City Council & Planning Commission

Stormwater

None.

Other/Miscellaneous***City Gateway Signage***

The project will include installing gateway signage at four locations entering Menlo Park. The proposed locations are Sand Hill Road, Bayfront Expressway, and northbound and southbound El Camino Real. The proposed signage would be similar in style to the sign at Laurel Street and Burgess Drive and would include uplights.

Estimated Cost: \$250,000 (FY 2007/08, FY 2009/10)

Source: City Council

Library Website Access Improvement

Library users expect to access to information quickly, easily and accurately. The current library website provides very limited access to program information and electronic resources. A more graphical, dynamic website would engage all segments of the community and would improve access to non-native English speakers, children and the elderly. It is essential to the Library's mission to create a web portal that more effectively promotes library services and resources. Project would cover start-up costs for a consultant to design and implement a new web portal. Library staff will continue the maintenance of the site as part of regular library outreach to the community. Project was funded in the 2008-09 adopted budget but was deferred via mid-year budget adjustments.

Estimated Cost: \$6,500 (FY 2009/10)

Source: Staff

Water Usage and Conservation Awareness Collection and Programs

Funds would establish a collection of materials on the topic of water conservation. Two to three talks and demonstrations on water conservation related topics will be organized by staff. Funds will be used for the selection, purchase and cataloging of materials and for expenses associated with organizing events.

Estimated Cost: \$7,000 (FY 2009/10)

Source: Library Commission

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Appendix D
Descriptions of Projects Proposed for FY 2011/12 through FY 2014/15

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Descriptions of Projects Proposed for FY 2011/12 through 2014/15

Streets and Sidewalks

Implement Sidewalk Master Plan	2011/12	This project will involve constructing new sidewalk in areas with priority needs as identified in the Sidewalk Master Plan.
Streetlight Painting	2011/12	This recurring project involves repainting streetlight poles and arms to preserve their appearance. Streetlight painting was last performed during FY 2008/09.
Streetscape - O'Brien Drive	2011/12	This project will involve conceptual design, engineering and construction of street resurfacing work, and will potentially involve landscaping, lighting or other improvements along O'Brien Drive.
Streetscape - Pierce Road	2012/13	This project will involve conceptual design, engineering and construction of street resurfacing work, and will potentially involve landscaping, lighting or other improvements along Pierce Road.
Streetscape - Haven Avenue	2013/14	This project will involve conceptual design, engineering and construction of street resurfacing work, and will potentially involve landscaping, lighting or other improvements along Haven Avenue.
Streetscape - Willow Road	2013/14	This project will involve conceptual design, engineering and construction of street resurfacing work, and will potentially involve landscaping, lighting or other improvements along Willow Road.
Streetscape - Overall (RDA)	2013/14	This project will involve conceptual design, engineering and construction of street resurfacing work, and will potentially involve landscaping, lighting or other improvements along various streets throughout the Redevelopment Area.

Descriptions of Projects Proposed for FY 2011/12 through 2014/15

City Buildings

Administration Building Carpet Replacement	2011/12	The project will replace the carpet of the administration building. The carpets were installed as part of the administration building remodel in 1998. Areas of the carpet are showing wear and have permanent stains.
Administration Building Emergency Generator	2011/12	The project will replace the existing emergency generator at the administration building that provides emergency power to the administration building when power from PG&E is temporarily lost. The existing generator is over 25 years old and is essential to the operation of the police dispatch and other City services during an emergency.
Main Library Carpet Replacement	2011/12	The project will replace the carpet in the Library. The work would not begin until the completion of the main entry way lobby remodeling project. The existing carpet is showing significant patterns of wear in high travel areas and separation at seams. The existing carpet was installed in 1991.
Main Library Paint Exterior	2014/15	The project will consist of painting the exterior of the Library. The exterior of the library was last painted in the early 1990's.
Main Library Interior Wall Fabric Replacement	2014/15	The project will consist of replacing the interior wall fabric of the main Library. The interior wall finishes of the Library are starting to get worn and the seams are beginning to separate. This was installed in 1991.
Little House Roof Replacement	2011/12	The project will replace the roof at the Little House. The existing roof is showing signs of wear and as part of an agreement with Peninsula Volunteers the City is responsible for the replacement of the roof.
Menlo Children's Center Carpet Replacement	2013/14	The project will replace the carpet of the Menlo Children's Center. Due to the extensive use of the facility and the wear and tear of the facility, the carpets will need to be replaced. The existing carpets were installed when the building was remodeled in 2006.
Recreation Center Boiler/Fan Replacement	2012/13	The project will replace the boiler and fan at the Burgess Recreation Center. The existing boiler and fan are original units of the building and replacement parts are difficult to find.
Belle Haven Child Development Ctr. Carpet Replacement	2012/13	The project will replace the carpet at the Belle Haven Child Development Center. Due to the extensive use of the facility and the wear and tear of the facility, the carpets will need to be replaced.
Belle Haven Pool Boiler/Pumps Replacement	2011/12	The project will include the replacement of the boiler and pump for the Belle Haven pool. The boiler and pump were installed in the mid 1970's and therefore, it is necessary to replace the aging equipment.

Descriptions of Projects Proposed for FY 2011/12 through 2014/15

Traffic & Transportation

Dumbarton Transit Station	2014/15	This project could involve siting and conceptual design of a transit station to serve the future Dumbarton Rail. The scope of work will be further defined as the regional planning effort evolves.
Willow Road Signal Interconnect	2011/12	This project will comprise of installing either wireless or wired interconnect along the traffic signals on Willow Road between Middlefield Road and Durham Road/Entrance to VA Hospital to establish communication and adaptive coordination between these signals for more efficient traffic flow.
Willows Area-wide Traffic Study Implementation	2011/12	This project will implement neighborhood traffic management or traffic calming measures that will be approved in conjunction with the Willows Area wide Traffic Study.
Safe Routes to Oak Knoll School	2011/12	This project will conduct further traffic study to improve the pedestrian and bicycle routes to Oak Knoll School and encourage more school children to walk or bike to school.
Newbridge Street/Willow Road Traffic Circulation Improvements	2012/13	This project will evaluate the intersection of Newbridge Street and Willow Road for proposed improvements for better traffic circulation at the intersection.
Sand Hill Road Signal Interconnect	2013/14	This project will comprise of installing either wireless or wired interconnect along the traffic signals on Sand Hill Road between Santa Cruz Avenue and Addison Wesley to establish communication and adaptive coordination between these signals for more efficient traffic flow.
Highway 84/Willow Bike/Ped Underpass Connections	2013/14	This project would involve using the existing, but closed, tunnel beneath the Highway 84 at Willow Road for a bicycle/pedestrian undercrossing as described in the Menlo Park Comprehensive Bicycle Master Plan.
El Camino Real/Ravenswood NB Right Turn Lane	2014/15	This project will comprise of converting the existing NB Right Turn Lane to the third NB Through Lane and adding a NB Right Turn Lane
Sand Hill Road Improvements (Addison/Wesley to I280)	2013/14	This project will implement traffic improvements that will approved in conjunction with the Sand Hill Road between Addison Wesley and I-280 Traffic Study.

Environment

El Camino Real Tree Planting		This project would involve planting new trees along El Camino Real in both median and sidewalk areas in coordination with the El Camino Real/Downtown Specific Plan implementation. Funding levels assume matching funds are available through grants or other sources.
Bedwell Bayfront Gas Collection System Improvements Study & Conceptual Design	2011/12	This project will involve a preliminary study to identify the potential for improving the gas collection rate, followed by the preparation of one or more conceptual designs for system improvements that are deemed feasible.
Onetta Harris Community Center Solar Power Conversion	2011/12	This project will result in serving energy needs at the Onetta Harris Community Center, including heating the Belle Haven pool, from on-site solar photovoltaic panels.

Descriptions of Projects Proposed for FY 2011/12 through 2014/15

Water System

Water Main Replacements	2011/12	This recurring project involves replacements and improvements to the Menlo Park Municipal Water District's distribution system. The locations of work are determined through maintenance records and as needed to support other major capital projects such as the emergency water supply project.
Emergency Water Supply Project	2011/12	This project will involve developing up to three emergency standby wells to provide continuing water supply to the Menlo Park Municipal Water District's eastern service area. An emergency water supply would be needed in the event of an outage of the SFPUC Hetch Hetchy system.
Automated Meter Reading	2011/12	This project will involve selecting appropriate technology then installing automated meter reading infrastructure for the Menlo Park Municipal Water District.

Parks & Recreation

Bedwell Bayfront Park Restroom Repair	2013/14	The project will replace the sewage ejector pump and the exterior siding. The existing sewage ejector pump breaks down constantly and an alternative design needs to be evaluated. The exterior of the restrooms is a composite material and is showing cracks. The restroom was built in 1996.
Jack Lyle Park Restrooms	2011/12	This project will involve engaging the neighboring community in developing a conceptual design, then constructing restrooms at Jack Lyle park.
Jack Lyle Park Sports Field Sod Replacement	2013/14	The project will consist of removing the existing sod, adjusting the irrigation system and installing new sod. The field has had to annually be patched with new sod due to wear which has created irregular grades in the field. The existing field was built in 2002.
Seminary Oaks Park Pathway Replacement	2011/12	This project will involve removal of the existing decomposed aggregate paths at Seminary Oaks Park and replacing them with sturdier, low maintenance material such as concrete to improve safety and reduce ongoing maintenance costs.
Willow Oaks Dog Park Renovation	2013/14	This project will include a scoping and design phase in FY 2013/14, then construction in FY 2014/15 of upgrades and replacement at the Willow Oaks Dog Park.

Comprehensive Planning Studies

N/A		
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Stormwater

Chrysler Pump Station Improvements	2013/14	This project will involve design (FY 2012/13) and construction (2013/14) of upgrades to the aging equipment at the Chrysler Pump Station.
Middlefield Road Storm Drainage Improvements	2014/15	This project involves design of a storm drainage system to address flooding on Middlefield Road from San Francisquito Creek to Ravenswood Avenue.

Descriptions of Projects Proposed for FY 2011/12 through 2014/15

Other / Miscellaneous

Bedwell Bayfront Park Leachate Collection System Replacement	2013/14	This project will involve repairs and upgrades to the existing leachate collection system that the City is required to maintain at the former landfill site at Bedwell Bayfront Park.
Bedwell Bayfront Park Gas Collection System Repair	2012/13	This project will address repairs that may be needed as part of routine maintenance to the gas collection system serving the former landfill at Bedwell Bayfront Park. This project will be scoped in more detail following completion of the FY 2011/12 Gas Collection System Improvements Study and Conceptual Design project.
City Entry Signage on Willow and Marsh Roads	2013/14	These arterials are the two primary gateways into Menlo Park from the Easy Bay. Providing "Welcome to Menlo - Habitat for Innovation" signage identifies the entry point to our City, positions the City as a friendly place to be, and furthers the City's brand as a desirable place to live, work, and play.
City Facilities Telephone Systems Upgrade	2012/13	The existing telephone system throughout City facilities has aged significantly and is in need of upgrades. This project will accomplish the needed system repairs and replacements to ensure efficiency and reliability.
Dark Fiber Installation Pilot Project	2011/12	Optical fiber is the preferred broadband access medium for companies seeking lab and office space in the Silicon Valley. Menlo Business Park and Willow Business Park (soon to be called Menlo Science & Technology Center) already have limited deployment of this highly sought after capability. These funds will enable the City to initiate a planning effort to determine how the existing fiber network can be extended further in the City's industrial subareas.
Downtown Streetscape Improvements	2013/14	This project will involve engaging the downtown community in the development of conceptual designs (FY 2013/14), engineering design and construction (FY 2014/15) of roadway, landscaping and lighting improvements in the downtown area.
Haven Avenue Security Lighting	2011/12	The project consists of installing additional street lights along Haven Avenue to improve visibility and security for businesses along Haven Avenue.
Library RFID Conversion	2011/12	This project involves converting all materials, both books and media, to a new inventory control system which replaces barcode scanning with a radio signal (RFID) system to improve security and inventory control, increase staff productivity and reduce repetitive motion injuries. The conversion project will include the RFID tags, conversion of the self-check stations, staff workstations and new security gates.
Neighborhood Computer Lab Improvements	2012/13	This project would provide upgrades to the six donated computer stations at the Onetta Harris Community Center. The current lab serves the after school program as well as a group of young people being trained in computer repair and maintenance to serve the neighborhood.
Parking Plaza 8 Renovations	2012/13	This project consists of design and construction of needed improvements at Parking Plaza 8 including landscaping, lighting, storm drainage and asphalt pavement rehabilitation.
Sand Hill Road Pathway Repair	2012/13	This project will involve the design and installation of repairs and improvements to the asphalt concrete path along Sand Hill Road.

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Appendix E
Proposed Projects for FY 2010/11

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Table E.1 – New Capital Projects Summary FY 2010/11

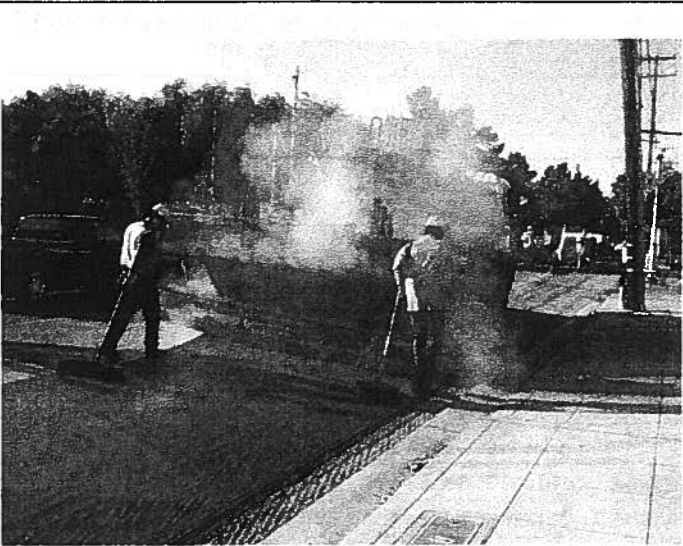
New Capital Projects	FY 2010/11 Budget	5-Year Total Budget
Sidewalks on Santa Cruz Avenue	500,000	500,000
Streetscape – O'Brien Drive	25,000	525,000
Safe Routes to Hillview School	140,000	140,000
Linfield/Middlefield Crosswalk	50,000	50,000
Sand Hill Road/Branner Signal Mast Arm Construction	75,000	75,000
Downtown Parking Modifications	TBD	TBD
High Speed Rail Coordination	200,000	200,000
LED Streetlight Conversion	254,000	504,000
Burgess Gymnastics Center	6,200,000	6,200,000
Burgess Gymnastics Center Equipment	54,000	54,000
Hillview School Fields Renovation/Tinker Park Replacement Project	500,000	500,000
Belle Haven Pool Improvements	200,000	200,000
Onetta Harris Community Center Campus Signage	35,000	35,000
Trash Capture Device Installation	50,000	110,000
Atherton Channel Flood Abatement	200,000	2,500,000
Downtown Irrigation Replacement	30,000	150,000
Downtown Landscaping Improvements	25,000	25,000
Parking Plaza 7 Renovations	180,000	980,000

Table E.2 – Maintenance of Current Infrastructure Projects Summary FY 2010/11

Maintenance of Current Infrastructure	FY 2010/11 Budget	5-Year Total Budget
Street Resurfacing	200,000	10,195,000
Sidewalk Repair Program	300,000	1,500,000
City Buildings (Minor)	250,000	1,400,000
Park Improvements (Minor)	110,000	590,000
Storm Drain Improvements	150,000	820,000
Chrysler Pump Station Discharge Pipe Replacement	60,000	60,000

Street Resurfacing

This ongoing project will include the detailed design and selection of streets to be resurfaced throughout the City during Fiscal Year 10/11. This project will utilize the City's Pavement Management System (PMS) to assess the condition of existing streets and assist in the selection process. The Construction Phase of the project will begin Fiscal Year 2011/12.




	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund-CIP	-	2,000,000	-	2,000,000	-	4,000,000
Construction Impact Fee	-	1,000,000	-	1,000,000	-	2,000,000
Highway User Tax	200,000	1,000,000	225,000	1,000,000	230,000	2,655,000
Measure A	-	270,000	-	270,000	-	540,000
Traffic Congestion Relief	-	500,000	-	500,000	-	1,000,000
Subtotal	200,000	4,770,000	225,000	4,770,000	230,000	10,195,000

Sidewalks on Santa Cruz Avenue


This project will involve construction of the first phase of new sidewalk improvements on portions of Santa Cruz Avenue near downtown. Conceptual design for Phase 1 of the project was funded in Fiscal Year 2009/10.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund-CIP	500,000	-	-	-	-	500,000
Sub-total	500,000	-	-	-	-	500,000

<p>Sidewalk Repair Program</p> <p>This ongoing project consists of removing hazardous sidewalk offsets and replacing sidewalk sections that have been damaged by City tree roots in order to eliminate trip hazards.</p>	
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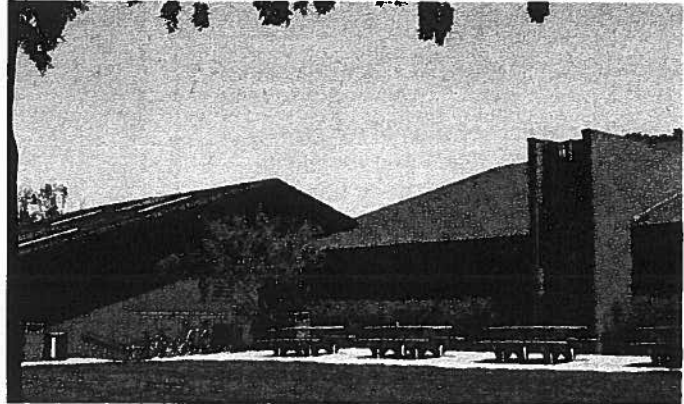
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund CIP	120,000	120,000	120,000	120,000	120,000	600,000
Sidewalk Assessment	180,000	180,000	180,000	180,000	180,000	900,000
Sub-total	300,000	300,000	300,000	300,000	300,000	1,500,000

<p>Streetscape – O’Brien Drive</p> <p>This project will result in the construction of streetscape improvements along O’Brien Drive. Phase 1 of the project will involve outreach to impacted businesses and neighboring property owners. Subsequent phases will include conceptual design, engineering and construction of improvements.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
CDA Non-Housing	25,000	100,000	400,000	-	-	525,000
Sub-total	25,000	100,000	400,000	-	-	525,000

City Buildings (Minor)

This ongoing project was established in Fiscal Year 2004/05. Projects programmed on an annual basis include minor improvements that extend the useful life of systems and equipment in City Buildings. The FY 2010/11 project will include \$100,000 for solar photovoltaic panels to be installed at the City's Corporation Yard building (deferred during FY 2009/10 mid-year budget adjustments).



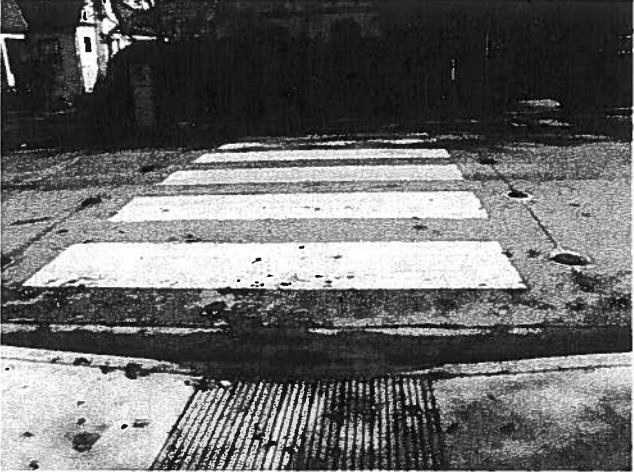
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund – CIP	250,000	275,000	275,000	300,000	300,000	1,400,000
Sub-total	250,000	275,000	275,000	300,000	300,000	1,400,000

Safe Routes to Hillview School

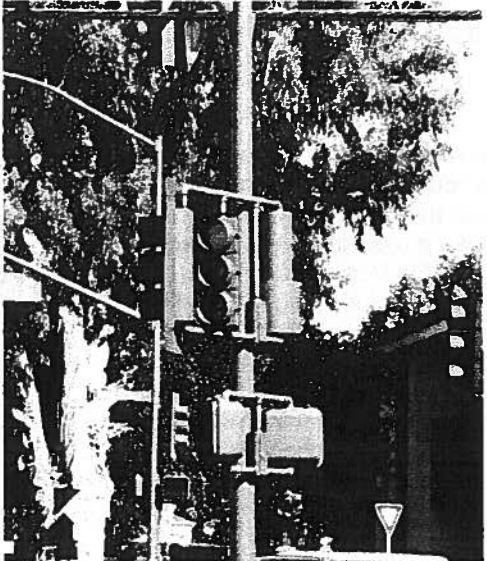
This is a project to install solar wireless in-pavement lighted crosswalks at the intersections of Santa Cruz Avenue with Elder Avenue, Cotton Street, and San Mateo Drive, to encourage and make safer walking and bicycling for the Hillview Middle School children. This project is funded through a Federal Safe Routes to School grant.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Measure A	140,000	-	-	-	-	140,000
Sub-total	140,000	-	-	-	-	140,000

<p>Linfield/Middlefield Crosswalk</p> <p>This is a project to relocate the existing marked crosswalk on Middlefield Road to the northerly leg and enhance this new crosswalk with red pigmented "tyre-grip" material and a solar wireless in-pavement lighted crosswalk system, in conjunction with making the crossing on Middlefield Road at Linfield Drive safer for pedestrians and bicyclists.</p>	
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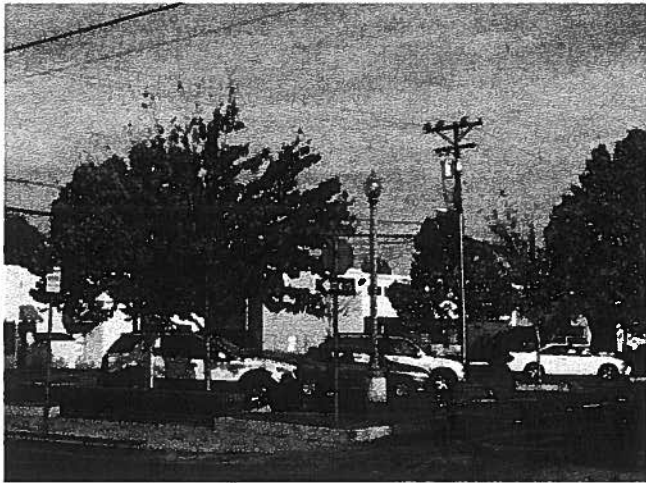
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Traffic Impact Fees	50,000	-	-	-	-	50,000
Sub-total	50,000	-	-	-	-	50,000

<p>Sand Hill Road/Branner Signal Mast Arm Construction</p> <p>This project consists of a signal mast arm extension at the intersection of Sand Hill Road and Branner. The improvement will increase the safety of the intersection by extending the sight distance for motorists.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Measure A	75,000	-	-	-	-	75,000
Sub-total	75,000	-	-	-	-	75,000

Downtown Parking Modifications

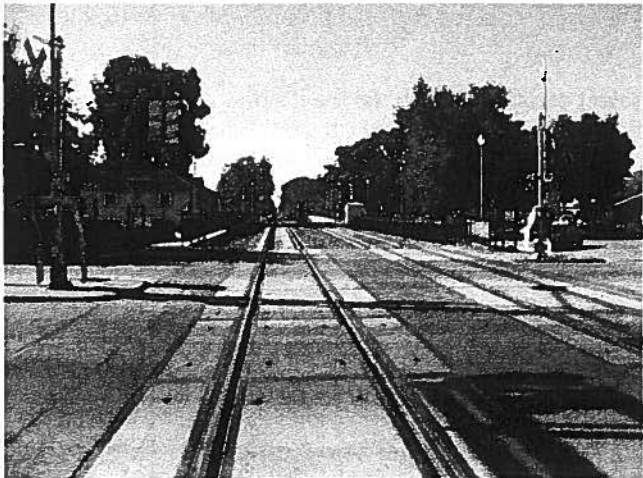
The project will implement the parking management measures approved in conjunction with the Downtown Parking Study. These parking management measures may include 1) modifying the existing timed parking restrictions in Downtown streets and some of the parking plazas; 2) modifying the current system of annual parking permits available to business owners and employees; 3) installing parking payment equipment in some of the parking plazas to facilitate time extension beyond the length of the parking restriction.



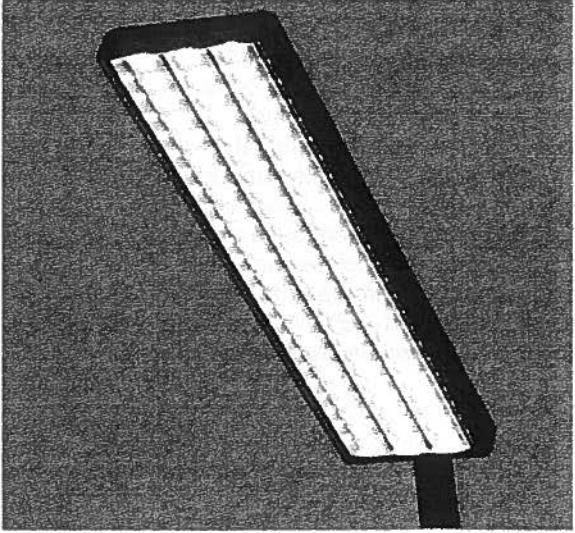
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Measure A	<i>TBD</i>	-	-	-	-	<i>TBD</i>
Sub-total	<i>TBD</i>	-	-	-	-	<i>TBD</i>

High Speed Rail Coordination


The California High Speed Rail Bay Area to Central Valley route is being planned along the existing Caltrain tracks through the City of Menlo Park. This project involves City staff coordination with the Peninsula Cities Coalition, neighboring jurisdictions, the High Speed Rail Authority and elected officials to protect the City's interests during the planning and implementation stages of the California High Speed Rail project. Funding will be used for technical expertise and consulting support.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund CIP	200,000	100,000	100,000	100,000	100,000	600,000
Sub-total	200,000	100,000	100,000	100,000	100,000	600,000

<p>LED Streetlight Conversion</p> <p>This project will retrofit City streetlights with energy efficient LED streetlights. \$164,000 of the project would be funded by an Energy Efficient Block grant, with the remaining funds coming from the RDA. Funds in the amount of \$160,000 were appropriated during FY 2009/10 to begin the first phase of this project for a total of \$500,000 in CDA Non-Housing funds over the life of this project.</p>	
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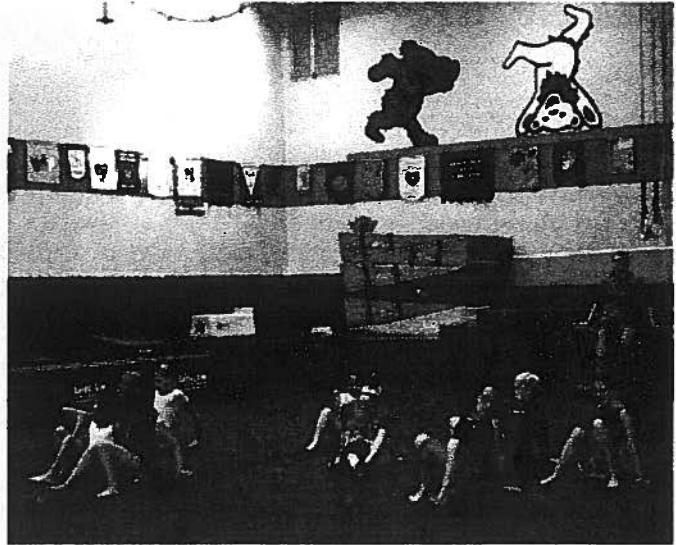
	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund – CIP	164,000	-	-	-	-	164,000
CDA Non-Housing	90,000	250,000				340,000
Sub-total	254,000	250,000	-	-	-	504,000

<p>Park Improvements (Minor)</p> <p>This project addresses minor improvements to parks, such as repairing fences, backstops, pathways, adding fiber and sand to play equipment, periodically replacing benches and trash cans, resodding portions of fields and replacing portions of irrigation systems. This ongoing project was established in Fiscal Year 2004/05.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund-CIP	110,000	110,000	120,000	120,000	130,000	590,000
Sub-total	110,000	110,000	120,000	120,000	130,000	590,000

Burgess Gymnastics Center

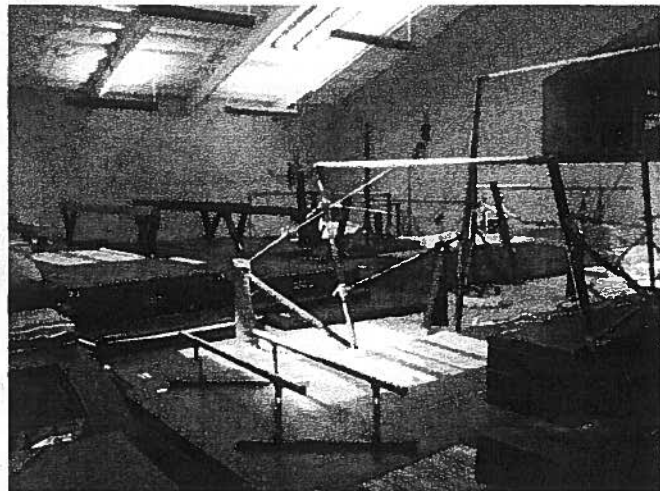
This project involves the demolition of the existing Gymnastics Center and Burgess Gymnasium and construction of a new Gymnastics Center in approximately the same footprint. This new project will also be funded in large part by donation from Mr. John Arrillaga. The City will complete site work such as utility installation and obtaining architectural approval and building permits. Environmental approval was obtained as part of the EIR that included the Arrillaga Family Gymnasium (currently under construction).



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Measure T	4,150,000	-	-	-	-	4,150,000
Rec-in-Lieu	2,050,000	-	-	-	-	2,050,000
Sub-total	6,200,000	-	-	-	-	6,200,000

Burgess Gymnastics Center Equipment

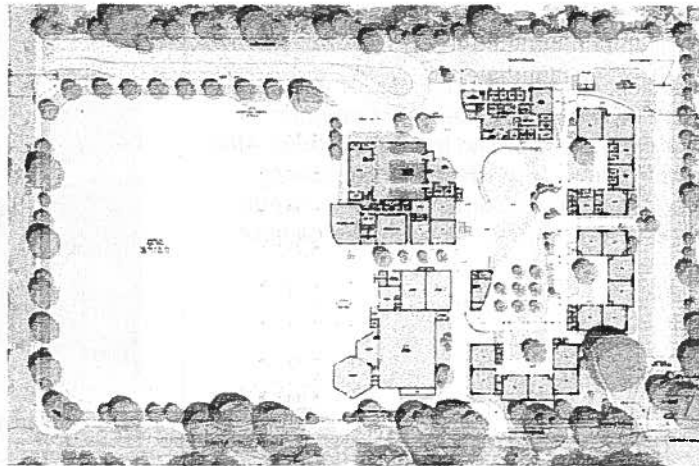
This project involves purchasing gymnastics equipment to expand the gymnastics programs. With this equipment, the gymnastics program will be able to expand classes and add programs such as training for older children, cheerleading, dance, martial arts and more in a safe environment. Equipment needed includes a 40' x 40' spring exercise floor, foam and padding to surround the existing equipment on the gym floor, and uneven bars.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Measure T	54,000	-	-	-	-	54,000
Sub-total	54,000	-	-	-	-	54,000

Hillview School Fields Renovation/Tinker Park Replacement Project

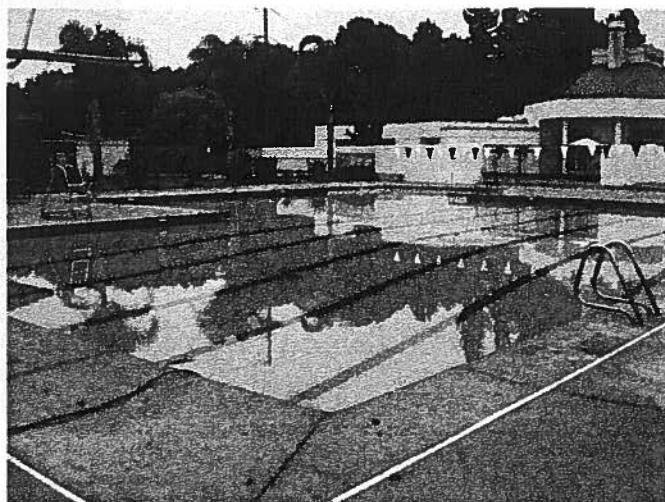
This project will provide funding for the synthetic turf athletic field renovation and Tinker Park replacement that will occur with the Hillview School reconstruction project.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Rec-in-Lieu	500,000	-	-	-	-	500,000
Sub-total	500,000	-	-	-	-	500,000

Belle Haven Pool Improvements

This project will provide upgrades to the pool surfacing (lining) and miscellaneous mechanical pool equipment to lengthen the facility's serviceable life.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
CDA Non-Housing	200,000	-	-	-	-	200,000
Sub-total	200,000	-	-	-	-	200,000

Onetta Harris Community Center Campus Signage

This project will provide signage for all of the facilities on the Onetta Harris Community Center campus including the Belle Haven After School Program, Belle Haven Pool, Senior Center, Community Center and other needed signage to help visitors navigate the campus.




	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
CDA Non-Housing	35,000	-	-	-	-	35,000
Sub-total	35,000	-	-	-	-	35,000

Storm Drain Improvements


This ongoing project will implement improvements that were identified in the Storm Drain Master Plan as high priority.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund - CIP	150,000	160,000	160,000	175,000	175,000	820,000
Sub-total	150,000	160,000	160,000	175,000	175,000	820,000

<p>Trash Capture Device Installation</p> <p>This project will install multiple trash capture devices throughout the City that remove solid trash and debris from the City's storm water system. The installation of these devices will put the City in compliance with the Municipal Regional Permit for stormwater discharge.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund – CIP	50,000	60,000	-	-	-	110,000
Sub-total	50,000	60,000	-	-	-	110,000

<p>Atherton Channel Flood Abatement</p> <p>For 2010/2011 fiscal year, the Atherton Channel Flood Abatement project will be in the preliminary design phase and environmental review. The project will improve the drainage channel conditions in order to prevent systemic flooding from Atherton Channel that affects businesses along Haven Avenue. This project will be funded from Redevelopment Agency funds.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
CDA Non-Housing	200,000	300,000	2,000,000	-	-	2,500,000
Sub-total	200,000	300,000	2,000,000	-	-	2,500,000

Chrysler Pump Station Discharge Pipe Replacement

The project will replace the two existing 36" discharge pipes and flap gates. The existing pipes and flap gates which restrict water from the Bay surcharging back into the pump station have corroded due to the salt water environment.




	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund -CIP	60,000	-	-	-	-	60,000
Sub-total	60,000	-	-	-	-	60,000

Downtown Irrigation Replacement


This project consists of replacing and upgrading the irrigation system in the Downtown area to eliminate problem areas and extend the life and efficiency of the system. The first phase of this project will support planting included in the Downtown Landscaping Improvements project. The second phase will involve more extensive upgrades to the existing irrigation system throughout the downtown area.



	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund - CIP	30,000	120,000	-	-	-	150,000
Sub-total	30,000	120,000	-	-	-	150,000

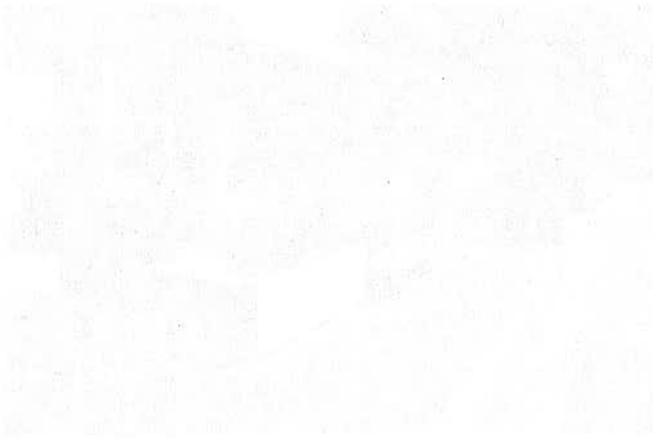
<p>Downtown Landscaping Improvements</p> <p>This project consists of installing new landscaping in selected areas in the Downtown and will include native and drought tolerant plant species.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
General Fund - CIP	25,000	-	-	-	-	25,000
Sub-total	25,000	-	-	-	-	25,000

<p>Parking Plaza 7 Renovation</p> <p>This project involves the reconstruction of Parking Plaza 7 and includes adding new trees and lighting, improvements to the onsite stormwater system and rehabilitation of the asphalt concrete pavement.</p>	
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	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL
Downtown Parking Permits	180,000	800,000	-	-	-	980,000
Sub-total	180,000	800,000	-	-	-	980,000

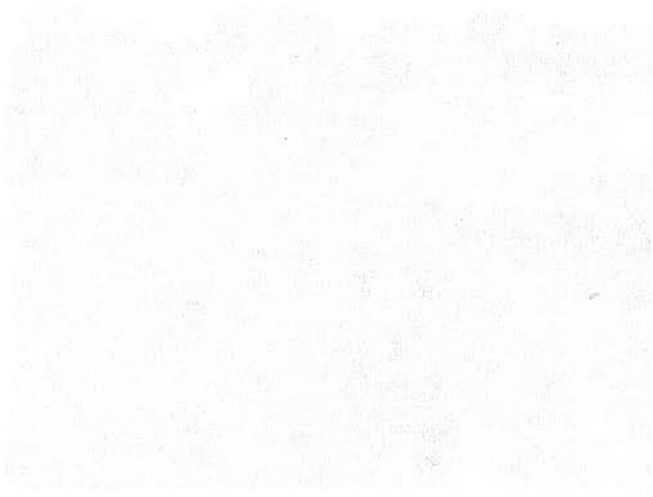
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ADMINISTRATIVE SERVICES

Council Meeting Date: June 8, 2010
Staff Report #: 10-077

Agenda Item #: F-2

REGULAR BUSINESS: Consideration and Direction Regarding Potential Increase in the Transient Occupancy Tax Rate for the City of Menlo Park

RECOMMENDATION

Staff recommends that the City Council consider the data presented in this staff report and direct staff regarding a potential increase in the City's transient occupancy tax (TOT) rate.

BACKGROUND

City Council requested staff to report an analysis of TOT and its impact on the City of Menlo Park. Considering the 10-year financial forecast that was presented to Council with the 2009-10 Mid-year Report on February 23, 2009, which identified a budget deficit for future years, an increase in the TOT could be a tool to help the City toward achieving a sustainable budget. However, Council wanted to be appraised of all potential impacts of raising the tax on the City.

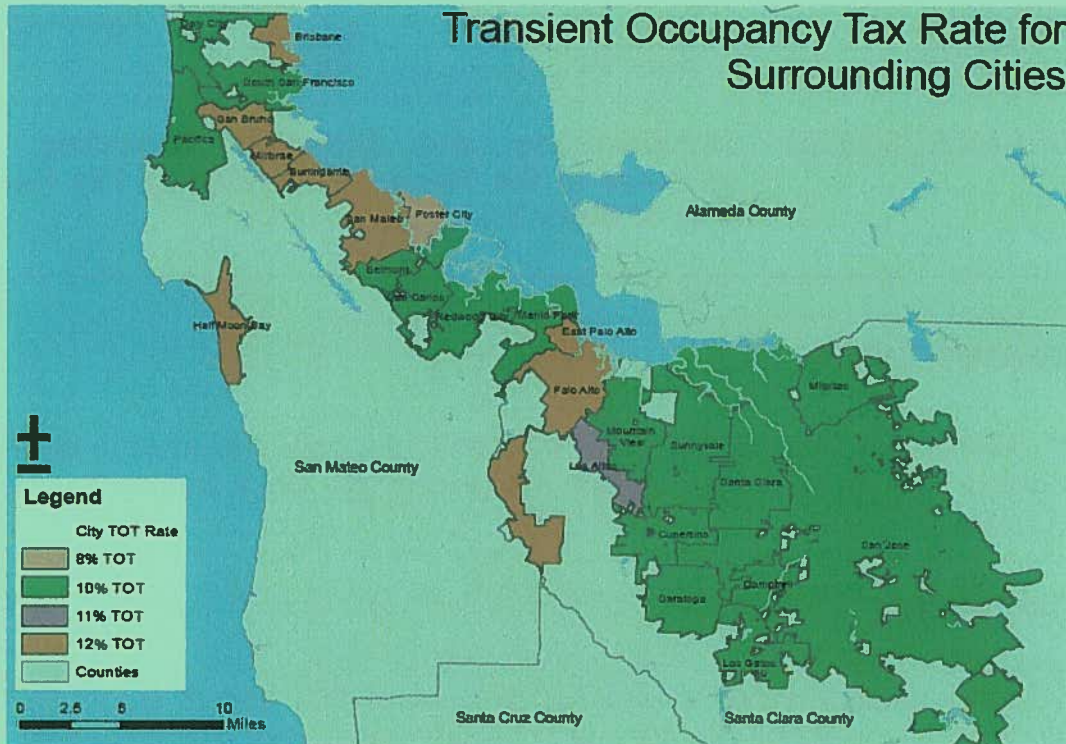
The City has had a transient occupancy ordinance since June 1974, when it was first established at a rate of six percent. The rate was increased to eight percent in March 1983 and to ten percent in 1992. Currently, the City imposes a ten percent tax on rent charged by any hotel, motel or inn within the city limits for any person who exercises occupancy for thirty consecutive calendar days or less.

ANALYSIS

Bay Area

With eroding General Fund revenues for local governments resulting from the economic recession which began in 2008, five cities in San Mateo County sought and received majority vote approval for raising their TOT from ten to twelve percent in the general election of November 2009. Per the attachment to this report, of the cities in San Mateo and Santa Clara counties with a TOT provision, three have increased their TOT to twelve percent in previous years, for a total of eight cities now with a twelve percent

TOT. The remaining 18 cities charge a rate less than 12 percent: one city, Los Altos, charges 11 percent; 16 cities, including Menlo Park, impose a 10 percent rate; and the rate is 8 percent in Foster City. These various rates are depicted in the map below.



With global and job markets expected to stabilize in 2010, it is probable that business travel and special events will begin to increase resulting in higher TOT revenues for all cities. It is uncertain whether business travelers to the Bay Area consider TOT as a cost factor or whether hotels operating in a municipality with a lower hotel tax rate have a competitive edge against hotels in surrounding communities.

Prior to its TOT increase in 2008, the City of Palo Alto surveyed twelve of its largest employers regarding an increase in TOT from ten percent to twelve percent. A staff summary of the survey stated, "Of the companies that responded, 44 percent indicated that a TOT increase of two percent would not adversely affect company business practices. The remaining companies indicated that an increase would make the city's hotels less competitive and could result in their booking reservations at hotels in surrounding communities."

Of the 15 cities imposing a TOT in the San Mateo County, 12 belong to the San Mateo County Tourism Business Improvement District (TBID). Menlo Park, Brisbane and Pacifica are not currently participants. The City of Palo Alto recently joined the TBID as the first city from Santa Clara County. To be included in the TBID, a tourism fee of \$0.15 to \$1.00 per room per night based on the projected occupancy of each hotel is

required. The fee is charged to the hotel guest in addition to TOT and is paid as a pass-through to the San Mateo County /Silicon Valley Convention and Visitors Bureau for advertising and tourism promotions. In addition, some cities, such as Millbrae, belong to California Tourism Association which assesses a fee of 0.05% per room per night for advertising and tourism promotions.

Throughout California, cities that have established major tourist attractions tend to have higher TOT rates (Anaheim has a 15 percent TOT). In addition, a city's proximity to major attractions and airports also tend to have increased hotel tax rates. In some cities, a single high-caliber hotel is of itself a significant draw (Half Moon Bay, for example) and competition from nearby cities need not be considered. In many suburban areas, the competition for the lodging of business travelers can be significant.

Menlo Park

The hospitality business sector in Menlo Park consists of five motel/inns and two hotels. Fifteen percent of the City's budgeted TOT revenue comes from the five motel/inns operating along El Camino Real, an estimated \$372,000 in the current fiscal year. Together, these motel/inns provide approximately 143 rooms and are frequently used for long-term purposes related to Stanford Hospital and Clinics and the Ronald McDonald House. At rates ranging from \$62 to \$180 a night, these rooms provide lodging in close proximity to the major health care facilities in the area. The two hotels within the City, Rosewood Sandhill and Stanford Park, contribute 85 percent of TOT revenue (\$2,108,000 in fiscal year 2009-10). Together these hotels provide approximately 284 rooms ranging from \$279 to \$385 a night and are typically used for business travel and special events lodging.

To determine the possible impacts of an increase in the City's TOT rate, Staff first surveyed the hotels/motels in Menlo Park. The survey included questions pertaining to occupancy rate, average daily rate, and the types of market segments that patronize the hotel/motel. The survey also tried to gauge opinions about the current tax rate, and how guests would feel if the tax rate increased by one percent or two percent.

Overall, representatives from the two Menlo Park hotels felt there would be no discernable impact if the TOT rate were increased by either one or two percent. However, regarding a one percent increase in the tax rate, one of the five motel representatives responded that many guests already complain about the current 10 percent rate. Regarding a two percent increase, all five motel/inn representatives responded that their guests would not like it, and that they could possibly lose guests to surrounding cities. They expressed concern about individuals traveling on a per diem allowance – and willing to shop for a better overall room rate. The findings from the survey did indicate that occupancy rate has been increasing from over the past year with the average daily rate being reduced to remain competitive.

To gauge the sentiment of major employers in the area that may arrange or refer lodging for traveling business associates, staff conducted a survey of the eight largest employers in Menlo Park. Of the four responses received, three of the employers confirmed that they did indeed make arrangements for lodging out-of-town associates in Menlo Park. All of these said that the TOT rate was not a consideration. In addition, all four indicated that there would be no change in their referral practices were the City to raise the TOT by either one or two percent.

Next Steps

Staff recommends that the City Council review this report and provide direction as to whether the process for placing a ballot measure on the November 2010 election should commence. Should Council take action to proceed, the City Attorney would draft an ordinance revising the current TOT for the City of Menlo Park from its current 10 percent rate to an 11 or 12 percent rate for introduction. If the ordinance is introduced by the Council, a second reading would be needed, along with adoption of a resolution placing the matter on the November ballot, before the end of July to place the measure on the ballot in November. Staff would recommend bringing back the necessary documents in combination with the Council election documents on July 20th. The City Clerk would at that same meeting bring back a schedule of events and deadlines, including consolidation with the general election, placement of the ordinance on the ballot, and developing and approving a draft argument in support of the measure.

A general tax ballot measure must be submitted to San Mateo County no later than 88 days before the scheduled regional general election. If Council chooses to place an ordinance on the November 2, 2010 ballot, the measure would need to be approved by the end of July (no later than the July 20th meeting) and submitted to the County no later than August 6, 2010.

IMPACT ON CITY RESOURCES

The current projection of TOT revenues for the City for fiscal year 2010-11 is \$2.7 million. Each additional one percent increase in the City's TOT rate would increase the City's current TOT annual revenue budget by approximately \$270,000, assuming hotel usage and rents meet the 2010-11 projections and remain similar in the future. No changes will be made to the 2010-11 revenue budget until the results of the ballot are known. The cost to add a secondary ballot measure on the ballot in the November 2010 general election will be an additional 25% (\$9,750 – 11,000).


POLICY ISSUES

The TOT is a general tax, and as such may be imposed for general governmental purposes. As a tax on hotel and motel rentals, it is not a tax that falls on local residents, but is paid by visitors to assist in the continuance of city-provided services that include roads, parks, public safety and library services. Pursuant to State law, any increase of

the TOT rate must be approved by a 2/3 vote (four members) of the City Council and a majority of the City's voters at a Regular Municipal Election.

ENVIRONMENTAL REVIEW

Environmental Review is not required.

A handwritten signature in black ink, appearing to read "Carol Augustine", is written over a horizontal line.

Carol Augustine
Finance Director

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

ATTACHMENT: A. Transient Occupancy Tax Schedule for Surrounding Cities



ATTACHMENT A

Transient Occupancy Tax Schedule for Surrounding Cities

		Rate	Guest Fee Per Night	Date Imposed	Participate in TBID
Cities of San Mateo County					
City of Belmont	1	10%			Yes
City of Brisbane	2	12%		Jan-10	No
City of Burlingame	3	12%		Jan-10	Yes
City of Daly City	4	10%			Yes
City of East Palo Alto*	5	12%		Nov-98	Yes
City of Foster City	6	8%			Yes
City of Half Moon Bay	7	12%		Jul-08	Yes
City of Menlo Park	8	10%			No
City of Millbrae	9	12%		Jan-10	Yes
City of Pacifica	10	10%			No
City of Redwood City	11	10%			Yes
City of San Bruno	12	12%		Jan-10	Yes
City of San Carlos	13	10%			Yes
City of San Mateo	14	12%		Jan-10	Yes
City of South San Francisco	15	10%	\$2.50		Yes
Cities in Santa Clara County					
City of Campbell	16	10%			No
City of Cupertino	17	10%			No
City of Los Altos	19	11%			No
City of Los Gatos	20	10%			No
City of Milpitas	21	10%			No
City of Mountain View	23	10%			No
City of Palo Alto	24	12%		Jan-08	Yes
City of San Jose	25	10%	\$2.00		No
City of Santa Clara	26	10%			No
City of Saratoga	27	10%			No
City of Sunnyvale	28	10%			No

* East Palo Alto did not have an operating hotel at the time Measure A was passed on November 3rd 1998.

