



FINANCE COMMITTEE

Special Meeting
May 28, 2009

Chairperson Burt called the meeting to order at 7:06.m. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: Burt (chair), Klein, Morton, Schmid

Absent: None

1. Oral Communications

None

2. Recommendation (Wrap-Up) to City Council Fiscal Years 2010 and 2011 Proposed Budget.

Director of Administrative Services, Lalo Perez recapped the process utilized in the budget discussions and Parking Lot placeholders. He updated the Committee on their At Places Items which included the Budget Process sheet and changes made on this. Highlighted Parking Lot items included one row too many, the Police Department (PD) and Fire Department (FD) overtime presentation and changes to the last item which asked the City Manager to review a 10 percent reduction in the General Fund departments training budget. Regarding the Budget itself, on May 26th the Foothills Parking Fee was removed and reduced the budget savings by \$80,000 along with elimination of the outside Council Appointed Officer (CAO) evaluation at \$11,000. Utilities savings from sustainability efforts were noted at 50 percent and \$132,182 for the operating departments in the General Fund. The Police department Volunteer Coordinator was added back at half-time for an increase of \$51,746 with the reduction of the travel budget by 20 percent and a savings equivalent of \$35,500. A Memorandum was included at places for the request by the Committee for provision of historical information regarding equity transfers from the Utilities Fund. These began at 1909-10 through 2005-06 with the subsequent years noted in the City Manager's Report (CMR).



FINANCE COMMITTEE

City Manager, James Keene stated the next item of discussion was the PD and FD overtime issue. He noted the Interim Police Chief was available for questions. He reminded the Committee that if this was the last PD item, the PD budget was proposed by the City Manager and was the only budget yet to be approved by the Committee. He noted action was needed to move this budget forward.

Council Member Schmid asked for clarity of the numbers for the three categories listed on Attachment 2 for the overtime dollars in Original, Current and Actual Expense columns. The last noted actual expenses were noted for May 6, 2009. He asked if the \$1.38 million dollars was just through this date and would likely rise by year end.

Budget Manager, Sharon Bozman noted this was correct and up through the latest payroll numbers.

Council Member Schmid asked if the overtime reimbursement fell against the actual expenses or in addition to the actual expenses.

Ms. Bozman asked for clarification of his question.

Mr. Keene clarified this as whether or not these reimbursements reduced the overtime amount by \$163,000.

Ms. Bozman stated this was correct.

Council Member Schmid asked if the implication was the original budget and the current budget continued to misestimate the actual overtime expenses.

Mr. Perez stated the overtime expenses were left at the same amounts. In the PD budget, there were high vacancy levels though the trend had changed. He noted the PD and FD budgets were at a point where they matched closer to the actuals with this trend which indicated the numbers were insufficient.

Mr. Keene stated there had been flux during the course of the year for the actual number of vacancies. He stated it was also not an unusual practice in Public Safety for there to be a lot of overtime in response to



FINANCE COMMITTEE

various incidences which caused an under-budgeting situation for overtime in order to keep the use down. He noted the Committee may wish to direct them on whether they continue this practice and/or make adjustments.

Council Member Schmid suggested a more realistic anticipation up front. The addition of another 8-9 percent to the 1.38 was closer to the ongoing trend since 2004.

Council Member Klein asked if additional data was forthcoming as to how much of the \$2 million offset from last year was overtime caused by vacancies.

Mr. Perez stated they could bring this data back at either the June 2nd Committee meeting or the June 8th Council meeting.

Council Member Klein asked if anyone on Staff recalled whether this was a significant number or not.

Mr. Keene stated they had not converted the vacancy situation to dollars as of yet.

Council Member Klein stated without this number, they have no way of assessing whether the overtime was good or bad.

Acting Chief of Police, Dennis Burns stated the numbers in the PD change up by the hour. He noted a variety of issues affected these fluctuations.

Council Member Klein asked how many vacancy days fed into this overtime number during the year.

Mr. Keene stated they would return with this figure by June 2nd at the latest.

Council Member Schmid asked if there was \$400,000 realistically anticipated as overtime for 2010.

Mr. Perez stated positions were held open currently in anticipation of the budget process. This was scheduled for review at midyear given the trends. Four to six positions were scheduled for vacancies at any



FINANCE COMMITTEE

given point during the fiscal year for the PD. He noted they banked on the historical trend in adjustment and use of those salary savings for overtime coverage.

Chair Burt asked what they envisioned when they made their budgeted allocations in overtime.

Mr. Perez stated the driving factors included not only vacancies but also the level of incidents which caused a fluctuation in these costs.

Chair Burt asked which portion of the overtime was realistically planned and determined versus those hours which were due to unanticipated facto vacancies or backfilling of absences.

Mr. Keene stated for the immediate timeframe more specific data could be provided. Going forward they could provide a more comprehensive management and oversight program if the Committee and Council so directed.

Chair Burt asked if there were significant amounts of overtime between PD and FD, was there any control or approval mechanism which went to the City Manager.

Mr. Keene stated review and approval processes regarding overtime fell at the department heads' level for the PD and FD.

Chair Burt suggested a re-examination of the control mechanisms in place for the police and firefighter salaries for public transparencies.

Mr. Keene stated other factors for consideration included how much any one employee worked at a specific job as well as the energy and wits necessary to complete their job.

Vice Mayor Morton noted the Committee was struggling with the understanding of why the overtime hours are above what was budgeted. They sought to ensure that the next several years followed this same pattern with no forgiveness for these overtime dollars.

Mr. Perez reminded the Committee that the Municipal Code required they be on budget by departments. He stressed they gave assurances that they were close to having the department within budget.



FINANCE COMMITTEE

Mr. Keene noted Staff's eagerness to provide follow up on directives for more detail on this process.

Council Member Schmid asked if the City's size had a direct reflection on their overtime estimations. He questioned if area cities had a smaller share of overtime due to advanced resources which can be utilized efficiently over time. He asked if there was something the City should consider for the potential ramping up of this pool of funds.

Mr. Keene stated it was a good idea to explore these funding pools. He did not see that there was any particular standard for this with regard to other cities.

Mr. Burns had no specific data with regard to area agencies. He noted the area cities are already involved in many mutual aid programs during significant events or incidents. Research continued on additional regular, non-emergency areas, where other services might be combined between cities.

Chair Burt questioned whether they should consider cross-training of employees in other departmental duties as a feasible avenue for meeting the public safety needs without straining the budget.

MOTION: Vice Mayor Morton moved, seconded by Council Member Klein to recommend to the City Council to approve the Police Department Budget.

Council Member Schmid asked for clarification on the original proposal and the changes proposed by Staff for the Police Department.

Mr. Perez reviewed the changes of the positions within the Police Department. Their original recommendation included the elimination of one (1) half-time FTE volunteer coordinator which has since been rethought. The elimination of one (1) FTE Police Records Specialist II at a savings of \$82,773 with some implications towards front desk coverage. There was also the elimination of one (1) FTE School Resource Police Officer; this was a vacancy since March of 2009 and was one of two positions in the program.



FINANCE COMMITTEE

Council Member Schmid asked if the maker of the Motion was going back to the original budget or was moving with these changes.

Vice Mayor Morton noted his Motion included the adjustments.

Mr. Perez interpreted this to mean that the Volunteer Coordinator remained in the budget.

Vice Mayor Morton noted this was correct.

Council Member Schmid stated additional cuts had been moved to the Parking Lot.

Vice Mayor Morton noted the only item left in the Parking Lot was the overtime issue.

Council Member Klein stated additional cuts mentioned pertained to Staff's proposals.

Mr. Keene stated these cuts were embedded in the proposed City Manager's Budget. The tier-two cuts which Council discussed the prior Tuesday were to come back in the first quarter report to the Committee or Council when more information was available regarding the State budget negotiations and other issues.

Council Member Klein suggested they hold their vote until the following Tuesday when they had more data. He also suggested elimination of the Police Volunteer Coordinator position.

AMENDMENT: Council Member Klein moved, seconded by Council Member Schmid to recommend to the City Council to approve the Police Department Budget with the elimination of the Volunteer Coordinator position, and to seek a Volunteer Leader to act as Coordinator of the volunteers.

Mr. Keene suggested the Committee approve the budget as proposed and hold the overtime budget as a followup issue for revisit at a later date.

Chair Burt asked what the timeline was for followup.



FINANCE COMMITTEE

Mr. Keene stated Staff was in a position to report back to the Committee on June 2nd on the overtime and other outstanding items.

AMENDMENT PASSED: 4-0

MOTION RESTATED: Approve the Police Department Budget as proposed by the City Manager with 2.5 FTE's eliminated pending report on June 2 with greater detail regarding overtime.

MOTION PASSED: 4-0

City Manager James Keene asked whether formal action was required by the Committee in acceptance of the postponement of the contract, raises or salary adjustments.

Chair Burt asked if he meant in the context of the entire overall budget.

Mr. Keene noted this was in context of the overall budget. He stated the June 15th or 22nd meetings might hold followup actions by Council.

Chair Burt clarified their movement presently was an endorsement of the concepts outside of any actual labor negotiation agreement details.

Mr. Keene stated there was a side agreement to the existing contract to change the terms and push it forward by a year. No Action was necessary. A subsequent Action included the move to Council for approval of the amended contract.

Council Member Klein asked if this was a suggestion for the budget on their approval of \$700,000 less for the Police Department than what was reflected in the current documents at places.

Mr. Keene stated this was technically correct.

MOTION: Council Member Klein moved, seconded by Vice Mayor Morton to reduce the budgetary amount for the Police Department by \$794,068 as a freeze in salary increases.

Chair Burt agreed this made sense in terms of the budget approval.



FINANCE COMMITTEE

Council Member Schmid expressed a lack of clarity regarding Council's role in this agreement process.

Chair Burt clarified it as the simple fact that the Committee does not act on a specific agreement on labor negotiations; they act on a budgetary allocation for the assumed outcome.

Mr. Keene noted this was then forwarded and recommended to the entire Council for Action. The contract amendment appeared on Council's Agenda prior to July 1st for operation of the contract.

Council Member Schmid asked how this related to the other negotiated contracts the Committee had already discussed.

Chair Burt stated those budgeted amounts reflected no increases in the other departments.

Mr. Keene stated the Service Employees International Union (SEIU) funds were not in the budget. The Fire Department budget, which was upcoming in the discussion, had not yet concluded.

MOTION PASSED: 4-0

City Manager, James Keene noted the Committee had tentatively moved the Fire Department Budget towards approval. Remaining issues included department overtime, a review of the Basic Life Support (BLS) program and the Office of Emergency Services (OES) consolidation coordination in the Parking Lot.

Chair Burt suggested they discuss the OES consolidation which was not something that required action the current fiscal year.

Mr. Keene noted they could move forward on the evaluation and complete this for use in making future recommendations. The goal was to take Action this current year; however, he noted this required a series of steps. He suggested analysis and then a return to Council through the year.

Chair Burt asked if they recommended the Committee was to incorporate this in their current budget recommendations.



FINANCE COMMITTEE

Mr. Keene stated they did not recommend they incorporate this at the current time.

Chair Burt asked the Fire Chief to share his thoughts on the OES coordination consolidation concept.

Fire Chief, Nick Marinaro stated the current Office for Emergency Services was a division of the Fire Department overseen by the Deputy Chief. The coordinator's function included conduction of community emergency response training, amateur radio oversight and coordination of the emergency operations center and instruction to City staff on the required National Emergency Management System (NEMS) to include awareness training. The coordinator also participates on a number of committees at the City and County level. Discussions have ensued over the most efficient way to coordinate these functions. Conceptual discussions had taken place for efficiency efforts with all functions under one umbrella and maintenance of these functions. He noted there were both advantages and disadvantages to this combining their efforts under one umbrella. An assessment was planned as to the best practices in other communities as part of their decision-making process.

Mr. Keene stated the recent Tri-Cities Meeting included discussion on how to better coordinate emergency response teams between jurisdictions.

Council Member Schmid asked what budget impacts came out of the coordination of these services.

Mr. Keene stated this was more a discussion of service enhancements versus actual costs or cost savings.

Chair Burt questioned whether there were opportunities for service enhancements.

Mr. Keene stated Staff's recommendation for inclusion in the BLS program was driven by questions regarding: 1) the programs achieved objectives and the impacts on the Advanced Life Support (ALS) team, and 2) was the program paying for itself as an established goal. He did not recommend elimination of the program based on the above. It was also included due to the concern that the program held



FINANCE COMMITTEE

value in its reliance on temporary part-time employees who provide the service at a lower cost. He recommended the Committee keep the money for this program within the program's operations with the condition that there was an agreement from the Fire Fighters Union (FFU) for the program's continuance as a temporary staffing program without conversion to a permanent full-time staffing.

Chair Burt clarified the program itself was not temporary. It continued indefinitely filled by temporary employees.

Mr. Keene noted this was correct. This was reflective of the removal of three FTEs in the budget. He suggested followup on the FFU and the department to ensure the program continued in this fashion.

MOTION: Council Member Klein moved, seconded by Vice Mayor Morton to recommend retention of the Basic Life Support Program.

Vice Mayor Morton stressed the program provided career enhancement for junior members of the medical profession.

Mr. Marinaro noted the program mentored young individuals with interest in the fire and paramedical professions. Members of this program also participated in community outreach services.

Chair Burt stated the program was a win-win situation which also provided a cost savings to the city, allowed for training in the medical and fire field and aided in civil engagement.

MOTION PASSED: 4-0

Mr. Marinaro spoke on the Fire Department overtime budget. He noted relatively fixed numbers. He stated at 88 percent for the third quarter in the overtime budget. State reimbursements offset a portion of these overtime costs. Additionally, he stated both the part-time paramedic unit and Station 8 were staff entirely by overtime hours and dollars which equaled \$600,000 right off the top of their overtime budget. The remaining dollars were left to cover other overtime costs. An upsweep in Workers Compensation cases had also occurred with longer term absences. Last year's overtime went over by 1.8 percent, but the department currently sat at 1.3 percent for the current year.



FINANCE COMMITTEE

Prior to this the department had not been fully staffed. A move towards more fully staffing decreased their need for overtime.

Mr. Keene directed the Committee to look at the Fire Department Budget's actual trend downward in expenses. He reminded everyone that Stanford's 30 percent reimbursements were not factored into the figures currently before the Committee. The numbers were set to fluctuate over the year. The current year's budget had obvious reimbursements in connection to the expenses for Cal-Fire and Federal Emergency Management Agency strike teams.

Council Member Klein was concerned over the accuracy of the overtime figures beyond the reimbursements. He stressed the need for the budgeted overtime dollars to be as close to the actual end-turnout as possible with the understanding that a major incident lent to a serious change in these numbers.

Chair Burt suggested the addition of a metric column for understaffing numbers for Police and Fire in the fraction of FTEs for the year. Averaging this out lent to further transparency of the overtime needs. He suggested inclusion of the reimbursement categories and funds as well for public transparency.

Director of Administrative Services, Lalo Perez stated Staff would make these more apparent in the quarterly statements.

Mr. Keene stated many of the suggestions for transparency and the latter which were discussed in the Police Department's budget would also be implemented in the Fire Department's documentation.

Mr. Marinaro noted the State's reimbursement in the current year was unprecedented due to the department's activity level. He suggested an average of the last five years as a norm number for these reimbursements.

Chair Burt commended the department for their State-reimbursed overtime work in the prior year due to the many area wildfires. He noted by comparison, the department's current year overtime budget was holding steady. He noted the importance of analyzing their current success in holding steady in order for future same success.



FINANCE COMMITTEE

Mr. Marinaro stated near full staffing of the department had been a key driver in reduction of overtime hours and dollars.

Chair Burt asked if this was the only identifiable driver.

Mr. Marinaro stated other efficiencies had taken place which included the elimination of discretionary overtime.

Vice Mayor Morton stated it was an archaic process to staff Station 8 with overtime every year. He suggested modernization of these contracts.

Mr. Marinaro stated there were several ways to monitor the Station 8 overtime relative to the number of employees on staff. He believed there was a direct correlation between those variables and the numbers ultimately going down in the future.

Council Member Klein continued to look for a better way to explain the total revenues and external revenues for public transparency.

Mr. Perez stated they would more clearly delineate this for public transparency in their quarterly reports.

Mr. Marinaro stated the Supplemental Environmental Impact Study (SIER) report done by the Auditor did an excellent job of delineating the Stanford costs versus the revenue costs for emergency medical transports, permits and the like.

Chair Burt commended the department for their tighter controlled overtime and expenditures.

Mr. Perez clarified no vote was necessary since there was the previous acceptance of the City Manager's suggestion for removal of the three emergency FTEs.

Director of Administrative Services, Lalo Perez suggested continuation of the Parking Lot issues with discussion of impacts for the removal of two Planners in the current Planning Department.



FINANCE COMMITTEE

Chair Burt stated the Committee wanted to hear more back from the Planning Department on what potential savings correlated to the decreased workload resultant to the downturn in development.

Interim Director of Planning, Curtis Williams stated current staff included eight (8) managers, three (3) senior planners, three (3) planners, one (1) Construction & Demolition (C&D) planning associate and one (1) planning technician. One of these eight (8) positions was currently vacant. A look at budget projections for current planning was down \$146,000 from earlier projections. The department reduced \$60,000 in contract services and eliminated the assistant director position, the work of which must now be done by current staff. The C&D position was funded by the Refuse fund with zero-impact on the General Fund. He reviewed the planned workload and projects spread across the current staff numbers. He noted a one- or two-position staff cut directly affected this planned workload and projects.

Council Member Klein noted the department survived as was with one vacancy already.

Mr. Williams stated they survived but were not able to attack the current backlog of items.

Council Member Schmid asked how the downturn in building activity influenced and impacted Planning staff.

Mr. Williams stated revenues were down 15 percent. New and larger projects were also down. Some work which had previously been subbed out was now done by the current staff along with other budget cuts within the department as well.

Council Member Schmid stated a series of major projects had gone on over the last several years which involved the Planning Department staff. He assumed the current downturn affected Staff's ability to focus on any backlogged activities.

Mr. Williams stated many projects were still in the major project category in their review process with multiple Staff participation variables. In the last four to five years, some of the work on the larger projects had been subbed out. The bulk of this work was now done in-house by current staff.



FINANCE COMMITTEE

Chair Burt clarified the reality of the situation was the existence of entitlements still under pursuit. These projects were a carryover from prior to the downturn and required Staff's attention. Projects in the pipeline from 2007-08 were still part of the 2009 process. As they wrapped up, the new project drop-off may be more apparent. He asked if these assumptions were correct.

Mr. Williams stated this accurately portrayed the busy nature of the Planning office at this current time with the carry-over of project submission from the last several years.

Council Member Schmid cited the 2004-2008 figures in the annual financial reporting which reflected the heavy activity in the Planning Department. He did not think this was the likely perceived trend for 2010-11 considering the current downturn.

Mr. Williams stated he was correct in this estimation. He noted many of the jobs in those cited years were on the building side with building revenue.

Council Member Schmid asked if this worked through the Planning Department.

Mr. Williams stated it worked through to some extent, but Planning filled in the gap in workload with additional contracted planners. Those planners were gone now or were doing very little work for the department.

Chair Burt stated the major back-fill which affected the Planning Department was start-up of the Stanford Hospital project.

Mr. Williams stated it was and was not, based on the fact that much of the hospital planning work was dealt with by the State. The building department was not involved in this review. The medical clinics and the pavilion were the only components subject to review by the building department.

Chair Burt reminded the Committee there were three Parking Lot items with regard to the Planning Department which included staffing, the



FINANCE COMMITTEE

Comprehensive Plan extension and the quarterly report on the Planning Department overtime numbers.

Council Member Klein moved to eliminate the presently vacant position in the Planning Department.

Chair Burt noted no Second was received. He asked if the Commission wished to discuss this further. He stated this moved towards the next item and the impacts of this on the Comprehensive Plan. He asked if the Commission understood the trade-off impacts of the loss of this position with the full anticipation of the likelihood of lower workload in the future.

Council Member Klein noted without a Second there was no need for his comments. He suggested they move forward.

Chair Burt stated there was previous discussion over extension of the Comprehensive Plan. However, he thought the Committee had discussed this, but asked if there was any further comment.

MOTION: Council Member Schmid moved, seconded by Vice Mayor Morton to keep the Comprehensive Plan on its current schedule.

Council Member Schmid stressed the importance of keeping the long-term needs of the community in mind when working on the Comprehensive Plan. He noted a postponement lent to the loss of opportunities for the City's future.

Council Member Schmid asked for the likelihood that Planning Staff would remain on track with or without the proposed position cut.

Mr. Williams stated there were difficulties in the next planning session unless there was a total drop-off of new applications. He noted there was one planner in Advanced Planning who primarily focused on facilitation of City project reviews which might reduce the workload for the other planners.

Council Member Klein stated earlier discussions indicated that much of the revision work on the Comprehensive Plan would move forward including the housing element.



FINANCE COMMITTEE

Mr. Williams stated the housing element moved forward as well as the area plans. Back-end items and environmental reviews for final adoptions were likely to stretch out.

Chair Burt noted Staff's recommendation was for extension of the Comprehensive Plan for one year. The Committee's alternative included reduction of the current vacant Planning position. Staff had noted the overall front-end elements of the Comprehensive Plan Update were not affected but back-end closure items such as the Environmental Review process required an extension.

Mr. Williams stated this was a correct way of describing the situation.

Chair Burt asked if he felt it was still necessary to cover all eight Staff positions in order to cover projects in the pipeline and procession with the Comprehensive main elements with a stretch out of the closure issues.

Mr. Williams stated this summarized his recommendations. He stated key issues in the Comprehensive Plan were on schedule in this case. He did not see a lot of flexibility on the current planning side with committed projects in process.

Council Member Klein stated the Committee was assured the work on the Comprehensive Plan Update would move forward, which was the main concern. However, cuts had to be made at some point to which the proposed staff cut was appropriate.

MOTION FAILS: 2-2 Burt, Klein no

Chair Burt noted, due to the failure of the Motion, the Planning Department Budget was set to proceed as recommended by Staff with no position cuts. He stated there was also their quarterly commitment to address the overtime issues ongoing.

Administrative Services Director, Lalo Perez agreed this was set for inclusion in their quarterly reporting process.

Council Member Schmid asked what caused the rise in overtime for the Planning Department in the last fiscal year.



FINANCE COMMITTEE

Assistant Director Planning and Community Environment, Curtis Williams stated this was due to the following factors: 1) Several positions moved from management to the union and underwent a significant rise in workload with night meetings and other functions which were not previously anticipated. 2) From the building perspective, there was an influx of photovoltaic permits which came in to beat the tax benefit phase-out and required processing.

Mr. Perez stated this was his recollection as well.

Council Member Schmid asked if the goal of the quarterly report was better management of overtime.

Mr. Williams noted steps were already taken in cutting back on overtime with internal processes in place to monitor overtime. A considerable drop had been noted in overtime over the past six months.

Chair Burt asked for information on the City Arborist's position which was moved from a managerial category and was now a part of the overtime compensation dollars. He questioned if the City received any net benefit when this position was re-categorized.

Mr. Perez stated, dependent on the overtime for that position, this came with an increase in cost to the City.

Chair Burt asked if this was what occurred.

Mr. Perez stated they went through a unit determination arbitration process with the SEIU for the positions they contested should have been in their unit. It was determined that the arborist position belonged in the SEIU.

Chair Burt asked if this was a management discretion.

City Manager James Keene stated overtime issues were more of a Fair Labor Standards Act issue. He did not understand fully why they were in this position. He noted planners throughout the country do not routinely get overtime.



FINANCE COMMITTEE

Mr. Williams added an additional component with regard to this overtime included the planners' attendance at night meetings. These Planning Commission meetings were on the increase. In recent months, they have cut back on their attendance at these meetings.

Council Member Klein stated in past discussions they had spoke of various encouragements to the Planning Commission to limit the amount of time that Planning Staff had to be at these meetings.

Mr. Williams noted his appreciation of this measure. He was unclear if this message had been received by the Planning Commission as a Council directive.

Mr. Keene stated it was appropriate to expect the Planning Commission to understand the cost of the planners' attendance at these meetings.

Council Member Klein suggested any developed data on the total cost of the Planners' time at the Commission meetings be turned over to the Commission for their better understanding of the cost.

Chair Burt asked, since they elected not to reduce the current planner position, if there was the possibility to move some of this towards more of a flex-time situation versus actual overtime.

Council Member Schmid asked if flexing this time, taking time off during the work week, in order to attend these night meetings was not already part of a planner's contract.

Mr. Williams stated flex time was a technique they used more frequently to balance these costs.

Chair Burt noted they had three items left for discussion: 1) The General Fund transfer to the Infrastructure Reserve. 2) The deferral of the storm drain loan repayment. 3) The City Manager's report on training budgets, which was a Parking Lot issue.

Mr. Perez stated it was his understanding that the report on the training budgets would take place throughout the year.

Chair Burt agreed the third item was an ongoing item.



FINANCE COMMITTEE

Mr. Keene asked for further direction on how they were handling these 10 percent reductions in training.

Mr. Perez stated he understood the 10 percent as a guideline in their goal towards cutting these costs.

Committee took a break at 9:03 p.m. and returned at 9:08 p.m.

Chair Burt noted what was left for discussion were the Parking Lot items and the bridge for the gap in the budget. The first item included reduction of the General Fund Transfer to the Infrastructure Reserve by \$1 million which was Staff's proposal.

Council Member Klein stated the \$1 million was the Staff proposal, but he had proposed an additional million dollars on top of this.

Director of Administrative Services, Lalo Perez added the following pieces of information for the Commissions' consideration: 1) Based on the proposed budget for the Capital programs for the next two years, the balance at the end of 2010 was \$6.1 million and \$2.6 million in 2011 if no additional changes were made. 2) The removal of an additional \$1 million in transfers made these balances \$5.1 million for 2010 and \$1.6 million for 2011.

City Manager, James Keene stated Council Member Klein's intention was more related to the potential cash flow as opposed to a straight reduction in the reserve. He noted projects were budgeted with many variables in mind. The Capital budget monies were very often not spent down to zero.

Council Member Klein stated it was safe to consider this additional \$1 million reduction since some projects listed were not scheduled for 2010-11. They had also received under-bids on projects that remained in the pipeline.

Chair Burt suggested they look at the pie chart as they discussed this.

Mr. Perez stated there was risk associated with the additional \$1 million dollar cut but also felt it was worth it in the long-run.



FINANCE COMMITTEE

Council Member Schmid asked for the location in the budget materials of the 2010-11 numbers were with regard to the additional \$1 million in reductions.

Mr. Perez stated this was on page 25 of the Capital documents at the bottom column for the Proposed Budget of 2010-11.

Vice Mayor Morton stated he was not of the mind to support the additional \$1 million dollar transfer.

Council Member Schmid asked what impact these proposed amounts had on the budget overall.

Mr. Perez stated the intent was that the deferrals would not impact the Reserve but used the savings for bids that came in under the engineering estimates with potential deferrals of Capital projects.

Council Member Schmid thought they had talked about spending the same cash amount but getting more for the amount rather than just not spending that amount.

Mr. Keene stated they were essentially reducing the funding in the expectation that they would still be able to deliver scheduled projects as planned through these same cost savings.

Council Member Schmid thought it was more of a case where they would spend the money but get more mileage out of it in furthering a project.

Public Works Director, Mike Sartor stated two different scenarios existed: 1) A project with a fixed scope might have bids coming in lower than anticipated with a generated savings returned to the Infrastructure Reserve, 2) Ongoing quasi-maintenance projects where there was a backlog where lower bids meant more work for those dollars.

Council Member Schmid sought to understand what affect this has on the actual budget.

Mr. Keene stated it was a calculated risk. He repeated that the odds were toward it working out. He stated the second question dealt with



FINANCE COMMITTEE

what the Committee wanted to do with the million dollars that was not transferred to the reserves.

MOTION: Council Member Klein moved, seconded by Vice Mayor Morton to reduce the transfer from the general fund to the Capital Improvement Reserve by an additional \$1 million dollars.

Mr. Sartor noted, while projects were funded in the first year, they moved into the design phase prior to bids which went out the following fiscal year.

Council Member Klein noted there were a variety of projects where this occurred. In that regard, he felt the additional million dollar return to the reserves was a safe bet and went toward the bridge.

Mr. Keene stated it reduced the deficit by a million dollars which also decreased the bridge amount by that same amount.

Vice Mayor Morton stated this approach might cushion any second year budget adjustments. He supported the suggestion to reduce the size of the bridge number for more flexibility.

Mr. Keene clarified this decreased the pie chart by the \$1 million.

Chair Burt stated this was a placeholder but he wanted to understand its further ramifications.

Vice Mayor Morton stated there was an entire year to get through as they looked at how this affected the drawn down on reserves.

Mr. Keene agreed this was a case of extra cash held during the course of the year where they needed to remain mindful of where this money might go for further budget needs.

Council Member Schmid asked if they were in effect voting on a transfer for the CIP accounts into current accounts for spending.

Vice Mayor Morton clarified it was the case of deferment of a funding transfer which did not deprive projects.



FINANCE COMMITTEE

Council Member Schmid stated it was not the case of deferring a transfer, but also held with it the possibility of spending the money somewhere else.

Council Member Klein stated the bridge was made up of real money. There was no monetary increase in day-to-day activity but a reduction in the bridge which was composed of the deferment of funding for the retiree health obligations. He noted this was a debt the City already held and was not a discretionary item. It was a solid obligation. He asked how much money was in the retiree health fund.

Mr. Perez stated approximately \$32 million was deposited. The reduction was yet to be calculated.

Council Member Klein noted the City was at the maximum of their expenditures on Capital projects without the hiring of additional employees for supervision.

Chair Burt stated it was not an increase in expenditures and was not a decrease in expenditures toward Capital. It was recognition of what was anticipated as lower actual expenditures than were budgeted. He noted this as a combination of a rolling amount of allocated funds which were not spent on CIP and then rolled into the next budget year with the expectation that certain fixed-scope projects came in at below their anticipated costs. The funds were either taking money and then putting it into the long-term retirement obligation or placing them in a Capital Reserve fund which would not be expended this year. Either option looked to the long-term obligations for the City.

Mr. Keene stated the recommendation was sound. Staff could graph this out for better understanding prior to the next money. He stressed that it was essentially the best use of their funds which also reduced the bridge.

Chair Burt agreed further clarification and transparency was appreciated in charting this in a more understandable format.

Council Member Schmid noted his continued reasons for not supporting this measure which influenced the next year's operating transfers and may lead to a deficit in 2011's budget.



FINANCE COMMITTEE

Chair Burt reiterated this decision did not affect the expenditures in any of the other categories they have discussed in the past seven weeks of meetings.

Mr. Perez stated this meant spending less due to lower bids or deferral of projects to balance the equation.

Vice Mayor Morton was supportive of the Motion in that it increased their flexibility.

Council Member Schmid made an Amendment to reduce the amount of transfer from \$1 million to \$700,000 with an additional \$300,000 cut from the five largest City departments.

Chair Burt noted there was no Second to the Amendment. He further noted that the above-mentioned Amendment essentially lent to restarting the budget process all over again.

MOTION PASSED: 3-1 Schmid no

Chair Burt introduced the next item, Deferral of the Storm Drain Repayment which elicited no further commentary from the Commission. He reviewed with Staff there were no outstanding issues and they were prepared for a Motion to incorporate the changes made to date.

MOTION: Vice Mayor Morton moved, seconded by Council Member Klein to recommend to Council to approve the 2010 Budget and 2011 Budget in concept as amended.

Council Member Klein thought they were not dealing with the 2011 Budget.

Vice Mayor Morton stated conceptually they were dealing with a two-year budget.

Mr. Keene stated it can be adopted in concept, but Council in adoption of appropriation ordinances to move the budget into operation included 2010, only.



FINANCE COMMITTEE

Vice Mayor Morton stated the way it had been done in the last eight years was to include adoption of the two-year budget as required by the Municipal Code. One year was adopted in fact, while the other year was in concept.

Council Member Klein was comfortable using this language.

Mr. Keene stated the actual Ordinance spoke to it as a single year in appropriations.

Chair Burt asked the City Attorney to clarify the Municipal Code.

City Attorney Gary Baum stated the above interpretations were correct. The code required a two-year budget, first year as adopted and second year as concept.

Council Member Klein asked if the more extensive midyear review was included in their recommendations to full Council.

Mr. Keene stated this was appropriate. He noted they had also spoke of a review prior to midyear. He suggested they also address how they wanted Staff to forward the Parking Lot issues to Council.

Vice Mayor Morton stated his Motion assumed a number of the Parking Lot issues were resolved with the remaining issues evaporating.

Council Member Klein asked if they suggested advice to Council for more extensive budget review on a quarterly basis.

Vice Mayor Morton suggested noting a more formal report by Staff on a quarterly basis.

Mr. Perez clarified they already processed quarterly reports. He understood they were now asked to potentially take action with changes to the budget on a quarterly basis instead of just at midyear.

Vice Mayor Morton noted, in the past, the Finance Committee has not always forwarded the quarterly reports to Council.



FINANCE COMMITTEE

Council Member Klein stated Staff had always given them reports, but they now suggested these reports be more comprehensive and more direction- and action-oriented.

Vice Mayor Morton stated agendizing these reports was necessary.

Mr. Perez clarified they agendized these as information. In the future, they will bring them as potential action items.

Council Member Burt stated the next quarterly report was anticipated to be triggered by whatever action the State took on their potential take-aways which might necessitate further action by Council in response.

Mr. Keene, prior to the vote on the Motion, clarified the following items: 1) The draft adjustments to the Budget that Council has made for reinstatement of items and/or further cuts were to be applied to the appropriate departments with net amounts were planned towards reduction of the bridge. 2) The last piece was to clarify the reductions on the employee payment compensation item held and the definition of where these funds were allocated.

Council Member Klein stated these were the reasons why the budget required examination on a quarterly basis to include the updated results of union negotiations and other actions.

Council Member Schmid asked for clarification of the pie chart for better articulation of the best guess of where things stood.

Mr. Keene reviewed the items the Committee had acted on and the revenue options they proposed. He noted items and reductions the Committee had already dealt with. He clarified the placeholders and its affect on the bridge. He reviewed a series of draft adjustments to the beginning budget balance, the cuts and add backs that changed the shape of the pie chart.

Council Member Schmid clarified the bridge amount to balance the budget was now \$3.9 million.

Mr. Keene stated the bridge was now down to \$1.1 million while he also pointed this out on the slide presentation of the pie chart. He also



FINANCE COMMITTEE

reviewed the adjustments based on their ongoing decisions. The only outstanding issue for the next meeting was continued data on the overtime budgets which might affect budget appropriations for overtime.

MOTION PASSED: 4-0

MOTION: Council Member Klein moved, seconded by Council Member Schmid to place unaccepted Parking Lot issues before the full Council.

Mr. Keene noted these would be built into their report from the Finance Committee for Council's background information.

MOTION PASSED: 4-0

3. Discussion of Future Meeting Schedules and Agendas

Mr. Perez stated Tuesday, June 2nd included discussion of the Business License Tax. He noted Staff would provide the materials on this the following day, May 27th. Followup on this item was scheduled as well for the Police and Fire Department overtime. A meeting followed on June 16th.

ADJOURNED: The meeting adjourned at 9:57 p.m.