

# City of Gilroy

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**Thomas J. Haglund**  
CITY ADMINISTRATOR

DATE: April 24, 2013

**Subject: Transmittal of Annual Budget for Fiscal Years 2014 and 2015**

Honorable Mayor Gage, Members of the City Council and Citizens of Gilroy:

The City of Gilroy's biennial budget presented to you is wholly balanced with general fund revenues slightly exceeding expenditures in each fiscal year. This proposed budget exceeds the City Council's reserve policy goals of maintaining a minimum unrestricted general fund reserve of 25% of expenditures as well as an economic stability reserve of 15% of general fund expenditures. This budget allocates the necessary funding to achieve Council's vision of Gilroy being a safe and family friendly community and a great place to live.

Gilroy continues to recover from the economic downturn, as evidenced by the increase in sales tax and property tax receipts, as well as the growth in residential and commercial/industrial development. The City's expenditure reductions over the past several years have helped the City to live within its means. The proposed budget assumes continued conservative spending and leveraging grant funding for capital projects. The City continues to operate within the current budget management structure, with cautious optimism for recent upturns in revenues. One of the City Council's primary goals is to maintain a financially sustainable, high performing City. This budget provides the appropriate level of funding to achieve this goal.

Gilroy, like all local agencies, continues to face the ongoing challenge of how to provide a consistent level of service given rising costs and limited sources and types of revenue to pay those costs. As a service organization, the City's primary expenditures are related to the provision of the services that our community expects and deserves. One primary factor leading to an increase in cost for the upcoming budget cycle is the City's contribution to its retirement system, Public Employees' Retirement System (PERS). The City has made significant proactive cost reductions in PERS including *all* employee units now paying the employee portion of retirement cost and establishing lower retirement benefit formulas for new public safety employees (new tiers) and implementation of the Public Employee Pension Reform Act (PEPRA) effective January 2013, which effectively reduces retirement benefit formulas for all new members.

Several years ago, the City began an extensive reevaluation of its month to month and year to year budget management. The city has exceeded its budget savings goals and has diligently managed each of its cost centers. By being cautious about expenditure levels, the City has been able to provide a consistent level of services to the community in a financially sustainable manner. This allowed the City to limit its deficit in economically challenging years and accrue a surplus savings in better years that can be carried forward to the next operating year.

The City continues to be successful in obtaining numerous grants to assist with both operations and capital projects. The City has benefited from American Recovery and Reinvestment Act (ARRA) or stimulus funds, the COPS grant, stimulus sidewalk and trails grants, home loan and housing assistance and the SAFER (Staffing for Adequate Fire and Emergency Response) grant. For the upcoming budget cycle, the City has applied for numerous grants for capital projects, including funding from the One Bay Area Grant (OBAG) program and the Bicycle Expenditure Program (BEP).

California's and the nation's economy continue to rebound. According to MuniService's Economic Overview news, employment is expected to grow 1.3% in 2013 and 2.4% in 2014. Payrolls will grow at 1.4% and 2.2% in the respective forecast years. Real personal income growth is forecast to be 1.8% in 2013 followed by 3.1% in 2014. Unemployment will fall through 2013 and will average approximately 9.7% for the year. In 2014 it is expected that the unemployment rate will drop to 8.4% on average.

At the Federal level, the UCLA Anderson School Forecast states that the US Gross Domestic Product will grow at less than a 2% annual rate through mid-2013. After that, the forecast expects growth to pick up and exceed 3% for most of 2014 with housing activity leading the way. Unemployment will stay close to the current 7.9% rate in 2013, but gradually decline to 7.2% by the end of 2014. By the end of the forecast period, inflation is expected to be above the Fed's 2% target.

### **Operating Budget Summary**

Attached you will find the proposed budget for Fiscal Years 2014 and 2015 (FY 14 and FY 15) containing budgeted operational revenues and expenditures for each of the City's funds. The total combined budget for FY 14 and FY 15 is \$119.5 million and \$122.4 million, respectively. These overall budget totals include a general fund budget in FY 14 of \$42.3 million, representing an increase of 4.7% over FY 13. The FY 15 general fund budget of \$43.0 million, represents an increase of 1.9% over FY 14.

### **Capital Improvement Budget Summary**

The CIB provides the roadmap of programs and projects to be undertaken in Gilroy over the coming 6 year period and provides the statutory projection of capital projects for the biennial budget period. The CIB has been reviewed by the Planning Commission and was recommended for approval to the City Council as being consistent with the City's General Plan, on April 4, 2013.

### **South County Regional Water Authority (SCRWA)**

Also included in the Council's packet is the SCRWA budget. The SCRWA is a joint powers authority of the cities of Gilroy and Morgan Hill. Formed in 1992 the Authority serves both cities treating approximately 2.4 - 2.6 billion gallons of wastewater and producing 600-650 million gallons of recycled wastewater each year for use in landscaping, agricultural, industrial and other applications. The budget represents the operating and capital requirements of SCRWA for FY 14 and FY 15. The SCRWA Board reviewed the proposed budget on April 3, 2013 and will consider it for adoption on May 1, 2013.

## **Two Year (Biennial) Budget**

This two year budget offers the City Council the ability to provide for more systematic long range planning over the budget term, achieve efficiencies in the second year of the budget by relieving staff of the budget preparation process to instead focus on validation efforts for the second year of the budget and other worthwhile projects. The two year budget also demonstrates a commitment to operate the City over the long term with the goal of mitigating deficit spending to the greatest extent possible while genuinely pursuing a balanced budget.

Included in the budget are programmatic details including each division's primary goals and objectives with performance and benchmarking measures that help in defining both the scope of operations of the City, but also measuring performance in pursuit of efficiencies and discovery of new and improved methods of operation. The budget document highlights the goals and objectives of the City's divisions including an identification of productivity and benchmarking measures that will test the performance of operations and serve as a guide for future decisions relative to the City's operational and capital needs. Included in the budgetary goals and objectives developed for the coming years are efforts to address the City Council's goals for the next 5 years (2013 – 2018) which are to:

1. Maintain a Financially Sustainable, High Performing City
2. Upgrade City Infrastructure and Facilities
3. Create a More Livable Gilroy Community for All
4. Develop a Thriving Gilroy Downtown

Below is a summary of each of the significant funds that account for the City's operational revenues and expenditures.

### **GENERAL FUND**

The General Fund accounts for all resources except for those where a separate fund is necessary for legal or administrative purposes. This fund includes the City's general purpose services that relate to public safety, public works, community development, finance and administration.

## **General Fund Balance**

Summary of General Fund (100) projections for FY 14 and FY 15:

Revenues	41,971,529	42,696,323
Accumulated Annual Savings	350,000	350,000
Expenditures	(42,250,132)	(43,037,274)
Operating Income	71,397	9,049
Beginning Fund Balance	22,549,710	21,221,107
Less Accumulated Annual Savings	(350,000)	(350,000)
Less Reserves for Capital Outlay	(1,050,000)	(1,050,000)
Beginning Fund Balance	21,149,710	19,821,107
Projected Ending Fund Balance	21,221,107	19,830,156
Economic Stability Reserve	6,337,520	6,455,591
Minimum General Fund Reserve	10,562,533	10,759,319
Remaining Unrestricted Fund Balance	4,321,054	2,615,246

## **General Fund Reserves**

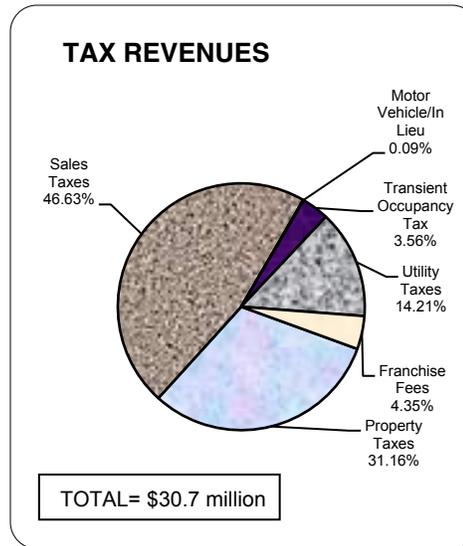
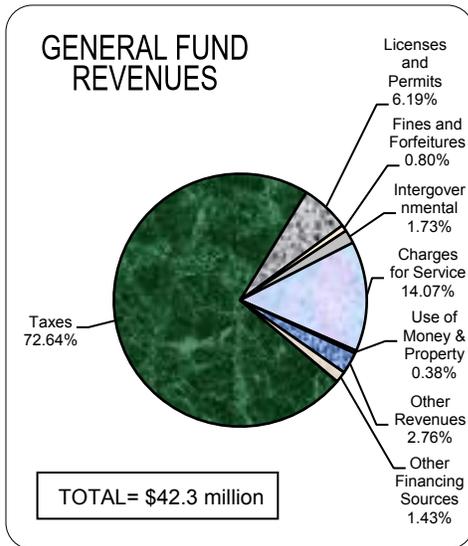
In May 2010, City Council adopted a new general fund reserve policy of retaining a general fund reserve equal to 25% of annual general fund expenditures, or approximately \$10.6 million for FY 14. In addition, Council adopted the establishment of a separate economic stability reserve that is used only for limited purposes, at 15% of general fund expenditures, or approximately \$6.3 million for FY 14. The City continues to meet and exceed its minimum general fund reserve levels (25% general fund reserve and 15% economic stability reserve). The City projects a remainder unrestricted general fund reserve balance of approximately \$4.3 million for FY 14 in addition to the general fund reserve accounts. All totaled the reserve position of the city provides approximately 6 months of operating funds in the event of a calamitous economic impact or disaster response.

As the City has more than the required level of reserves, \$1.4 million in each of FY 14 and FY 15, from the unrestricted fund balance or accumulated annual savings, will be used for capital outlay reserve, economic incentives and to provide a hedge against any unanticipated revenue or expense fluctuations in FY 14 and 15. This total amount of approximately \$2.8 million represents the use of some of the surplus, or accumulated annual savings, from FY 10 through FY 12. This budget continues the economic incentives transfers from the general fund to the impact funds and funding the replacement reserves for the City's Fleet, Equipment Outlay and Information Technology funds. In FY 14 and FY 15 such transfers will continue to make the impact funds whole for the previously granted incentives and to build capital reserves for future projects.

## General Fund Revenues

The primary revenues in the general fund include sales tax, property tax, utility users' taxes, charges for services, franchise fees, transient occupancy tax and licenses and permits.

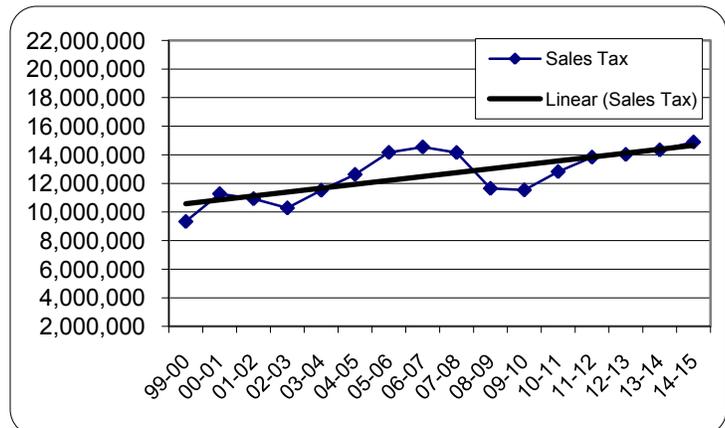
Below is a breakdown of the City's general fund revenues, as well as each tax source within the general fund.



## Sales Tax

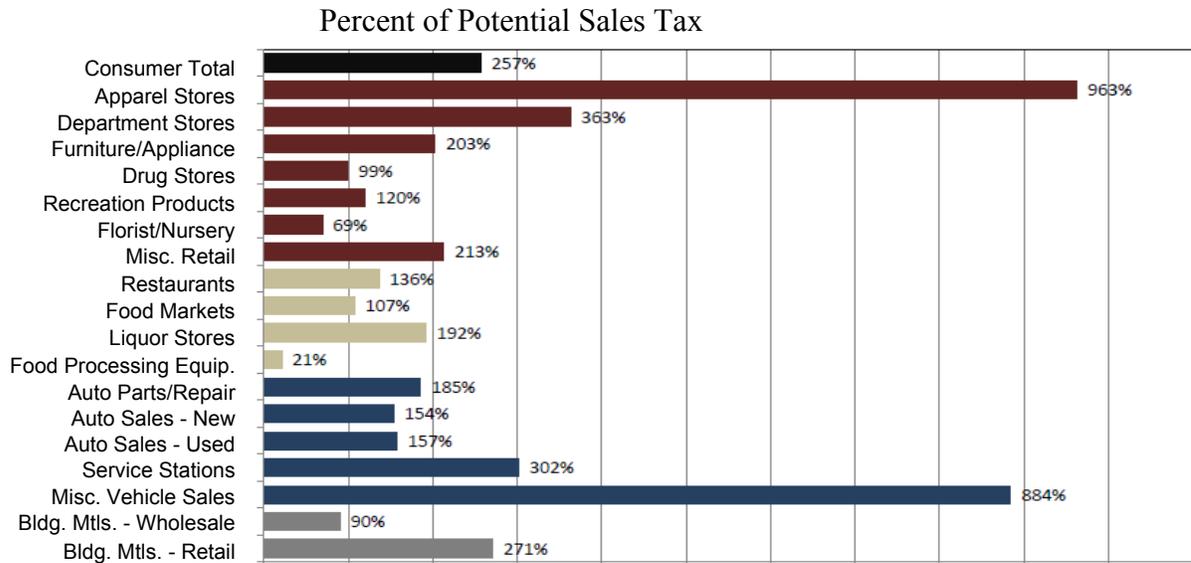
Sales tax receipts for FY 14 are anticipated to total \$14.3 million, up from projected FY 13 actual receipts of \$14.0 million and lower than the FY 13 budget of \$14.5 million. Actual sales tax receipts in FY 1991 through FY 2012, as well as projections for FY 2013 through 2015 are adjacent.

The City's sales tax is continuing to improve, indicating Gilroy's favorable economic rebound as a result of its strong sales tax base. Sales tax has steadily improved since its low in 2008 and the City has experienced 12 straight quarters of sales tax growth. By FY 15, we anticipate rebounding to the high point of approximately \$14.5 million experienced in 2007.



Gilroy's sales tax figures infer that the City's strong retail base as a regional destination for shopping has survived the recession. Indeed, Gilroy has successfully positioned itself as a regional draw for retail shopping and as a sales tax "capture" community in that the City's sales

tax receipts are approximately 260% per capita. The chart below demonstrates the strength of Gilroy’s sales tax capture. Percent of Potential Sales Tax: Less than 100% indicates leakage and more than 100% indicates capture based on disposable income in Santa Clara County.

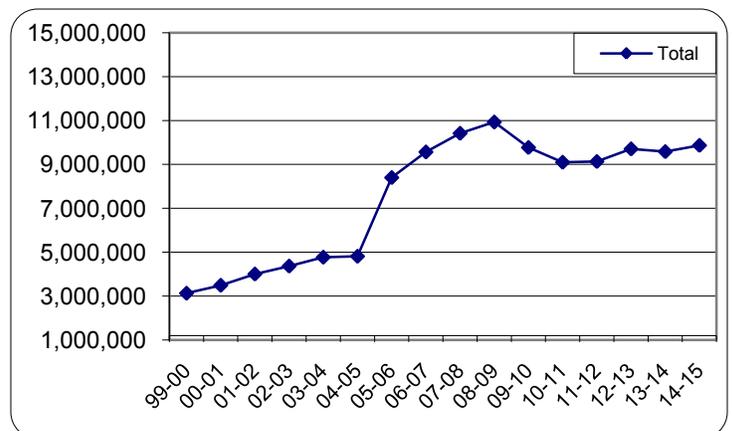


The City works closely with MuniServices in analyzing historical sales tax data and projecting future tax revenue. The projected sales tax for FY 14 and FY 15 assumes slight growth in each of the sales tax categories, and the City’s sales tax base is adjusted for any new or departing business and any Gilroy specific factors.

Property Tax

Growth in real estate development benefited the City previously by leading to a rapidly increasing assessed property tax valuation, which fell over the last few years as a result of the deteriorated national economic conditions that contributed to a significant decline in development. However, the City has seen slight growth in the past few years and expects this growth to continue into the next budget cycle, increasing the City’s property tax revenue.

The proposed budget for FY 14 and FY 15 is \$9.6 million and \$9.9 million, respectively, which compares to budgeted FY13 property tax revenue of \$9.2 million. FY 13 projected property tax revenue will exceed budget due to the receipt of a \$460K one-time payment from the County of Santa Clara for the recalculation of the Property Tax Administrative Fee for FY 2004-05 through 2011-12. The fee will be lower in future years, therefore increasing the City’s net property tax revenue.



In February 2011 the Santa Clara County Assessor’s Office informed local jurisdictions that the California Consumer Price Index (CCPI) that would be applied to property values for the 2011/2012 roll was 0.753%. This was an indication that overall property values were projected to increase slightly in FY 12. The CCPI for the 2010/2011 roll was (0.237) %; this was the first time that the CCPI was negative. Proposition 13 provides that the assessed value of all real property cannot increase by more than two percent annually, unless there is a change of ownership or new construction. Since Proposition 13 passed by the voters in 1978, the CCPI has exceeded the two percent limit in all but six years. The final CCPI factor effective for the 2012/2013 assessment roll is 2.0%. The City anticipates that the property tax receipts will increase due to this factor as well as due to the increase in development growth and the lower amount of foreclosures. The chart below shows the number of foreclosures in Gilroy from 2008 through 2012.

Year	Foreclosures
2008	503
2009	321
2010	225
2011	229
2012	112

Source: Santa Clara County Assessor

### Utility Users’ Tax

The City receives utility users’ tax from several sources: PG&E, steam, gas and electric, phone, wireless phone and cable television. The City’s budgeted utility users’ tax for FY 14 and FY 15 of \$4.4 million in each year is slightly lower than the FY 13 budget of \$4.5 million. Over the last year UUT from land lines (home phones) and wireless providers has decreased as a result of the greater use of smart phones. Many consumers have cancelled service to their land lines and are foregoing telephone calls in favor of texting, tweeting, and e-mailing.

### Building, Engineering and Planning Fees

Beginning in FY 11, the City benefited from unanticipated development and saw a corresponding increase in fee revenue. The increase continued into FY 12 and FY 13. Building, engineering, planning and hazmat fees budgeted for FY 14 and FY 15 are \$5.9 million and \$6.3 million, respectively.

The Community Development and Public Works Departments conducted extensive surveys of anticipated developer activity and compared this data against approved projects in establishing the revenue projections for FY 14 and FY 15. The City is listening to the development community and has worked closely with them in establishing the revenue projections. This budget discounts to a certain extent the projections provided by the development community to be conservative, yet account for the marked rise in development related activity. A large portion of the general fund

revenues attributable to this development activity typically precede actual construction and are related to advance planning processes, building plan and site related plan reviews undertaken by developers in advance of permit issuance. Inspection related fees are received in conjunction with construction. In order to ensure that the City takes a cautious approach while demonstrating actions to meet demand, it will employ a metered hiring plan. The City will ensure that staff is available based on the demonstrated development activity over the course of each fiscal year so that it can calibrate development growth with sufficient staffing. This will allow the City to balance its revenue with its expenditures and reduce expenditures if the development occurs behind the schedule presently anticipated by the development community. The City will allow for appropriate lead time during the process.

### Transient Occupancy Tax and Tourism Business Improvement District

The City receives transient occupancy tax (TOT) from hotels and motels in the City limits. The proposed budget for FY 14 and FY 15 is \$1.1 million each year, compared to the adopted budget for FY 13 of \$0.9 million.

The City of Gilroy Tourism Business Improvement District (GTBID) was established working together with the Welcome Center. The assessment revenue will provide dedicated funding for a sales and marketing plan with the primary purpose of increasing overnight room sales within the GTBID's boundaries as a measure of the city's economic development efforts to further increase business activity. The City will receive a reimbursement for its administration of the revenue.

### Interest

In FY 14 and FY 15, City funds are anticipated to continue to receive a reduced allocation of interest as a result of the decrease in interest rates and reserves. The City's investment portfolio consists of Federal agency bonds, as well as deposits in LAIF. The daily return on LAIF funds has quickly decreased over the last several months as the Federal government has lowered interest rates. The rate of return on LAIF as of July 1, 2008 was approximately 2.86% and the rate of return is currently approximately 0.26%. The City's Federal agency bonds have higher stated interest rates, but many are callable by the issuer. As each of the call dates approach, the issuers call the bonds as the stated interest rates are much higher than market interest rates. The City reinvests the called bonds into replacement bonds or holds the funds in LAIF.

### State Budget Issues

The City continues to monitor the State's proposals for future budgets and report any impacts. One area of funding that is at risk to the City is the Citizens Option for Public Safety (COPS)/Supplemental Law Enforcement Services Fund (SLEFS) funding of \$100,000 per year, which currently supplements sworn personnel in the ACT team. In addition, if there are no booking fees appropriated by the State, the City would have to pay the County of Santa Clara for its bookings into the County jail again. The financial impact of this item is between \$70,000 and \$80,000 per year. The proposed budget adequately anticipates such possibilities and has built-in

adequate funding as a hedge against these potential, yet limited, State actions. The passage of Proposition 22, and Proposition 1A before it, has greatly reduced the State’s ability to inappropriately divert local funding.

**General Fund Expenditures**

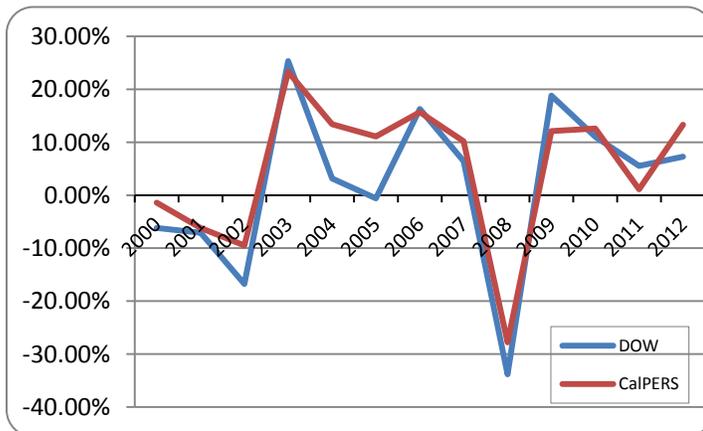
The primary uses of general fund expenditures are personnel-related (salaries and benefits) and materials and services.

One of the primary components of the City’s personnel expenditures is the contribution to the City’s pension program, PERS. PERS is an agent multiple-employer public employee defined benefit pension plan and provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

The current PERS employer contribution rates and the rates for the next two fiscal years are as follows:

Employee Group	FY 13 Employer Contribution Rate	FY 14 Employer Contribution Rate	FY 15 Estimated Employer Contribution Rate
Safety (Police & Fire)	31.23%	31.75%	32.35%
Non-Safety (miscellaneous ee’s)	18.49%	20.18%	20.97%

Due to the economic crisis, the assets of PERS were affected. The resulting investment losses are passed on to PERS agencies through increased employer rates. The employer rates were not impacted by the FY 09 investment losses until FY 12. In an effort to ease the financial burden of future rate increases the PERS Board approved a revised rate smoothing policy given the current economic conditions. The policy smoothes the pension fund’s losses over a longer period to allow for a recovery and to lessen the impact on public employer rates. The City’s unfunded liability has increased as result of the investment losses. The chart above shows the PERS rate of return compared to the DOW. The actual rate of return for PERS has exceeded that of the DOW in the majority of years over the last several years. CalPERS has also exceeded its expected rate of return of 7.5% in many years. For the ten years ended January 31, 2013, the CalPERS total return was 7.9%, which includes the recession years (rate of return of -27.8% for the year ended December 31, 2008.)



The City currently has an unfunded pension liability for its Safety and Miscellaneous plans with CalPERS, consistent with other agencies. In the past and prior to the economic downturn, the City has had a super-funded balance. The unfunded liability changes over time and fluctuates based on many factors and assumptions, including rate of return (discount rate), duration of service and inflation. An unfunded liability represents the amount by which the accrued liability (amounts to be paid out to current and future retirees) exceeds the actuarial value of assets (amounts available to pay the retirees). Funded status is a measure of how well funded a plan is or how “on track” it is with respect to assets vs. accrued liabilities. In April 2013, the PERS Board of Administration modified the rate smoothing process effective FY 16. This change will implement increases for medium sized local agency employer rates for miscellaneous groups by approximately 6.3% and for safety groups by approximately 10% over a five year period. A ratio less than 100% means liabilities are greater than assets. A funded ratio based on the actuarial value of assets indicates the progress toward fully funding the plan using the actuarial cost methods and assumptions. Based on the most recent PERS valuation, the unfunded liability and funded status for each plan is as follows:

	Misc. Plan	Safety Plan
Unfunded Liability	\$13.8 million	\$23.0 million
Funded Status	81.50%	78.60%

The above liability amounts are based on the assumed growth of the assets using the CalPERS expected rate of return of 7.5%. The unfunded pension liability and employer contribution rate would be higher based on an assumed lower rate of return. Conversely, the unfunded pension liability and employer contribution rate would be lower based on an assumed higher rate of return.

Also impacting the rising cost of providing service is the increasing cost of medical benefits. The budget includes a 5% annual increase cap with employees paying the premium increase cost over that amount. An additional impact on the budget is the cost of the national Health Care Reform Act passed by congress and approved by the president and that becomes effective on January 1, 2014. The new law provides that employers, including state and local governments provide health insurance to part-time employees that work an average of 30 hours per week. Part-time employees that work less than an average of 30 hours per week will be able to obtain health insurance from the federal health insurance exchange. The City will limit health care cost exposure by keeping part-time hours below 30 hours per week.

Below are a highlight of certain programs and projects requiring general fund expenditures that are in furtherance of the City Council goals and objectives discussed above.

### Police

The City’s Police Department will continue its primary goal of providing law enforcement protection to our citizens. In addition, the department will focus its efforts on developing anti-graffiti strategies, combating graffiti and addressing homeless issues. Proactive and

preventative patrol remain a constant goal of the police department as is responsiveness to calls for service. During the next budget cycle the department will focus in on specific areas of council priorities including the implementation of the strategic plan for the South County Youth Task Force, with the goal of reducing gang violence and assisting the needs of at risk youth and their families in the community. The department will also undergo a Police Service and Staffing Plan study. In addition, the Police and Community Development Departments will also help to provide guidance to local homelessness advocates working to establish a broader response to homelessness in the community.

The Police Department budget includes necessary resources for the department to meet its statutory training regimen for sworn and non-sworn personnel. Training is a hallmark of a professional department and is necessary to ensure that personnel have the tools and techniques necessary for response to the varying incidents encountered in the field. The Police Department continues to participate in region wide task forces developing advanced communication capabilities and interoperability throughout Santa Clara County and the broader Bay Area.

The Police Department budget also includes the addition of one police officer position in FY 14 and an additional police officer position in FY 15. The positions will be assigned to the patrol division to bolster its current capabilities and allow the department to meet service levels and manage workload. This biennial budget also includes the conversion of a part-time Crime Analyst to full-time to help the department accurately track its performance and benchmarking measures utilizing the crime stats software. The data will assist the department in most efficiently and effectively staffing the personnel and provide the capability of developing staffing strategies and programs geared to address the specific issues the community is facing regarding crime. The department's crime analytics are updated daily allowing the department to brief each work shift regarding recent types and locations of criminal activity and allowing the department to quickly focus on and react to crime trends as they are occurring.

### Community Development

One of Council's goals is to develop a thriving downtown. The Community Development Department, along with the support of other departments, will prioritize downtown vitality, including a city action plan, the Downtown Specific Plan review and paseo development. The department will continue its efforts in exploring an unreinforced masonry (URM) and Façade Financing Program. The City will also develop an economic development policy and tool kit, as well as prioritize the Residential Development Ordinance and development standards. Community Development will serve as the primary staff liaison coordinating and managing the City's General Plan rewrite process. The department will continue its work on implementation of the Habitat Conservation Plan, Climate Action Plan, Housing Element and the Agricultural Mitigation Policy.

As discussed above, the City projects significant development growth in FY 14 and FY 15. If the projected development activity is realized, the City will hire a Planner and a Building Inspector. These positions will help the department in providing planning related services for development

applications and stay on top of the work load. The City wants to continue its prudent approach and will provide the management capability to remain flexible and responsive to the desired increase in development activity, while hiring some additional full time staff, but also using the supplement of temporary staff.

The code enforcement division will continue to respond to complaints from the community for enforcement of the City's codes. The department will also continue its efforts to provide hazardous materials inspection services in protection of the South County Regional Wastewater Authority (SCRWA) plant. These inspection services are provided to the cities of Gilroy and Morgan Hill and are paid through the SCRWA. Community Development will also oversee the city's environmental programs including grant programs and public education.

### Public Works

The Public Works Department will oversee a significant number of projects over the term of the biennial budget, many of which are grant funded. The department will further Council's prioritized goal of upgrading city infrastructure and facilities while expanding parking for the library and overseeing the capital projects. The Department will evaluate the structure and site of the Old Youth Center to determine the future use of the facility, as well as work with Recreation in evaluating the feasibility of a water feature at San Ysidro Park.

The City will continue to focus resources on the High Speed Rail, and anticipates receiving state and federal grants. The Public Works Department oversees the operation and capital improvement of the SCRWA, as well as substantially prepares and recommends the City's capital budget to the City Council, that is discussed later in this message.

The capital budget includes significant projects for both the water and wastewater enterprise funds. The proposed budget includes the addition of one Engineer in FY 14 and one Engineering Technician in FY 15 to oversee the influx of projects, as well as support the daily operations of the water and wastewater systems.

### Recreation

The Recreation Department aims to achieve Council's goal of creating a more livable Gilroy community for all. This biennial budget envisions the continuation of creative, fun and healthy activities for Gilroy residents. The Recreation Department is separated into its own departmental structure and concentrates on the provision of programs and services to the community. The department will continue to support the City's youth and senior center programming. Additionally, the department will continue its neighborhood based non-traditional recreation programming. Recreation serves as a central point of our efforts to engage in community building with a focus on extending the reach of our recreation programming in positive ways and on a neighborhood level to enhance the livability of Gilroy. The central notion of community building is to use our combined community resources – those of the City apparatus as well as those of independent organizations – to enhance involvement opportunities for our residents. Doing so creates a stronger community fabric and will assist the community in addressing and solving the less desirable aspects of urban living. Community building is successful if it is

approached on a “building block” basis in which the guiding principles of wide spread organizational involvement lead to a progressive, year by year commitment by community partners to become engaged in providing opportunity for resident involvement in defining life activities in our City.

Recreation will work with the Police Department in implementing the strategies of the South County Youth Task Force. This includes the administration of the CalGrip grant, which will provide funding assistance for a Youth Task Force Coordinator, along with contributions from other agencies. The Recreation Department will work with the Public Works Department on the water feature evaluation. The department will soon be in its second season of operating the Aquatics Center at Christopher High School and maintaining its program at Gilroy High School.

### Fire

The Fire Department serves as the City’s emergency management agency establishing the City’s coordinated response efforts to emergencies of major significance. The department organizes and conducts monthly training for city-wide personnel responsible for responding to and staffing the City’s emergency operations center (EOC). The training is an important step in ensuring preparedness for an eventual City response to a manmade or natural disaster. Federal and State reimbursement for City expense in such instances depends on the proper administration of the EOC functions and actions in an emergency. The department will continue to provide City-wide and inter-jurisdictional training opportunities to prepare City staff for large scale mass casualty events. The Fire Department will also coordinate Gilroy’s participation in the citizen emergency response training (CERT) program in which interested residents are recruited to be trained to respond to mass emergency situations. Citizen involvement is an integral part of any community’s response to disaster.

The Fire Department also serves as the Santa Clara County-wide integrated first responder to calls for emergency medical services. Santa Clara County policy dictates that fire agencies serve as first responders to medical calls for service prior to arrival of ambulance transportation to area wide hospitals. The biennial budget acknowledges the Fire Department’s role in providing life sustaining paramedic services to the Gilroy community. In the prior budget cycle, the department secured a two year SAFER grant that funded up to six fire fighters for the two year period, ending December 31, 2012. The department has received approval to its request for extension of this grant and intends to request an additional extension through June 30, 2015. Three of the positions from the grants will be continued at the conclusion of the grant term and will be funded from the City’s general fund.

The Fire Department will continue to provide fire inspection services on a multi-year rotating basis. Such inspections serve as a cornerstone measure of fire and loss prevention.

### Finance/IT

The Finance Department provides accounts receivable, accounts payable, general accounting, purchasing, payroll, utility billing, budget analysis, and capital project financial oversight to the entirety of the City operation. The department also serves as the fiscal agent for the South County

Regional Wastewater Authority (SCRWA). The Department will coordinate the compilation and implementation of a new fee schedule. The utility billing division will continue its efforts in the rollout of its online payment website. The Finance Department will continue to monitor the City's short and long term financing strategies for public facilities in consideration of the Bond Anticipation Notes maturing in November 2013. The Department facilitates the budget process and will provide quarterly updates to the City Council.

The Finance Department will continue its administrative oversight of the Information Technology division and managing the City's technological infrastructure. Projects for this biennial budget include implementation of the Technology Communications Master Plan, upgrade of the City's website and its wireless network.

### Human Resources/Risk Management

The Human Resources/Risk Management Department provides recruitment, workers compensation, liability insurance, health and other benefits services to the City's workforce and oversees risk management efforts for both the workforce and City infrastructure generally. Recruitments have increased over the past few years due to several reasons. The City's economic situation has improved, the City has been awarded with personnel grants and also vacancies have been created due to normal attrition. In FY 13 the department conducted 40 individual recruitments involving examination of 1,300 applicants. The pace of recruitments is expected to continue and the extension of timely city services from the various City departments depends on the ability of the City to undertake and complete recruitment processes expeditiously. In FY 14 the department will add a human resources analyst necessitated by the number and pace of recruitments to be conducted in the coming fiscal years. Recruitment and retention of employees that are well trained and capable of delivering services to the community is important to the quality and continuity of those services. The Human Resources Department oversees labor relations processes and administers the City's safety program ensuring that both facilities and work procedures are safe, effective and employees are well trained. A well trained workforce significantly mitigates against both worker and citizen injury. This department will continue to oversee the fleet and facilities division and provide overall administrative direction to those areas of the City's operation managing millions in City assets. The fleet division will pursue grant funded opportunities for all types of vehicles and equipment, including alternatively fueled vehicles and equipment. The facilities division will commence several deferred maintenance projects, such as roofing and painting, as well as focus on energy efficient operations.

The Human Resources Department will assist in determining the scope, cost and best practice models for departmental performance audits. The audits will focus on efficient service delivery, appropriate staffing levels and service priorities. The Department will also keep informed on pension reform and the Affordable Care Act and their applicability to the City, as well as integrate compensation goals into the negotiation process.

### City Clerk

The City Clerk's Office provides services within the organizational structure to the City Council, City Administrator, the various departments, and the general public. The City Clerk's office maintains its functional filing system and comprehensive electronic records management system.

It maintains city council meeting minutes, videos and agendas, and maintains the city-wide comprehensive index of public records. The Clerk will manage the City's 2014 election in conformance with local and California elections laws and will consolidate the City's election with the election services provided by the Santa Clara County Registrar of Voters. The Clerk will coordinate the professional codification of the zoning code into the City Code.

#### City Administrator

The City Administrator's office is responsible for the administrative management of the City operation including the preparation of the biennial budget. The administrator works with the City Council to develop goals and objectives for the organization which are then addressed in this budget document.

The City will implement the Build One Gilroy Community and continues to focus on active economic development efforts in cooperation with local partners to bring increased economic activity and opportunity to the City. The budget includes funding to the Gilroy Welcome Center at \$300,000 per year, Gilroy Economic Development Corporation at \$200,000 per year, wayfinding at \$250,000 per year and the Discover Gilroy campaign at \$75,000 per year.

The City's public information office coordinates the televised broadcast of City Council meetings, the dissemination of the City's quarterly newsletter to citizens, the development of materials and presentations that provide information relative to and that further the successful implementation of City programs and projects. The public information office will develop informational videos on topics of interest highlighting city projects and programs.

### **SPECIAL REVENUE FUNDS**

The 200 series of funds are Special Revenue Funds that account for revenue sources that are restricted for specific purposes (other than those resources to be expended solely for the construction of major capital facilities). Below is a discussion of the significant special revenue funds with operational budgeted revenues or expenditures. The capital expenditures for these funds are discussed in the CIB section below.

243 - CALGRIP (California Gang Reduction Intervention and Prevention) Grant - These are State funds used to supplement the salary of the South County Youth Task Coordinator and the Gang Reduction Intervention and Prevention initiative. The City of Gilroy has a matching portion as well as other Santa Clara agencies participating in Gang Prevention. Total expenditures for this grant are anticipated to be \$263K and \$279K in FY 14 and FY 15, respectively.

248- State Block Grant - This is a one-time block grant to acquire equipment and provide education to reduce crime and improve public safety. The City anticipates receiving and spending \$100K in both FY 12 and FY 13 unless the State's budget does not appropriate such funding.

250 - BEGIN Downpayment Assistance Program - The purpose of this program is to assist homebuyers with downpayment assistance consistent with State of California BEGIN program

funding guidelines for the purchase of their first home. The City anticipates spending state grant funding of \$0.9 million in FY 14.

253- Proposition 172 Sales Tax - Funds are received from State sales tax and must be used for public safety activities. In FY 14 and FY 15, \$172K and \$175K, respectively is anticipated to be spent and received.

254- Community Development Block Grant – The Department of Housing and Urban Development (HUD) provides an annual grant to operate the Community Development Block Grant Program (CDBG). In FY 14 and FY 15, \$520K and \$501K, respectively is anticipated to be spent.

259- Housing Trust – Funds are used for a variety of housing assistance activities including loans and grants to benefit low income housing. Revenue for each of FY 14 and FY 15 is projected at \$273K and \$261K. Expenditures are projected at \$425K and \$437K for FY 14 and FY 15, respectively.

268- REACT Task Force - These grant monies come from the State government for the REACT Task Force (Rapid Enforcement Allied Computer Team) position. The grant reimburses the partial salary and benefits of a FT sworn Police Officer. In FY 14 and FY 15, \$168K and \$170K, respectively, is anticipated to be spent and received.

273- Fire SAFER Grant – This grant is used for the SAFER (Staffing for Adequate Fire and Emergency Response) program. SAFER is funded by the U.S. Department of Homeland Security/FEMA. The grant is used to pay the salaries and benefits of up to six fire fighters. Monies are received on a reimbursable basis. In FY 14 and FY 15, \$935K and \$444K, respectively, is anticipated to be spent and received.

290- Recreation – This fund tracks the activities of the Recreation Department. In FY 14 and FY 15, the City projects a subsidy from the general fund of \$1.9 million and \$2.0 million, respectively.

## **CAPITAL FUNDS**

The 400 series are capital funds and are discussed below in the CIB section.

## **DEBT SERVICE FUNDS**

The 500 series are debt service funds that account for resources accumulated for the payment of debt principal and interest (other than that for proprietary fund debt). The debt service for the Gilroy Community Library bonds is accounted for in this series of funds. The revenue source for these funds is property tax collections. The City also accounts for the debt service on its public facilities debt (lease revenue bonds and bond anticipation notes) in this series of funds. The City is continuing to monitor the bond market in evaluating the best strategy for refinancing the BANs prior to the November 1, 2013 maturity.

## **INTERNAL SERVICE FUNDS**

The 600 series are Internal Service Funds and are a proprietary fund type to account for goods or services provided to other departments of the City where the intent of the City is that the costs of these goods or services are to be recovered through interdepartmental charges at the time that the goods are delivered or the services are rendered to those departments. Below is an overview of the internal service funds with operational expenditures.

600- Fleet Services - This internal service fund includes all the operations required to maintain the City's vehicles. The costs are recovered through an annual "user fee" which is charged to all departments/funds that have vehicle use. This fund also provides capital funding for replacement of all the City's vehicles on an "as needed" basis. Operational expenditures in this fund include salaries, support services, fuel and maintenance. Since resources are limited, expenditures continue to be limited over the next few years.

620- Worker's Compensation - This internal service fund accounts for all expenses relating to worker's compensation (i.e., injury claims, insurance premiums, etc.). The costs are recovered through an annual "user fee" which is charged to all departments/funds that have employees.

630- Liability Insurance - This internal service fund accounts for all expenses relating to the City's general liability insurance. The costs are recovered through an annual "user fee" which is charged to all departments and funds.

651- Facility Services - This internal service fund accounts for all expenses relating to the operation and maintenance of City facilities. The costs are recovered through an annual "user fee" which is charged to all departments/funds that have facilities.

690- Information Technology - This internal service fund accounts for all expenses relating to computer hardware, software, maintenance, capital purchasing, and other service charges. The costs are recovered through an annual "user fee" which is charged to all departments/funds that have computer equipment.

## **ENTERPRISE FUNDS**

The 700 series are Enterprise Funds and are a proprietary fund type and account for operations where the intent of the City is that the costs of providing goods or services to the public are to be recovered primarily through user charges.

700- Sewer - This fund is a sewer enterprise fund which operates and maintains the sewer collection system and treatment infrastructure for the City. Sewer maintenance and operations covers the ongoing maintenance of the existing sewer collection system and treatment infrastructure for the ongoing collection and treatment of sewer from residences and businesses within the City. Monthly sewer use fees collected for maintenance and operations are used to maintain the sewer collection system and treatment infrastructure after it has been constructed and for its useful life. Additionally, these fees may be used to replace the existing sewer collection

system and treatment infrastructure when it wears out. These fees are not used to install new sewer collection system and treatment infrastructure related to a brand new development or for an existing development that requires increased capacity because it expands its operations. In the case of new or expanded development the user pays a Sewer Impact Fee equal in the amount necessary to accommodate its new or expanded use. Sewer Impact Fees are collected in a completely different fund, Fund 435, and cannot be used to fund ongoing sewer collection system and treatment infrastructure maintenance and operations.

The City's wastewater is treated at the South County Regional Wastewater Authority (SCRWA) facilities. The proposed budget for the SCRWA operations and capital improvement budget is provided to the City Council for review and approval.

The City completed its water and wastewater user rate study and Proposition 218 process for wastewater rate increases initially effective March 1, 2012. The next increase in the wastewater rates (8%) will be effective on July 1, 2013.

720- Water - This fund is a water enterprise fund which operates and maintains the water treatment, storage and delivery system infrastructure for the City. Water maintenance and operations covers the ongoing maintenance of the existing water treatment, storage and delivery system infrastructure for the ongoing treatment, storage and delivery of water to residences and businesses within the City. Monthly water use fees collected for maintenance and operations are used to maintain the water system after it has been constructed and for its useful life. Additionally, these fees may be used to replace the existing system infrastructure when it wears out. These fees are not used to install new water system infrastructure related to a brand new development or for an existing development that requires increased capacity because it expands its operations. In the case of new or expanded development the user pays a Water Impact Fee equal in the amount necessary to accommodate its new or expanded use. Water Impact Fees are collected in a completely different fund, Fund 436, and cannot be used to fund ongoing water system maintenance and operations.

The water fund is subject to volatility because it is driven by two key cost factors: (1) electricity costs and (2) Santa Clara Valley Water District's (SCVWD) groundwater management fee. To help control electricity costs, the Water Operations division has continued to work diligently over the last several years to take advantage of the lower electricity rates by only pumping during "off peak" hours. The result has been very positive with reduced power costs. The water user fees have stayed consistent between years.

### **Capital Improvement Budget**

The capital improvement budget continues to primarily consist of projects funded through grants. The capital budget provides a 6-year window of projects to be completed within the CIB horizon, although only the first two years of significant projects are specifically addressed in this transmittal letter. The financial health of the capital improvement funds have improved over the last few years as a result of the unanticipated development.

### Fund 200 (Sidewalk Repair Reserve)

These funds are used for sidewalk repairs and the interest on the principal balance of the fund is used for the prioritized repairs.

#7, Sidewalk Curb and Gutter – 80/20 Program: This project will repair approximately 10,000 square feet of sidewalk, curb and gutter in each fiscal year by working with property owners to qualify them for participation in the City’s 80/20 program.

#1 - 2, Sidewalk Repair: This involves maintenance or repair of existing City facilities and/or replacement of existing equipment.

### Funds 209-213 (Gas Tax Funds), 224 (Transportation Mobility Grants), 225 (Vehicle Registration Fees)

#s8 - 9, 11, 17, 20- 23, 38, 42, 44, 46 - 49 Street projects: These projects will be completed using gas tax funds, transportation/mobility grant funds and vehicle registration fees.

#s 10, 24, Street Light Conversion to LED: These funds will be used for a street light retrofit from high pressure sodium to light emitting diode fixtures (LED). The project will incorporate citizen input through a demonstration project that will display various types of LED lights for citizen review. The demonstration project/citizen input and light selection process will occur in FY 13-14 and 14-15. Conversion will start in FY 14-15 and last approximately 5 years.

#s12, 25, Other Grants and Rehabilitation Projects: Funds have been set aside for project costs that would be spent upon acceptance of grant awards from sources such as One Bay Area Grant, BEP funding or similar opportunities. The specific projects have not yet been identified and will be consistent with the other projects described below within these funds.

#s 13, 33, Fourth Street Streetscape from Monterey to Egleberry: This is one of the nine side streets in the downtown area. This one-block street segment connects residential areas and the Civic Center to the downtown. It also connects transit patrons to the western portion of downtown along Egleberry, where historical homes are beginning to transition into a professional office district. The Fourth Street Streetscape project is part of implementing the comprehensive Downtown Gilroy Specific Plan and, therefore, is an essential element in the success of the Specific Plan. The project design elements will be consistent with recently constructed Monterey Street and Sixth Street Streetscape projects.

#s 14, 34, Fifth Street Streetscape from Monterey to Egleberry: This is the same project description as Fourth Street, except the project location is on Fifth Street between Monterey Street and Egleberry Street.

#s 15, 36, Church Street Safety Project: The purpose of this project is to provide improvements that will help to reduce collisions and improve vehicular, pedestrian, and

bicycle safety. Church Street experiences diverted traffic away from the more congested Monterey Road to the east. These diverted vehicles are typically only pass-through vehicles which have been observed to travel at higher speeds. This project will provide traffic calming measures and general traffic control to appropriately accommodate the diverse mix of users of this roadway segment.

In an effort to increase the safety and discourage cut-through traffic, improvements to Church Street are proposed to include: consistent bike lane and on-street parking delineation, pedestrian-level street lighting, and new intersection curb bulb-outs. Each of the measures discussed above will enhance the mobility and safety of the Church Street corridor for pedestrians, bicycles, and the safer movements of vehicles along the corridor.

#s 16, 37, Welburn Street Safety Project: The Welburn Avenue corridor is classified as an arterial roadway between Monterey Road and Church Street, a collector roadway between Church Street and Wren Avenue, and an arterial west of Wren Avenue to the project limit at Santa Teresa Boulevard. Welburn Avenue experiences relatively high volumes of traffic, especially in the collector roadway section of the corridor.

The purpose of this project is to provide improved safety and access for vehicles, pedestrians, and bicycles. The project proposes to stripe bike lanes or provide shared bike facilities throughout the Welburn Avenue corridor to provide improved access for cyclists as well as reduce vehicle speeds and better delineate narrower travel lanes in the current arterial section of the corridor.

In addition, the project is proposing improved street lighting, throughout the corridor including the replacement of existing luminaire heads with LED heads and the installation of additional luminaires in areas along the corridor currently with no street lighting or at intersections where improved lighting would help with nighttime safety. Pedestrian access will be improved through the installation of new ADA compliant pedestrian ramps at specific intersections as well as refreshed or new crosswalk striping. Overall, the project will improve the access and overall safety of the Welburn Avenue corridor for each of the primary modes of service.

#s 18, 39, Tenth Street Traffic Signal Fiber Optic: The Tenth Street Corridor from Monterey Street to Orchard Dr. is a major east-west connector serving the south central portion of Gilroy that connects western neighborhoods with jobs east of Highway 101 and access to Santa Teresa Blvd., Monterey Road and Highway 101. Significant bus transit services travel on this street.

Improvements along the Tenth Street corridor will include ADA improvements, crosswalk striping, bicycle access improvements including striping and signal loops, traffic signal detection upgrades, traffic signal communications upgrades, traffic signal operations improvements (i.e. increasing the number of phases) and signal retiming.

#s 19, 40, Monterey Street Traffic Signal Fiber Optic: The Monterey Street Corridor from

First St. to Tenth St. is the City of Gilroy's prime north-south commercial connector. It serves vehicular, transit, bicycle and pedestrian needs and provides the primary access to the Downtown and the VTA regional transit center at the Historic Gilroy train depot. Significant local and express bus transit services travel on this street.

Improvements along the Monterey Street corridor will include, ADA improvements, pedestrian crosswalks, bicycle access improvements including striping and signal loops, traffic signal detection upgrades, traffic signal communications upgrades, traffic signal operations improvements (i.e. increasing the number of phases) and signal retiming.

#s 26, 29, 99, Ronan Channel Trail Construction: This project will include funds from the Santa Clara Valley Water District (SCVWD) Stewardship Grant Project and the One Bay Area Grant (OBAG) program, as well as funding from the City's public facilities impact fund (Fund 440). The Ronan Channel project will convert an existing unpaved creek-side maintenance road that is closed to the public to a multi-use public trail for use by bicyclists and pedestrians. The maintenance road is currently operated by the SCVWD. The trail will be operated and maintained by the City of Gilroy through a joint use agreement. Proposed project improvements include designing the following elements: paving the existing maintenance road on one side of the creek to trail standards established in the Gilroy Trails Master Plan; fencing between the roadway and the trail per SCVWD/City standards; native planting and water-conserving irrigation adjacent to the trail; standard street crossing and vehicular barriers where the trail intersects with streets; trails signage at all access points, and interpretive signage along the parkway. The trail will be designed in compliance with ADA accessibility guidelines. Interpretive themes and displays will be designed in partnership with SCVWD and the Gilroy Unified School District (GUSD). The Ronan Channel trail will include a new pedestrian bridge over the channel.

#s 27, 100, Bicycle Expenditure Program (BEP) Sports Park Trail Construction: Using grant funding and the City's public facilities impact fund (Fund 440), this project will connect to and expand the existing Uvas Creek Trail system at the Sports Park and will take pedestrians to Gavilan College. This project consists of asphalt over an aggregate base. A bridge is planned to cross Uvas Creek connecting the open space area with the Gilroy Sport Park. Street crossing improvements are required at Santa Teresa Blvd/Mesa Rd/Gavilan College intersection. The project will include amenities and concrete split rail fencing.

#s 28, 101, Downtown Paseo –7453 Monterey Street: In 2005, the City of Gilroy completed the Downtown Specific Plan for the purpose of creating a unique and identifiable downtown that is economically vibrant and pedestrian-oriented. One of the most important improvements that can be made to the Downtown is the addition of urban green spaces in the form of plazas, paseos and informal pedestrian spaces. Paseos located at mid-block, are pedestrian passageways that add dimension and improve connections to the downtown pedestrian network as most blocks along Monterey Street are fairly long. They also provide convenient and improved access to parking and other businesses located directly behind Downtown building frontages. Funded with transportation

mobility grant monies and the public facilities impact fund, this project connects the Monterey Street Downtown corridor to parking located on Egleberry Street. The scope includes the construction of a paseo with landscaping, site furnishings such as benches, trash receptacles, and lighting. The project includes a formal trash enclosure and compactor for surrounding businesses, provision for public restrooms, lighting and safety cameras, additional lighting of parking lot leading into the paseo and provisions for support of public art.

#s 30, 41, 103, 107, Lion's Creek Trail: This project involves the completion of the multi-use trails for bicycles and pedestrians along stretches of Lions Creek. This will complete another significant section of the city's trails master plan.

# 31, Tenth Street Improvements: The Transportation Agency of Monterey County (TAMC) is the lead agency in a project to add a third rail to the railroad crossing at Tenth Street. The City project will complement this by widening Tenth Street to three lanes in each direction and adding other improvements associated with the installation of the third rail line. This represents the City's proportional cost for this project with TAMC. The improvements will be consistent with City and railroad standards.

#s 32, 104, Bicycle Expenditure Program Gilroy Gardens Trail: This project will use BEP funding and public facilities impact funds to connect to and expand the existing Uvas Creek Trail system at Third Street and will take pedestrians to Gilroy Gardens. This trail represents 9000 linear feet of a 12' wide bicycle/pedestrian trail with 18"-24" wide aggregate shoulders on each side. Trail materials will be asphalt on top of an aggregate base. Trail amenities will include bench seating, trash receptacles, pet bag dispensing stations, and interpretive signage at interim points and trail signage and bollards at trail end/start points. Concrete split rail fencing is planned in zones adjacent to agricultural uses and landscape improvements will consist of trees, shrubs/grasses and temporary irrigation. Striping will separate two-way trail uses.

#s 35, 105, Downtown Paseo #2: This represents a second paseo in addition to the one described above at 7453 Monterey Street to be funded through a grant and the public facilities impact fund. The site for the second paseo has yet to be identified. Funds have been allocated to this project in anticipation of the site selection.

#s 43, 108, Vehicle Emission Reduction by Schools (VERBS Phase 2): This project will provide the Gilroy Early College Academy (GECA) located on the Gavilan College campus with safe pedestrian access using grant funding and public facilities impact funds. This will close the extensive sidewalk gap between the campus and adjacent residential neighborhoods located to the north. The school crossings improvements will use the latest methods and technologies for enhancing student safety such as high visibility crosswalks and new signage. The sidewalks will provide continuous walking routes for the high school students.

#### Fund 400 (Capital Projects Fund)

Revenue to the fund is from interest income and transfers from the general fund.

#57, Sidewalk Curb & Gutter 80/20 Program: In addition to Fund 200 funding, this project will repair approximately 10,000 square feet of sidewalk, curb and gutter by working with property owners to qualify them for participation in the city's 80/20 program each fiscal year.

#58, San Ysidro Park Water Feature Study: This project is a study to determine the feasibility of constructing a water feature at San Ysidro Park.

#59, One Time Capital Projects: These funds are set aside for one-time costs for projects yet to be identified including use as matching funds for grants and programs that become available to the City during the budget term.

#### Fund 415 (Gilroy Community Library)

The purpose of this fund is to finance the acquisition, construction and improvement of facilities to be used as a public library within the City of Gilroy. Funding was provided by issuance of general obligation bonds.

#s60 - 69 Library Project: The construction of the library facility was completed in 2012. The expenditures in FY 14 and FY 15 represent the cost of providing additional parking.

#### Fund 433 (Traffic Impact Fund)

The Traffic Impact Fund (TIF) is intended to finance the construction of streets, bridges, interchanges and traffic signals.

The following projects (roadway segments and extensions, bridges and intersections) are reimbursements to developers for expenditures to construct traffic improvements already budgeted for in this fund. These developers will bear the full initial cost of the required improvement and will be reimbursed according to the City's reimbursement policy. #88 and #91 represent reimbursements to developers for improvements that are already completed and in place.

##### Roadway Segments and Extensions:

#79, Extension and widening of Cohansey from Murray Avenue to the City limits  
#90, Extension and widening of Wren Avenue from Farrell Avenue to City limits.  
This project will be completed in conjunction with the Harvest Park development.

##### Intersections:

#86, Improvement of the Luchessa Ave., Princevalle St. Intersection  
#92, Improvement of the Luchessa Ave., Thomas Rd. Intersection  
#95, Improvement of the Monterey St. Luchessa Ave. Intersection

#s81- 82, TDA City Handicap Ramps: This project continues the city's long-term commitment to the city-wide installation of ADA assessable ramps at sidewalk corners where they do not presently exist.

#84, Sixth Street Curb Extension: This project provides a variety of street improvements along Sixth Street at various locations between Camino Arroyo and Egleberry Street, including the following: (1) Repair damaged traffic signal fiber optic cable east of the Sixth Street Overcrossing and modify the existing pullbox to meet current standards and prevent future damage; (2) Remove and replace failed sections of sidewalk along the south side of Sixth Street west of Monterey Street; (3) Install street lighting improvements at the intersection of Sixth Street and Egleberry; (4) Construct curb extensions at the intersection of Sixth Street and Egleberry.

#87, Fitzgerald Avenue Improvements: This represents the City's proportional cost for this project on Fitzgerald Avenue from Santa Teresa to Monterey Road with the County of Santa Clara. The improvements will be consistent with City and County standards.

#### Funds 435 (Sewer Development) and Fund 700 (Sewer Enterprise Fund)

Fund 435 is used for the construction of sewer collection and conveyance systems and Fund 700 is an enterprise fund which operates and maintains the sewer collection system.

#s 96, 422, Sewer Main Trunk: This project consists of the construction of a new 42 inch sewer trunk main to replace an existing 33 inch trunk main installed in 1960 from Holloway Road to the South County Regional Wastewater Authority Treatment Plant and the extension of a 33 inch trunk main under Highway 152 at Camino Arroyo. This project replaces aging existing facilities as well as install new, increased capacity.

#### Funds 436 (Water Development)

Fund 436 is used for the construction of water transmission, distribution and storage systems within the City's water system.

#97, Miller Avenue Water Main Connection to Reservoir B&G: This project will improve the efficiency of the current connection between the water system and the reservoirs by adding a parallel line adjacent to the existing 18" line from the 24" trunk main from Santa Teresa Blvd to the reservoir sites at Santa Teresa Blvd and Miller Street.

#### Fund 440 (Public Facilities Impact Fund)

The Public Facilities Impact Fee supplies this fund in order to finance improvements to Parks, Police, Fire, City Facilities and the Library. The projects listed below are in addition to the ones described above that have more than one source of funding.

#102, Christmas Hill/Ranch Site Facility Project: This project will include a study of the structure and surrounding site area to determine the future use of the facility.

#106, Old Youth Center Evaluation: This project will evaluate the structure and site of the Old Youth Center on Railroad Drive to determine the future use of the facility.

#109, Hazmat Container and Dog Kennel at Corporation Yard: This project at the Corporation Yard consists of a new hazmat container facility and a new building to provide shelter for dogs.

#s110-111, Additional Civic Center Land and Demo: Consistent with the Civic Center Master Plan, five properties along Dowdy are to be acquired by the City over time. This project sets aside funds for the purchase of those properties when they become listed for sale, and provides for the subsequent demolition.

#### Funds 600, 605 and 690 (Fleet, Equipment Outlay and Information Technology (IT) Funds)

#s112 - 417, These CIB items are for the purchase of internal service fund capital, including fleet, equipment, and IT purchases for safety and non-safety operations.

#### Fund 700 (Sewer Enterprise Fund)

#s418, 420 -421, 437, Miscellaneous Equipment and Maintenance: This includes equipment for the operation of the wastewater collection system, as well as ongoing maintenance projects.

#s423 - 436, Main Replacements: These projects will replace sanitary sewer mains at designated locations throughout the City, including Church, Wayland, Fifth, Seventh and Rosanna, Streets; Swanston Lane; Forest Avenue; Monterey Road and alleyways and backyards. Sewer mains will be sized to meet current demands.

#### Fund 720 (Water Enterprise Fund)

Fund 720 is an enterprise fund which operates and maintains the water production and distribution system.

#s438 -439, 441 -445, 448 – 450, 452, 455, 460, 462, 464, Miscellaneous Equipment and Maintenance: This includes equipment for the operation of the water distribution system, as well as ongoing maintenance projects.

#s 45, 456 - 457, 463, First Street Water and Storm Drain Main (Phase I, II and III): This project includes the removal and replacement of a water pipe that is over 100 years old. Phase I, which was previously considered by the Commission, consists of a section of pipeline less than a mile in length along First Street from Monterey Road to Wren Avenue. No new connections are proposed. Although the purpose of the project is not to increase the pipeline's capacity, the diameter of the pipe will increase from about 16" to 24", connecting two existing 24" diameter sections of the pipeline. The larger diameter will significantly reduce pumping costs due to friction in the pipe. The existing pipe is of an unusual oval shape, making it very difficult to repair. During Phase I, the City will

improve the capacity of the storm drain system along First Street. Phase II will include replacement from Wren Avenue to Westwood Drive and Phase III will include replacement from Westwood Drive to the 24" main at Santa Teresa Blvd.

#s458 – 459, Main Replacements: These projects will replace water mains at designated locations throughout the City, including Carmel, Broadway and Casey streets. Water mains will be sized to meet current demands and fire safety flows. Lines will not be sized to accommodate future growth beyond that indicated in the General Plan.

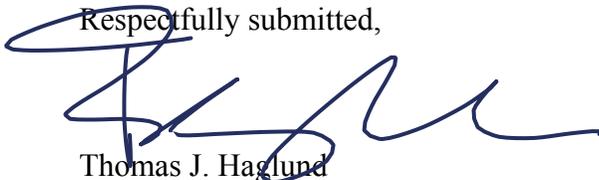
#461, Gilroy Gardens Backup Water System: The City will work with Gilroy Gardens Family Theme Park to design and construct a backup water connection for emergency use.

### **Summary**

As noted above, the City is recovering from the economic downturn, as evidenced by the increase in sales tax and property tax receipts and development activity. Staff will continue to present quarterly budget reviews to the City Council, to ensure the City achieves its goal of financial sustainability and high performance.

Staff will be present to answer any questions of the City Council.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Thomas J. Haglund', written over a horizontal line.

Thomas J. Haglund  
City Administrator