

Major projects planned for the coming year

Menlo Park's Capital Improvement Plan, which is the community's plan for short and long range development, maintenance and improvement projects, includes several projects for the coming year sure to benefit the City's residents, businesses, property owners and visitors.

Kelly Park Improvements: Starting this summer, a new artificial turf sports field, tennis courts and basketball court will be constructed at Kelly Park in east Menlo Park. The field project, to include lights, is expected to cost about \$3 million and should be completed by spring of 2011.



Sidewalks on Santa Cruz Avenue: This \$500,000 project will involve construction of the first phase of new sidewalk on portions of Santa Cruz Avenue near downtown.

Burgess Gymnastics Center: Thanks to a second generous contribution from John Arrillaga, the City is able to proceed immediately with demolition of the old gymnastics center and construction of a new facility on the site. The City will fund \$6.2 million from Measure T and Rec-in-Lieu funds with Mr. Arrillaga contributing the remainder.



Downtown Landscaping Improvements: This project includes new landscaping in selected areas downtown and will feature native and drought-tolerant plants. A community engagement process helped select the sites and the plant arrangements. The process was supported by designers from Sunset magazine, headquartered in Menlo Park.

For a complete list of next year's projects, see the City's web site at: <http://www.menlopark.org/cip/5yCIP.pdf>

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A newsletter for the community from the City of Menlo Park

July 2010

Happy Fiscal New Year!



Each year in June, the City adopts a budget plan guiding spending for the coming year for the City services provided to Menlo Park businesses and residents. This report outlines the coming year's General Fund budget, approved by the City Council on June 22. A copy of the budget can be found at www.menlopark.org/budgetbook/

The budget includes funding for City services such as police, streets, parks, and planning. Other services, such as fire, garbage, water and other utilities, are provided by other agencies or from special funds not covered in this report, which focuses on services funded from general tax dollars and fees.

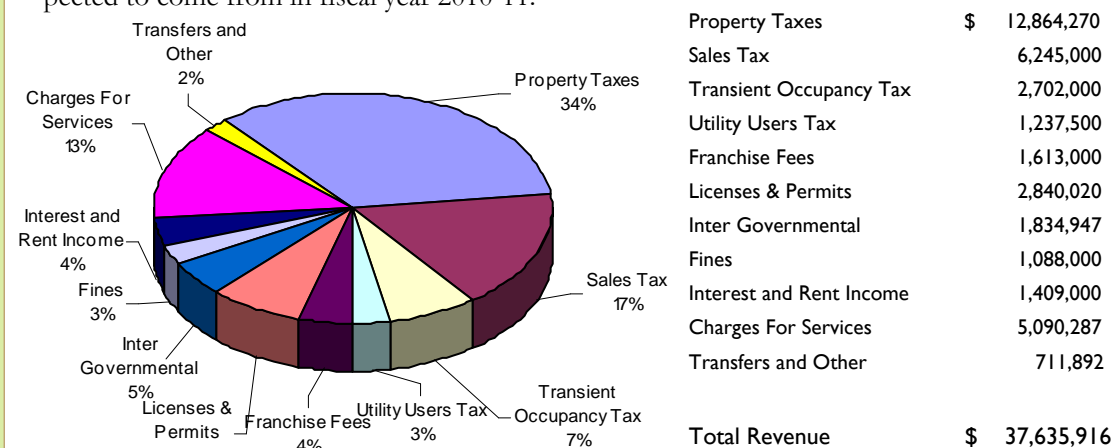
Overall, Menlo Park is in good financial shape, although revenues are impacted by the economy. We've trimmed costs to limit our budgetary shortfall to \$500K — less than 1.5% of the total budget, which can be covered by the \$24 million in reserves.

Glen Rojas, City Manager

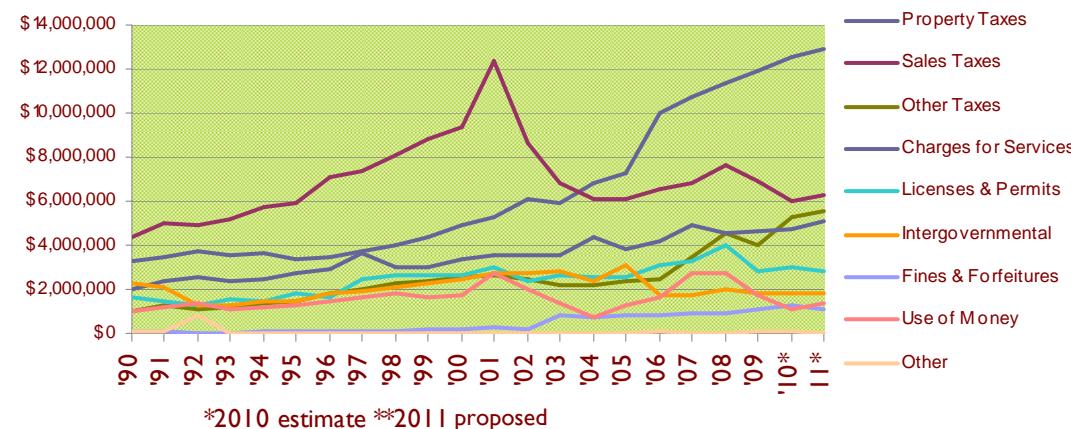
2010 — 11 Budget Report

City Revenues — where does the City's money come from?

The City receives only a small portion of the property taxes, sales taxes and other taxes you pay. The rest goes to school districts, community colleges, the County and state agencies. Menlo Park receives about 12 cents for every dollar in property taxes and one cent for every dollar of retail sales in Menlo Park. Here's where Menlo Park's revenues are expected to come from in fiscal year 2010-11:



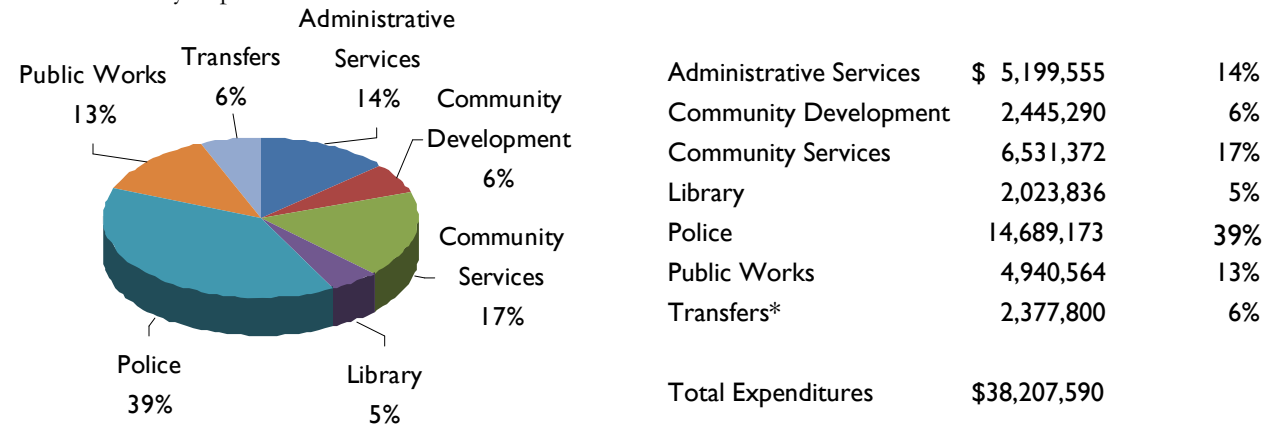
The chart below shows the changes in revenues over the past ten years. The severe recession continues to reduce some revenues. Revenues from sales taxes and fees for development services have been especially hard hit. A significant drop in investment yields has also exacerbated the revenue picture.



*2010 estimate **2011 proposed

City Expenses — what is the money used for?

Like most other communities in California and the nation, Menlo Park is feeling the impacts of the worst economy since the Great Depression. So, we're working to identify new ways to increase revenues and contain expenses in order to continue providing the high quality services residents expect. This chart shows the expenses for the City's general services by department:

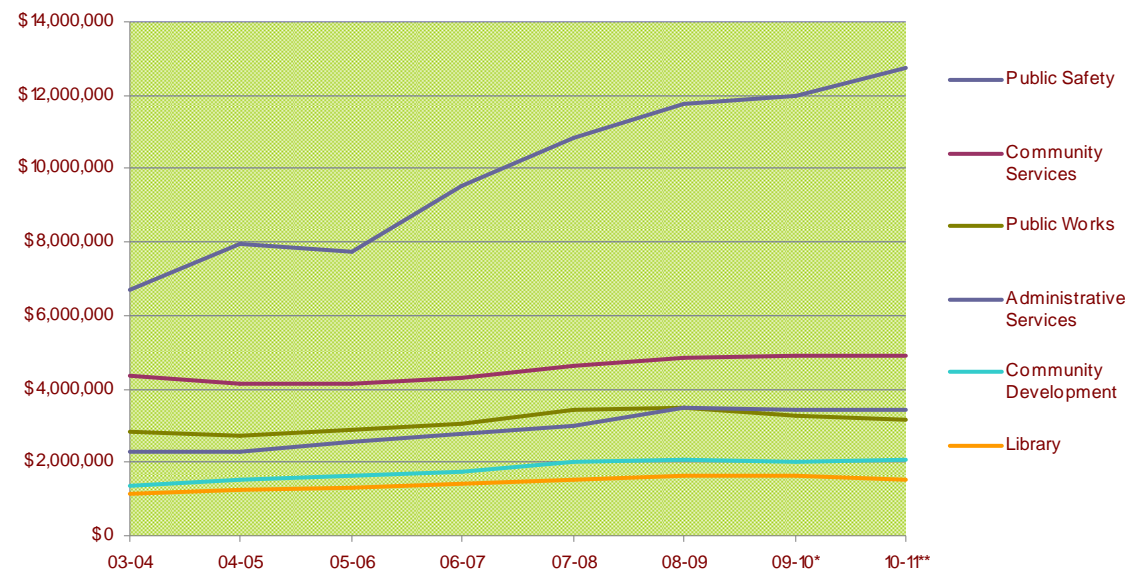


Administrative Services	\$ 5,199,555	14%
Community Development	2,445,290	6%
Community Services	6,531,372	17%
Library	2,023,836	5%
Police	14,689,173	39%
Public Works	4,940,564	13%
Transfers*	2,377,800	6%
Total Expenditures	\$38,207,590	

*Transfers includes the \$2,163,200 for infrastructure (streets, storm drains, parks, buildings) maintenance.

Personnel Costs

Typical of any service-providing entity, the largest portion of the City's budget is related to employee expenses. The City's employee costs include salaries, benefits and worker's compensation. Although public employee pensions have been headline news lately, it's important to note that City employees pay 8% of their salary (Police pay 9%) toward their retirement—compared to 6.2% for social security, which public employees in California do not receive. To contain future costs, the City's contribution to retirements is capped at a certain point, above which employees will share equally in the cost. For several years the State's public employee pension fund was sufficiently invested as to not require an employer (City) contribution, but with significantly reduced investment yields in recent years this is no longer possible, and the employer contribution is rising. Other recent increases in employee costs are a result of raises granted to police officers in 2009 after the turnover of 38 of 50 officers in the previous two years. No raises or cost of living increases were granted to any other labor groups last year or for the coming year's budget.



*2009-10 estimate, **2010-11 proposed

2009 - 10 Highlights

Despite the challenging economy and a high staff vacancy rate, City staff accomplished several important tasks during the past twelve months. Some of the highlights include:

- The new Arrillaga Family Gymnasium is under construction and will be completed in the fall.
- The Children's Room at the Library underwent renovation and is now open with a new flexible floor plan.
- Project Read received a Golden Acorn Award from the Menlo Park Chamber of Commerce.
- The Police Department developed a new collaborative approach to address quality of life issues called CAPS for Communication, Accountability and Problem solving.
- The Public Works Department received several grants through the Federal Stimulus program including street resurfacing and energy conservation projects.
- Menlo Children's Center achieved cost recovery for 100% of their budgeted costs.
- Community Development staff issued 1,071 building permits and conducted 7,505 inspections.
- The El Camino Real / Downtown Specific Plan moved from vision to draft plan with high community involvement.
- A new five-year plan for the City's Redevelopment Area was also developed with a large degree of community input.
- The City reached an agreement with AFSCME, representing the City's middle managers, holding the line on salaries and invoking new controls on benefit costs.
- The Menlo Gateway project review process was completed.



A long term review of services, revenues and expenses — 2010 and Beyond

Last year, when the first impacts of the recession were hitting Menlo Park, the City administration began an organizational review, **2010 and Beyond**, to determine areas showing a high potential for reducing costs, generating efficiencies, and aligning revenues with service levels. From a list of 30 ideas, the team prioritized strategies that would generate the most savings with the least impact on services for implementation with this year's budget, including:

- Combining Community Engagement with Community Services and eliminating one executive management position
 - Combining summer youth programs in the Belle Haven neighborhood into one "camp-style" program
 - Decreasing hours at several facilities, including the Senior Center, Onetta Harris Community Center and the Main Library, allowing reduction of staff.
- Longer term strategies that will yield savings in the future include:

- Consolidating management positions in the Police Department to allow staff reduction and civilianizing
- Developing an information technology strategic plan
- Working to ensure good progress is made on business development initiatives
- Moving to a Five-Year Capital Improvement Program (CIP) vs the current annual project process
- Critically evaluating all City programs to focus on core services

By taking this forward-looking approach the City will be able to maintain our high level of reserves, our excellent credit rating and our reputation for sound financial management while meeting the community's service needs. We will continue working hard to restrict cost increases and find other savings. Unfortunately, there are some forces beyond our control that may impact our ability to achieve long term sustainability such as the state budget crisis (which could lead to further takes of local revenues) and the lingering impacts of the poor economy.