

July 15, 2005

Honorable Mayor and Town Councilmembers:

On June 28, 2005, the Town Council adopted a two-year expenditure plan that will set the basic direction for the activities and projects to be undertaken during 2005-06 and 2006-07 by providing net budgets of \$6.17 million and \$5.74 million respectively. This two-year period will be a time of looking ahead to new challenges, such as constructing Barkley Fields and Park and then successfully operating and maintaining it as the Town's first park. Succession planning for one or more of the Town's senior staff will begin in earnest, signaling change ahead on the horizon. We will also spend a significant portion of the next two years looking back and celebrating the Town's fifty years of existence as a municipal corporation.

I look forward to experiencing both the change and the celebration with the Town Council, the staff, and the residents of Woodside.

Respectfully submitted,

Susan George  
Town Manager

June 12, 2005

Honorable Mayor and Town Councilmembers:

Later this month, a resolution will be before you for adoption, setting in place the budget for 2005-06. When you take action to adopt that resolution, you will be approving the Town's fiftieth budget. The Town's first budget was adopted through Ordinance 1957-45 on August 8, 1957, for the 1957-58 fiscal year. It provided \$79,041.31 to operate the fledgling Town government and required a tax rate of ten cents (10¢) per each \$100 of assessed value, for \$11,128.82 in property taxes. The first budget included \$5,200 for the Town Clerk's salary and expenses, \$2,400 for Town Attorney costs, \$500 for the annual audit, \$100 for Town Council travel and expenses, \$28,000 for road maintenance, \$8,500 for Sheriff's services, and \$1,500 for Town Hall rental expenses.

The first seven members of the Town Council faced a myriad of decisions as they formed the new government. During the first Town Council meeting, which was held in the Woodside Fire Station on November 16, 1956 at 10:00 a.m., they appointed Jane Hicks as Town Clerk and Arthur Harzfeld as temporary Town Attorney, approved the purchase of a liability insurance policy with a premium of \$654.60 a year, approved housekeeping items such as establishing the Town's official mailing address ("Town of Woodside Offices, Woodside, California") and the official Town Council meeting time and place, adopted the County's building codes, and received their first constituent request (the Woodside School Board requested that the Town Council "widen the path and put in stop lights at Woodside Road and Canada Road"). Within the first five weeks of the Town's existence, the Town Council met five times, adopting eighteen ordinances and seven resolutions, appointing committees of the Town Council to review and make recommendations about individual building permit, subdivision, and variance applications, and approving a lease for the "easterly portion" of the Frontier Building (2983 Woodside Road) to serve as Town Hall.

Since those first heady days of incorporation, the Town government has grown and matured. Over the years, fifty-five individuals have held the office of member of the Town Council. The Town relied heavily on these elected officials in the early days to carry out many of the day-to-day functions of the Town, with the Town Clerk serving as the primary employee. The Clerk not only kept the records, but served as the accountant, purchasing agent, and building permit application reviewer. As the Town approached its tenth anniversary, the Town Council acknowledged that the business of the Town was becoming too much and too complex for a Town Clerk and Town Council committees to run. In October of 1965, the Town Council approved the creation of a Town Administrator position and appointed Dick M. Wilkinson to the position on October 26, 1965. Since that time, the Town has continued to rely upon professional administrators and managers and their staffs to navigate the Town through increasingly complex municipal waters.

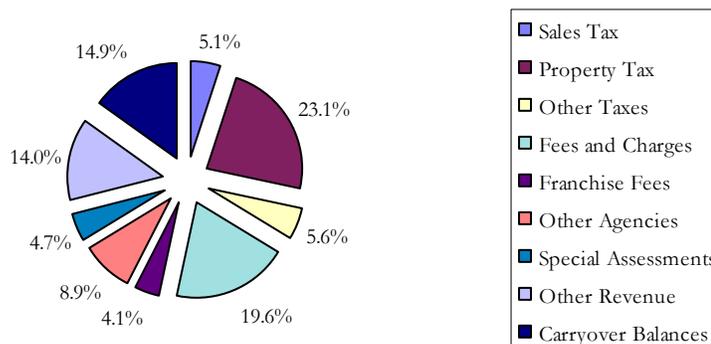
Demands on the Town have continued to grow and arise from both external and internal sources. Externally, federal and State mandates have added layers of requirements, from the adoption of the California Environmental Quality Act in 1970 to the ever expanding

regulations arising from air and water quality legislation to solid waste reduction mandates. Internally, the Town's zoning rules and requirements have become more complex, reflecting past Councils' efforts to protect the fragile natural setting that characterizes much of the Town and to limit density in what is considered by many to be a charming and "rural" atmosphere. The Town has also voluntarily taken on many new responsibilities over the years. The Town no longer leases office space, but owns its own Town Hall complex and grounds. The Town has accepted the responsibility for maintaining and managing the Woodside Community Museum, and has become a landlord in the process. The Town has become much more aggressive with its road maintenance efforts, significantly increasing not only the budget, but the staff effort required to implement the Road Program each year.

As the current Town Council begins its consideration of the Town's fiftieth budget, it is appropriate to look back and reflect on how the Town government has developed and to acknowledge the dedication and determination of the original seven members of the Town Council. They set the standard that all subsequent Town Councilmembers have sought to achieve. They worked hard and diligently to create a new government that was professional in tone and responsive in nature. They also provided an enduring example of the spirit and importance of community volunteerism, which is still alive and well as the Town prepares to hit the half century mark. I am proud to have served the Town for a quarter of its existence and am pleased to submit the 2005-07 Proposed Budget to the Town Council.

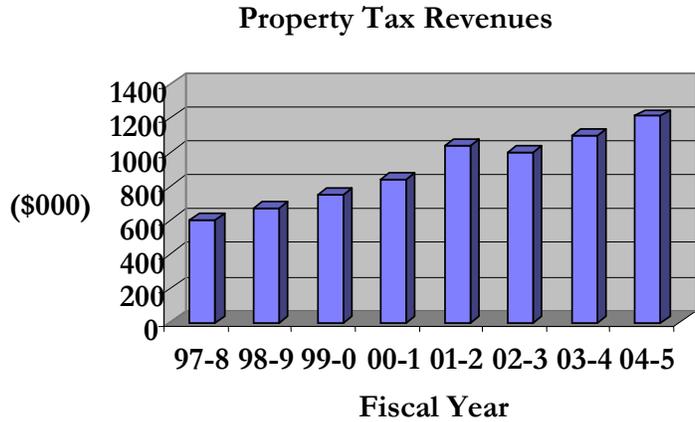
This budget is the third two-year budget developed for the Town Council since the two-year budgeting process began in 2001. It includes recommendations for 2005-06 and 2006-07 expenditure levels and program objectives. Total net funding of \$6.17 million is proposed for 2005-06, an increase of .3% from the current level. For 2006-07, the budget decreases by 6.9%, for a net total of \$5.74 million. The budget has been prepared within the parameters of the Town Council's Financial Management Policies and attempts to identify and provide funding for those issues and activities that are critical to the Town's future ability to meet the Town Council's top priorities and to be responsive to those who the Town is here to serve: its residents.

The ability of the Town to provide services rests upon the health of the Town's revenue base. For 2005-06, total resources of \$6,167,991 have been identified to fund the proposed budget. The following chart provides an overview of the various sources of income estimated to be available in the next fiscal year.

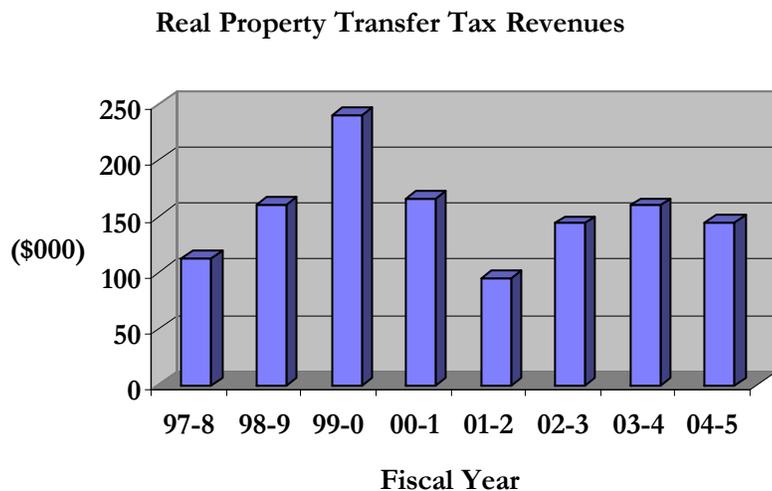


As the chart demonstrates, property taxes are the Town's largest source of revenue, accounting for 23.1% of total revenues and 36.8% of General Fund revenues in 2005-06.

These taxes have experienced phenomenal swings in year-to-year performance in recent years, setting a record high of 23.6% growth in 2001-02, and then plummeting by almost 3.4% in 2002-03. The Assessor's Office has advised the Town that there will be a 9.1% increase in the assessed values of Woodside properties for 2005-06. The following chart shows secured and unsecured property tax receipts for the last eight years.



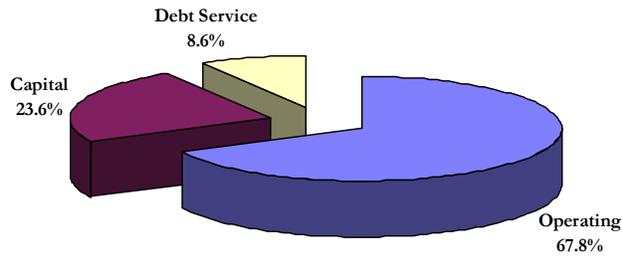
Although not nearly as significant a source of revenue as are property taxes, real property transfer taxes are always an important source to watch in order to gauge economic stability and health. This revenue is assessed whenever real property changes hands. The Town receives sixty-five cents for every \$1,000 in value when a real property sale occurs. As the next chart demonstrates, real estate activity in the Town reached its peak in 1999-00 in terms of sales prices, when over \$239,000 in property transfer taxes were received. This translates into about \$368.2 million in real estate sales that year. The economic downturn made its mark on this source of revenue, as it hit a low in 2001-02, when only \$95,000 was received by the Town. Although not at its lofty 1999-00 levels, the real estate market appears to have recovered and stabilized and \$145,000 in projected revenue is included to support the 2005-06 budget.



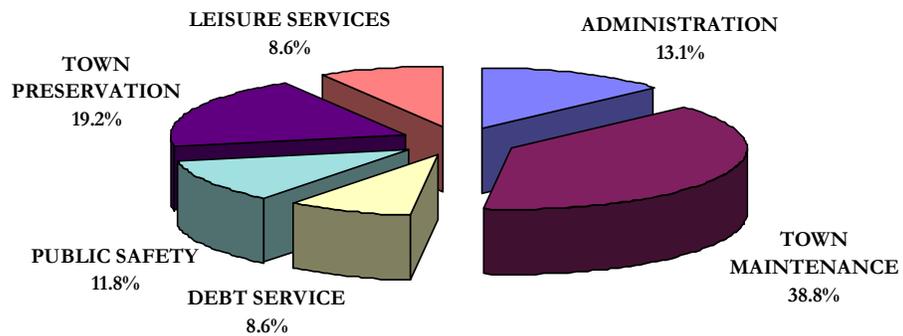
An in-depth review of all the Town's many revenue sources has led to the application of conservative assumptions about future year performance in building a proposed funding base for both 2005-06 and 2006-07. Nonetheless, the Town's resource base is strong

enough to support the cost of ongoing essential programs and to provide for new proposals in the next two-year period.

The \$6.2 million net budget proposed for 2005-06 is allocated among operating costs, capital projects, and debt service, as the following pie chart demonstrates.



The budget is allocated to the various program areas and Town activities, with the Town maintenance program receiving almost 39% of the total funding available. The following pie chart provides the distribution among these programs.



The budget is a policy document, not merely an accounting tool. The 2005-07 Proposed Budget includes funding for several program areas and initiatives that have policy impact. A discussion of each of these areas is critical to an understanding of the direction being recommended for the next two years and beyond.

### **Key Issues**

For the first time in several years, the State's budget does not dominate the proposed budget. Although 2005-06 does include a reduction of motor vehicle backfill funds, pursuant to the "deal" local governments made with the Governor and the voters approved last year, there do not appear to be any issues on the radar that would have impact upon the Town's budget. There are, however, several local issues that underlie the 2005-07 Proposed Budget.

✓ Litigation

The Town's litigation and code enforcement legal costs skyrocketed during 2004-05. The following chart summarizes the Town's actual expenditures, by case, through May 31, 2005.

<b>Case</b>	<b>2004-05</b>
Bridgman	\$ 44,286
Mullin	28,860
Gifford	24,681
Peterson	5,128
Bass	146,238
Dodge	34,860
Uphold Our Heritage	8,418
Schroll	2,528
All Others	6,014
<b>Total</b>	<b>\$ 301,013</b>

The Town Council approved a \$210,000 appropriation adjustment during the fiscal year to support these costs, which are higher than the Town has experienced since 1994-95. Fortunately, most of these cases have either settled or have moved through the trial stage. A total of \$115,000 is included in the 2005-06 Proposed Budget in support of those cases that still remain outstanding, primarily Gifford and Uphold Our Heritage. The 2006-07 Proposed Budget drops back down to its usual funding level of \$90,000, in anticipation of wrapping things up in the upcoming fiscal year. This is an area that will bear close scrutiny, however, as the two-year period begins.

✓ Police Services Agreement and Citizens Option for Public Safety (COPS) Program

There are two related components to this issue: (1) the Town's current three-year agreement with the County for Police Services will expire on June 30, 2006 and (2) the COPS Program, once totally supported by State grant funds, is no longer self-supporting and will require increasingly larger supplements of Town General Funds each year into the future. For 2005-06, the cost of both the basic and COPS Program service level is known and has been included in the budget. The General Fund will provide \$493,469 and \$40,872 in 2005-06 for the basic and COPS Programs, respectively, for a total of \$534,341, an increase of 9.3% over the current year. Because the agreement with the County ends during the next two-year period, the actual budgetary needs for the provision of police services is not known. The 2006-07 Proposed Budget includes an assumed increase of 5%, but may be far short of actual requirements once the Sheriff's Department and the County Manager propose the next three-year agreement. This is only a flag at this point for the Town Council's information and no reduction in service level is proposed for either component for 2005-06. This will definitely be a major issue area when the Town Council reviews the second year of this two-year budget next June.

✓ Barkley Fields and Park

As this budget is being developed, the property off of Farm Hill Boulevard that is to become Barkley Fields and Park moves closer to Town ownership. The conditions precedent to the transfer of title are in the process of being satisfied. Town staff continues to work to move the construction project to its commencement point and expects to see construction start this summer. If all goes well, the park will open late next spring or early next summer. The Town's ownership and operation of its first park and playfields will represent the fulfillment of a dream for many Town residents who given of their time and money on behalf of the park. The Town will also be taking on a significant new responsibility in the day-to-day operation and maintenance of Barkley Fields and Park. It is estimated that about \$80,000 a year will be required just to maintain the grounds and keep the playfields in good condition. The cost of security and of scheduling the fields will be on top of this base funding. There are specific conditions of approval that are associated with the park's Conditional Use Permit and with the Agreement Governing the Gift of the property. There are also annual reporting requirements. This terrific new asset will come with an as yet undetermined administrative price tag. Existing staff resources are not likely sufficient to provide the park's operation with the day-to-day attention that it will require. As the construction phase gets underway, the details of an operating budget will be developed and it is clear that this will be an important area of review as this fiscal year moves forward. A point of note is that the construction budget for the park is not included in the budget proposed for 2005-06, as it still remains uncertain whether the Woodside Community Foundation will be undertaking that responsibility or whether it will be a public works project. The private donations are currently being collected and a subsequent report will be prepared for the Town Council once a clear direction emerges.

✓ Administrative Capacity and Succession Planning

It has become clear to me that there is not adequate administrative capacity to satisfactorily accomplish all of the many day-to-day responsibilities and the myriad of special projects that the Town staff has on its platter. The breadth of the responsibilities has grown slowly but continually for the last several years, some of it attributable to State and federal requirements and mandates, but much of it attributable to the addition of daily activities. New responsibilities are usually added one at a time and are assimilated into the routine. When a certain critical mass is reached, however, the full cumulative impact takes its toll. The staff has taken on the operation and maintenance of the Woodside Community Museum and acts as landlord, leasing offices to two local non-profit organizations. The daily operation and maintenance of the Woodside Library building, which is now owned by the Town, has also added markedly to the workload. Many of the Town's volunteer committees have become more active and staff now attends virtually every meeting of every committee. The Town's staff must also allocate its administrative capacity to respond to public demands that are out of the ordinary. For example, since the end of February, of the fifty-one Public Records Act (PRA) requests submitted to the Town,

fifteen were submitted by one individual or her employees. Several of these fifteen PRA requests included multiple individual requests, driving the actual impact up to about twenty-one requests. The Town responded to each of these requests within the requirements of the Public Records Act, often needing to seek clarification from the requestor and/or having to involve the Town Attorney. This is a resource demand over which the Town has no control. The staff is desirous of providing a level of service that is marked by quality and timeliness, but finds itself increasingly running to catch up. New research projects or committee undertakings exacerbate this condition. The Town has kept its administrative staff very thin by design in order to keep overhead costs down. It is my strong feeling that this needs to be addressed within the two-year budget period under discussion.

A factor that should be melded into the Town Council's consideration of administrative capacity is the possibility that by the time the next two-year budget is prepared, one or more of the Town's senior staff may have announced a pending retirement. It is going to be very important to undertake careful, deliberate planning in the face of the departure of one or more long-term staff members. Strengthening the Town's overall administrative capacity prior to the departure of key senior staff should be a top priority for the Town Council and is something that we will be discussing in the upcoming weeks and months. The 2005-06 Proposed Budget does not include any recommended additions to provide the needed boost in capacity. The 2006-07 Proposed Budget, however, does recommend the addition of another position to the Administration Budget. Although the position is described as Assistant Town Manager, the actual level of experience and organizational responsibility has yet to be fully developed. The nature and role of this addition will be driven in part by other related organizational decisions that will accompany whatever succession planning the Town Council undertakes.

✓ Engineering Services Review

The review of the Engineering Services function commissioned during the current year has been completed and a draft report submitted to the Town Manager. The consulting firm that undertook the review is in the process of updating and finalizing the report to reflect additional work it recently undertook at the Town Manager's request. The report includes a series of observations and findings about the entire Development Review process and provides recommendations aimed at improving customer service, especially turnaround time. The final report will be ready either late this month or in early July and will be transmitted to the Town Council as soon as it has been finalized. The report will be agendized for public discussion and consideration. In the meantime, the 2005-07 Proposed Budget includes the recommended addition of a Development Services Engineer, solely devoted to the Development Review process and funded by user fees, which are significantly under full cost recovery levels. The report points to engineering workloads and the tendency for engineering plan check to fall to a lower priority level when the press of public works projects or other Town activities comes to bear. The recommendation of additional engineering staff has, in fact, been approved by the Town Council on a contractual basis for at least the duration of the Barkley

Fields and Park construction project, although recruitment efforts thus far have not been fruitful. If the Town Council has not had an opportunity to fully weigh the results of the Engineering Services Review by the time the implementing budget resolutions come before it, final action on that portion of the proposed budget that deals with this area will be deferred. The Town will still require added engineering services for the park and fields project, however.

### **The Year Ahead**

There are other matters on the horizon as the next two-year budget period approaches. The planning of the Town's fiftieth anniversary will be getting underway early in 2005-06 and a series of events will mark the first fifty years of municipal incorporation. The many special projects identified in the departmental budgets will move ahead and many will come to fruition this calendar year, barring the advent of some unforeseen wrench in the works (e.g. new litigation). The Town's financial position may also receive a shot in the arm during the next budget year, as the real property that is owned by the Limited Family Partnership to which the Town is a party is currently being marketed. If and when the property sells, the Town Council will be in the happy position of determining what to do with a one-time infusion of its twenty percent share of the trust - another thing to keep an eye on as the Town turns fifty.

The 2005-07 Proposed Budget is balanced and either adequately supports all of the Town Council's priorities and the many day-to-day activities required to maintain and operate the Town or includes proposals to address identified shortcomings. I look forward to discussing the budget with the Town Council and to providing whatever assistance you need as you undertake your deliberations. The first Town Council made its mark on the direction and the future of the new Town as it adopted its first budget in August of 1957. Almost fifty years later, the current Town Council will similarly leave its mark through the decisions you make as you adopt a budget for 2005-07 and set new directions to guide the Town into its next fifty years.

Thank you for the opportunity to serve the Town for the last twelve or so years. It has been a rewarding experience, often fraught with frustration, but always enhanced by the many relationships that I have been fortunate enough to develop over the years. I also extend my heartfelt appreciation to all the members of the Town staff who work so hard to get the job done in a positive, responsive manner and whose support is so critical. High on this list is our incomparable Town Clerk, Janet Koelsch, who I believe will give Joan Olson a run for her money when the Town historians of the future debate about which Town Clerk has given the most and done the most for the Town. No contest!. My thanks and love to her for all she does to make my life easier and for giving so much of herself to everyone who walks into Town Hall.

Respectfully submitted,

Susan George  
Town Manager