

## MINUTES

### SARATOGA CITY COUNCIL COST RECOVERY STUDY SESSION

**OCTOBER 13, 2009**

Mayor Page called the Study Session meeting to order at 6:00PM.

PRESENT: Councilmembers:  
Howard Miller, Jill Hunter, Vice Mayor Kathleen King,  
Mayor Chuck Page

ABSENT: Susie Nagpal (Excused Absence)

ALSO PRESENT: Dave Anderson, City Manager  
Mary Furey, Administrative Services Director  
John Livingstone, Community Development Director  
Claudia Cauthorn,  
Ann Sullivan, City Clerk

#### **REPORT OF CITY CLERK ON POSTING OF AGENDA FOR OCTOBER 13, 2009**

Ann Sullivan, City Clerk, reported that pursuant to Government Code Section 54954.2, the agenda for the meeting of October 13, 2009, was properly posted on October 8, 2009.

#### **COMMUNICATIONS FROM PUBLIC**

None

#### **AGENDA ITEM:**

#### **RECREATION DEPARTMENT COST RECOVERY**

Interim Recreation & Facilities Director Claudia Cauthorn presented the staff report.

Ms. Cauthorn noted that during the budget preparation process for fiscal year 2009/2010, Council requested a Cost Recovery Study Session to review and establish cost recovery policies for the Recreation and Community Development departments in order to determine an appropriate level of cost recovery for both departments. In addition, she stated that any recommended cost recovery policies would apply to the Recreation Services and Facility Rental Divisions and would exclude the Teen Services Division, as insignificant revenues are generated from that division. She added the Building Maintenance Division would be excluded as well since this function is funded through Internal Service Funds and the costs are allocated to other operating departments.

Ms. Cauthorn noted that a recent survey of various City Recreation departments in the area concluded that Saratoga has similar cost recovery rate as many other recreation departments in the area, adding that Saratoga's current cost recovery rate is 66% and recommended that the 65%

cost recovery level adopted for the current FY budget (09/10) (excluding the Building Maintenance Division) be adopted as the minimum for cost recovery for all future budgets.

Vice Mayor King expressed concerns that the City was subsidizing the recreation programs/classes with tax revenues from the general fund and that those dollars should not fund classes. She also voiced concerns that the cost recovery would be only 55% as opposed to the projected 65% cost recovery rate. In addition, she noted the citizens of Saratoga looked to the Council to retain the value of their community by funding capital expenses, such as road maintenance.

Councilmember Miller voiced concerns about the difference (gap) between the 65% and 100% cost recovery rate calculation, and that it appeared that some program areas had not been included in the table. Ms. Cauthorn clarified that the activities for which Recreation receives no revenues for were not included (information referral).

Staff noted that there are indirect costs that affect the department's cost recovery, such as staff costs (salaries, benefits, etc.) time spent on telephones or at the counter assisting the public, cost of building (heating, cooling, insurance, etc.) These are daily costs that will affect the cost recovery percentage whether a facility is rented or not.

Staff also pointed out that the types of programs determine the percentage profitability; noting there are basically two types of programs – community based services versus the individual based services. Community based services such as CERT training, First Aid classes, etc., are services provided as a benefit to the community. These community/city functions are less profitable than individual/private functions. Staff noted there is an opportunity to increase these revenues if facilities are used more for individual (private) functions that recoup a far greater proportion of their cost.

Vice Mayor King noted that staff's explanations did help lessen her concerns and she felt that she could explain the cost factors to residents more clearly to help them better understand the cost recovery percentages.

Councilmember Miller added he would spend some time with Finance Director Furey to better understand the philosophies regarding the table provided in the staff report that depicted the benefits from the different services provided by the Recreation Department. He also noted that he was very proud of the pro-active steps taken by staff in the Recreation Department to bring awareness to the community of the variety of programs that are available to citizens of all ages.

Councilmember Hunter stated the community services provided by the Recreation Department exemplify what Saratoga is all about and she does not feel that the Recreation Department can and should be 100% cost recovery. She added the Mission Statement is very important as to what you want your city to be – it is the heart and soul of the city and it provides a much-needed service to the City.

Audience member Joyce Hlava commented that the Community Center facilities presented an expense to the city on a daily basis, such as heating, cooling and general maintenance and those costs would have to be absorbed somewhere – whether the facilities are being rented or not.

Mayor Page noted that many residents are very supportive of the Recreation Department and the services provided to the community, and recently named the building after Joan Pisani, the former director and founder of the recreation department.

City Manager Dave Anderson noted he has asked recreation staff to be selective in the programs they offer in order to be more cost efficient. He added the department could increase their cost recovery rate by reducing the number of community service oriented classes such as CERT, First Aid, etc. and rent the facilities for more private based events, including less city use of facilities for meetings and events.

City Manager Anderson stated that currently the recreation department has been focusing on providing quality programs and maintaining a 65% cost recovery rate. He asked Council to provide staff with additional direction in terms of refinement of the cost model of the budget philosophy so that they could be more cost efficient.

**COUNCIL CONCENSUS:**

Council concurred that there are other factors affecting the cost recovery percentage such as:

- Cost factors associated with owning the buildings, whether or not facilities are being rented and generating income to use the facility.
- Staff/overhead costs.
- Economic and Market factors affect the use of facilities as well as class/activity enrollment.
- Fees generated by rental of North Campus may be affected by facility use policy.

**DIRECTION TO STAFF:**

Council ended their discussion by concluding that staff should continue to improve fee-generated revenue in order to maintain the 65% cost recovery rate. Councilmember Miller will meet with Director Furey to create a cost recovery philosophy that the council can easily explain to the citizens in a manner that is understandable.

Council concurred 4-0-1 with Councilmember Susie Nagpal absent.

Mayor Page declared a break at 7:30PM

Mayor Page reconvened the Study Session at 7:40PM

**COMMUNITY DEVELOPMENT DEPARTMENT COST RECOVERY:**

Community Department Director John Livingstone presented the staff report.

Director Livingstone explained that various divisions of his department were not full cost recovery, such as many non-billable planning services and code enforcement. He noted that the city arborist spends a lot of her time in the field following up on calls regarding tree issues and the code enforcement official spends a lot of her time on the phone and in the field following up on complaints and issues regarding code violations. In addition, he stated other areas that were not cost recovery included reviewing business license applications, counter time, processing false alarm notifications, email follow-ups, heritage preservation questions and answering

questions from realtors. He added the Building Division is usually 100% cost recovery and the arborist is about 40% cost recovery.

Director Livingstone noted that the CDD cost recovery rate was dependent on economic factors. He added the CDD generated significant income during good years, which helped offset operating costs; and during downturns in the economy, such as what is happening currently throughout the country, the CDD experiences a lower income to offset operating costs.

Director Livingstone added that staff collected data about Community Development Departments in the cities that are normally used for comparison but were unable to get direct comparison results due to a variety of reasons, such as higher staffing in Code Enforcement, higher commercial development activity. He noted all of the cities from which they had received data for FY 2008/09 had operating costs that were not offset by revenues received; and with the exception of Cupertino, all of the cities have cost recovery rates well below 100% for their Community Development Departments.

He concluded by noting staff's recommendation to offset the impact to the General Fund is that Council adopt a policy that would enable the CDD to "bank" excess revenues over department expenses during profitable years and utilize those reserves during lower economical times when building activity is low; thereby lowering the subsidy from the General Fund.

City Manager Dave Anderson added that if the CDD is dependent on a subsidy from the General Fund for part of the CDD cost recovery, part of the cost recovery policy would be that they would do their part as well to help reduce operating costs by restructuring the CDD to rely more on contractual services rather than hiring staff when the economy is good. He noted that due to the cyclical nature of the operating revenues it is suggested that the council establish such a reserve and that one third of the funds be used to offset revenue shortfall in any given year. This will offset the impact to the General Fund in years of economic downturn.

Mayor Page noted he supported the "banking fund" proposal to help balance the operating costs and to minimize the impact to the General Fund.

Councilmember Miller noted the Advanced Planning Department is a general obligation of the city and should not be considered for the 100% cost recovery plan and added that he supported the "banking fund" proposal as well.

Councilmember Hunter was supportive of the "banking fund" proposal.

Vice Mayor King noted she was supportive of the "banking fund" proposal and would like some policy stating that there is a mid-year correction if projects are slowing down and the "banking fund" is being utilized to cover department costs and we need to consider decreasing staff size.

Mayor Page questioned if planning and building fees covered the cost of contractors.

Director Livingstone noted the fees do cover contractor costs if a contractor is brought in to fill a position that is vacant.

Audience member Joyce Hlava stated it is important to consider how much time it takes to train people to replace staff in the planning department when they are let go during economic downturns and that there is an expectation of the community to be able to go to city hall and receive

counter assistance. She also felt the “Community percentage” in the Current Planning portion of the chart on page two of the staff report should be much higher than 10%.

**COUNCIL DIRECTION:**

- Adopt a policy that enables the CDD to establish and use a buffer account to “bank” excess revenues over expenses in profitable years and as a best practice utilize up to one third of the development reserve during times when building activity is low.
- Any proposed subsidy of the General Fund to cover Community Development operating costs will be highlighted in the regular budget cycle.

Council concurred 4-1-0 with Councilmember Susie Nagpal absent.

**ORDINANCE APPROVALS AND ASSOCIATED COSTS:**

City Manager Dave Anderson presented the staff report noting that Councilmember Miller expressed an interest in reviewing ordinances that were approved by the Council at its January 2009 retreat as Work Plan items for the Community Development Department and City Attorney, together with ordinances approved by the Council subsequent to the retreat. Councilmember Miller also requested an analysis of costs associated with ordinance preparation.

City Attorney Richard Taylor provided Council and staff with a summary of costs for ordinances prepared as a result of the Council retreat Work Plan and for non-Work Plan ordinances.

Vice Mayor King expressed concerns that the ordinance costs noted by the City Attorney’s office may not cover all associated costs incurred with the Ordinance Work Plan and Non-Work Plan Ordinances.

Council concluded they were pleased with the progress of the ordinance work plan and subsequent ordinances that were approved by Council. Council also expressed their acceptance of costs associated with the ordinance expenses to date.

There being no additional business, Mayor Page adjourned the Study Session at 8:45PM.

Respectfully submitted,

Ann Sullivan, CMC  
City Clerk