June 5, 2008

Honorable Mayor and Town Councilmembers:

We celebrated the Town’s fiftieth anniversary of incorporation in November of 2006. We noted then that incorporation came about because Woodsiders desired to control their own fates in order to maintain the rural, residential character of the area that was to become the Town of Woodside. Land use planning was central to the incorporation argument.

On March 12, 1959, almost two and one-half years after incorporation, the Town Council adopted the first “Master Plan” for the Town. The introduction to the Master Plan indicates that it is a “general guide to the coordinated and harmonious development of the Town of Woodside, looking ahead 25 to 30 years. It provides the official statement of community objectives and development policy for the Town and thus serves as a guide to individuals, groups, and governmental jurisdictions who will be undertaking specific projects. It serves as a basis for administrative actions and legislative measures which the Town of Woodside may take to carry out the plan.” This first plan, which consisted of only twenty-six pages, was revised in 1970, when it became the General Plan. Adopted by the Town Council on April 13, 1970 by the Town Council, the revised plan concluded:

“The needs and problems facing Woodside since the time of incorporation are expected to continue and become more complex in the years to come as a result of the continued pressure from the population expansion in San Mateo County and the Bay Area. In order to meet this challenge and to maintain the integrity of Woodside as a unique residential community of unusual natural beauty, continuous and vigorous guidance and control on the part of the local government and the residents will be needed.”

The General Plan has been revised and updated several times in the ensuing years. The current plan was adopted on April 6, 1988.

State law requires that each incorporated city and county adopt “a comprehensive, long-term general plan for its physical development.” This general plan is the foundation for community decisions that will affect the future location of housing, businesses, roads, parks, and other land uses, protect the public from noise and environmental hazards, and conserve natural resources. The General Plan is implemented through the enactment and administration of regulations embodied in the zoning, subdivision, and other ordinances, and through the pursuit of programs that are based upon the Plan.

It is appropriate that the Town Council, its appointed advisory bodies, and the residents of Woodside revisit its now twenty-year old General Plan to reaffirm the community’s commitment to the broad goals and objectives that underlie it and to update the specifics of the General Plan, in recognition of the many changes in situation, technology, and awareness that have occurred since the Plan’s last comprehensive update.
The Town’s annual budget and the General Plan are, or should be, intricately linked. The program objectives and the action steps included in the General Plan require the Town’s resources for implementation and accomplishment. For example, staff is needed to prepare ordinances and to enforce them after they are adopted. Programs envisioned by the General Plan are developed and put into place through the use of staff and other paid experts and professionals. The budget provides the resources needed to effectively and meaningfully pursue the goals and the vision embodied in the General Plan.

This 2008-09 Proposed Budget celebrates the General Plan. The Town will begin a review of the General Plan within the upcoming weeks and months. This budget document reminds us of a few of the central goals and objectives of the General Plan. The activities and programs funded within the budget are closely aligned with the philosophies espoused in the various Elements of the Plan.

The 2008-09 Proposed Budget represents the second year of the two-year budget considered and approved by the Town Council in June of 2007. The departmental budgets include discussion only of the differences between what the Council approved last year on a preliminary basis and what is now being proposed for adoption. The net proposed budget for 2008-09 totals $7.76 million, an increase of about $1.15 million from the preliminary level approved by the Town Council last year. The following sections discuss the major components of this increase, as well as several major issues that underlie the budget proposals.

**The State Budget**

As the Town’s proposed budget was being prepared, talk in Sacramento focused upon the State’s latest budget crisis. Although a budget is constitutionally required by June 30th, serious negotiations have not yet even begun. The best source for information about the potential impact of the State’s budget outcome on the Town is the Governor’s Budget. Governor Schwarzenegger’s budget includes a ten percent across-the-board reduction for all State programs and departments. This includes two programs from which the Town receives direct financial benefit: the Citizens’ Option for Public Safety Program (COP) and the Proposition 172 Public Safety Sales Tax Program. Each is proposed for a ten percent reduction in 2008-09. Through the COP, the Town receives $100,000 a year to support frontline law enforcement activities. The Town pools these funds with Portola Valley to enhance basic Sheriff’s Department services. The funds pay for two additional deputies and one patrol vehicle. The COP funds have not covered the full cost of this enhancement for several years and both towns have infused General Fund monies to maintain the service level. In the 2008-09 budget preliminarily approved last year, the General Fund support was set at $85,050. The reduction in State funds requires the General Fund to contribute an additional $10,000 to ensure the viability of the program. Additionally, the reduction in the Proposition 172 funds translates into a loss of about $1,900 in sales tax revenues for 2008-09. The proposed budget has absorbed both of these reductions in State funds without impacting the level of patrol and traffic safety services enjoyed by the Town. All public safety services are fully funded, including the dedicated motorcycle unit added in 2006.
The Town has already been impacted by the State’s budget crisis through the passage of Assembly Bill (AB) 7 earlier this fiscal year. In order to address immediate cash flow needs, AB 7 suspended the State’s allocation of gas tax funds to all local agencies beginning in April of 2008. The suspension is to cover five months of gas tax receipts. When the suspension is terminated in September of this year, the provisions of AB 7 call for the State to make up all missed payments in full. The Town’s proposed budget assumes that these provisions will be followed by the State Controller and so all gas tax revenues are budgeted at their full level, which is about $112,000 a year. At this point, there is no other information available from Sacramento that indicates that any other local government programs or revenues are at risk. Staff will continue to monitor this situation as the State Legislature and the Governor go through their annual budget dance.

**The Road Program**

Well over half of the increased funding included in the 2008-09 Proposed Budget is targeted for the Town’s Road Program. An additional $660,000 for road rehabilitation projects and $30,000 for equipment is reflected in the Program’s funding level for 2008-09. The Town will receive $400,000 in Proposition 1B bond funds from the State for road maintenance projects. Additionally, the Kings Mountain Road Slope Stabilization Project has qualified for federal and State disaster funding, as the damage to the slope resulted from severe winter storms two years ago. A total of $60,000 has been added for this project. Another $200,000 was added to the Program, following an updated analysis of the performance of the local revenues that support it. Finally, the Town’s chipper, purchased in 1994, has outlived its usefulness and needs to be replaced, at an estimated cost of $30,000. The Town Engineer and his staff are preparing the detailed plans and specifications needed to put the various projects out to bid. These will be before the Town Council for approval in late June or early July. The Town Engineer will also be prepared during the Town Council’s budget deliberations to discuss the Portola Road Bicycle Lane Project that was tentatively included in the 2008-09 Road Program at the request of the Bicycle Committee.

**Reorganization**

In February of 2007, the Town Council approved a reorganization of the various components of the permit application review/issuance process. Under this reorganization, the Development Services Engineer and the Town Geologist were moved under the Planning Director, yielding a twelve member Planning and Building Department. The effectiveness of this reorganization was to be evaluated after a reasonable period of time and adjustment suggested, as appropriate. I have been evaluating the results of these changes since they were first introduced into the organization. I do not believe the changes have resulted in the desired improvement in customer service and project turnaround that were the goals of the reorganization. The span of control of the Planning Director is too large, impacting the productivity of the department. Further, there is no opportunity for “cross pollination” between the Development Services Engineer and the Town’s two other registered engineers. The proposed budget includes a recommendation to reshuffle the deck and move the Development Services Engineer and the Town Geologist into the Public Works Department under the direction of the Town’s new Town Engineer.
This will address the span of control problem and will allow for more flexibility among the engineering staff to address workload fluctuations and to jointly problem solve the tough issues that face the Town on a day-to-day basis.

**Town Center Water Recycling Project**

The current year’s budget included funds to support a study to determine whether it may be feasible to capture and recycle wastewater from the Town Center, treat it to secondary treatment standards and then use it for landscape purposes. That feasibility study is now completed and the results are encouraging. The 2008-09 Proposed Budget includes $65,000 for the implementation phase of the project. The funds will cover all associated costs, including environmental clearance. The project will have several benefits. The Town’s water usage pattern will be modified, with less demand upon primary water sources through the use of the recycled water. This is especially important, given the Governor’s recent declaration of a drought emergency in the State. The Town’s sewer flow will be somewhat reduced by that part of the wastewater stream that is diverted for treatment by the Town. Finally, the Town will have developed a demonstration project in support of alternative on-site wastewater treatment technologies, something that is becoming an increasingly significant issue as private systems around Town start to age and fail.

**Alternative Fuel Vehicles for the Building Inspectors and Other Fuel Issues**

The Town has two vehicles that are utilized by the Building Inspectors as they travel from jobsite to jobsite throughout the Town. These vehicles are eleven and sixteen years old and are starting to show their age, with increased maintenance and repair requirements. The 2008-09 proposed Budget includes $50,000 for the purchase of two new alternative fuel vehicles as replacements. Staff is researching the options open to the Town and may “piggyback” onto a fleet order with Redwood City, if the Town Council approves this proposal. Staff is also working on a formal amendment to the Town’s vehicle maintenance agreement with Redwood City whereby the Town could buy B20 diesel fuel from Redwood City. B20 is a mix made up of 20% biodiesel and 80% diesel that can be used in existing diesel vehicles with no modifications. This proposal moves the Town into a slightly “greener” space as regards the existing maintenance vehicles and it will also reduce the Town’s fuel costs, since the B20 diesel currently costs $3.72 a gallon through Redwood City, as compared with the $5.30 a gallon the Town pays now for straight diesel fuel.

**Town Center Sewer District Operating Costs and Rates**

Last year, the budget flagged an issue for the Town Council concerning the Town Center Sewer District’s costs of operation and the rates charged by the Town to those residences, businesses, and institutions connected to it. The Town became aware last year that the Fair Oaks Sewer Maintenance District (FOSMD), through approval action of the San Mateo County Board of Supervisors, had adopted a multi-year capital improvement plan to upgrade and renovate its sewer system. Pursuant to the Town’s agreement with the FOSMD, a portion of the costs of these improvements will be passed along to the Town to pay through the Sewer Service Charges allocated to Town Center system users. The Town has been alerted that it will have to pay the FOSMD about $22,700 in 2008-09 as its share of the
improvements. Additional funds will be required in subsequent years. Further, Redwood City will be passing along a portion of the cost of system improvement slated for the South Bay Dischargers Authority. The 2008-09 Proposed Budget includes funds for the payment to the FOSMD. The Redwood City liability is still the subject of discussion with Redwood City staff. No increase in the Sewer Service Charge is proposed for 2008-09, as reserves within the sewer enterprise fund are sufficient to cover next year’s liability. It is very likely that the rates will need to be modified upward in 2009-10. This will require the Town to undertake what are called Proposition 218 proceedings, whereby an election is held among the system users before any rate increases can be implemented. The Town has not adjusted its Sewer Service Charges in many years. This will most likely be an issue a year from now as the 2009-11 budget is deliberated by the Town Council. The Town Center Sewer District fund is in sound financial shape and can afford to forego a sewer service charge increase for at least the next year.

The Town Center Sewer District budget also includes funds that were not anticipated when the preliminary 2008-09 budget was approved last year. The Town Engineer has indicated that $30,000 is needed for the purchase of equipment for the Town Center Pump Station, behind the Gilbert Center, and to support the cost of cleaning the lines to eliminate the build-up of grease and other substances. The requested funds have been included in the budget.

Prior Year Project Funds

The Town has initiated several projects during the current fiscal year which will require continued funding in 2008-09. These include the Town Hall Space Planning Project and the Permit Management and Tracking System Project, among others. Funds were included in the 2006-08 budgets for these projects, but they were not fully encumbered or spent. The 2008-09 Proposed Budget does not include funds to support the completion of these projects, as staff will not be able to accurately estimate the needed additional funding until after the current fiscal year’s books are closed in August. A supplemental report and appropriation adjustment to “rebudget” current year appropriations into 2008-09 will be brought to the Town Council with the First Quarterly Budget Review in 2008-09, or sooner, if possible.

The Town Council is scheduled to discuss the budget and the proposals it sponsors during the June 10, 2008 Town Council meeting. My staff and I look forward to walking you through the budget and to providing you with whatever additional information you may require for your deliberations.

It is traditional that I thank certain people for their unwavering assistance with the preparation of the budget. This year, I’d like to thank the entire staff for its professionalism and hard work. They are a pleasure to work with. In particular, my thanks go to Janet Koelsch and Gratien Etchebehere for their contributions to the budget preparation process - there’s no job too small or too tough for them. Finally, my gratitude to Kevin Bryant and Paul Nagengast for agreeing to become a part of the Woodside Town Hall team. Paul has kept things moving along smoothly while the budget distracted me and Kevin has proved that he is a quick study (who may, in fact, be doing the entire budget himself next year at this rate!). I am so glad the two of them are on board.
Working for the Town continues to be a pleasure and an opportunity that I treasure. I look forward to working with the Town Council, the staff, and the residents of Woodside as the next fiscal year begins. There is much to be done! Thanks for all the support you provide as we move forward to tackle it all.

Respectfully submitted,

Susan George
Town Manager