



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 05/18/2021

ITEM NO: 7

ADDENDUM

DATE: May 14, 2021

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Operating and Capital Budgets

A. Consider the recommendations of the Finance Commission and staff, and provide direction on the Town of Los Gatos Proposed Operating and Capital Budget for Fiscal Year (FY) 2021/22 and on the Proposed Capital Improvement Program for FY 2021/22 – FY 2025/26; including but not limited to:

1. Determine the use of the accumulated \$1.2 Million Measure G funds through June 30, 2020
2. Determine the use of the Measure G proceeds in FY 2020/21
3. Determine the use of Measure G proceeds in FY 2021/22
4. Determine the use of the of Measure G proceeds for the remaining years of the forecast period
5. Provide direction balancing the FY 2020/21 Budget
6. Provide direction on any changes to proposed expense/revenue assumptions for the FY 2021/22 Budget and the remaining forecast period
7. Provide direction balancing the FY 2021/22 Proposed Budget
8. Determine the use of \$1.2 Million in Surplus Property Reserve (Winchester property sale proceeds)
9. Provide direction on the Proposed Operating Budget
10. Provide direction on the Proposed Capital Budget
11. Consider the FY 2021/22 List of Potential Donations consistent with the Town's Donation Policy
12. Clarify the Council's Strategic Priority for revenue enhancements

REMARKS:

This Addendum contains additional information regarding the potential impacts of sustained vacancies and public comment to date.

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

BACKGROUND:

As the Town Council considers the Finance Commission's recommendation to freeze total budgeted positions from 150 to 145 Full Time Equivalents (FTEs), the Council should be aware that this would not only be a cost containment decision but could also affect municipal service delivery to the Los Gatos community. The Town of Los Gatos provides a high level of services in all Departments, consistent with the Council's Core Goals of Good Governance, Fiscal Stability, Quality Public Infrastructure, Community Character, Civic Enrichment, and Public Safety. These Goals were affirmed unanimously by the Council in January 2021.

Unlike the private sector, municipal governments are structured to maintain a consistent and steady delivery of service regardless of economic cycles. Whereas the private sector is capable of quickly scaling its businesses up or down dependent on supply and demand, municipal services are designed to meet consistent or increasing resident demand. As a service delivery organization, it is primarily staff who provide the day to day municipal services that the Los Gatos community has come to expect. The quality of the work is directly related to the skills, knowledge, and abilities of the staff to provide high touch, thoughtful, and responsive government services. Staff take the time to understand a community member's needs and tailors the response to those specific needs, whether it be crime prevention, Library services, or remodeling a home. Please see the Proposed FY 2021/22 Operating Budget for accomplishments, service descriptions, and performance measures for each of the Town Departments.

At any given time, the organization has vacancies due to resignations, retirements, and/or other organic attrition. Vacancies are typically unplanned, resulting in an unpredictable impact to services. Given the lean structure of our organization, the Town's Human Resources Department tends to fast-track recruitments and speed up the hiring process to minimize the effects on service delivery.

Currently, the Town has eight vacancies (four Dispatchers, two Police Officers, one Legal Administrative Assistant, and one Parks and Maintenance Worker). Two of these positions have been filled with individuals scheduled to start later this month or June, respectively. Three are in background, a process that takes several weeks to ensure the individuals will be a good fit for Los Gatos.

DISCUSSION:

Examples of Service Impacts of Vacant Positions

While not an exhaustive list of the service impacts associated with vacant positions, below are examples of the service effects of vacancies if they were to occur in various Town Departments.

DISCUSSION (continued):

Town of Los Gatos Library

The Library is a front-facing public service Department open to the community seven days a week. Under normal operations (non-COVID), we provide full day and evening hours; approximately 400 programs a month for families, teens, adults, and seniors; and provide service and materials for about 30,000 library card holders. Based on current trends, we believe there is a high likelihood of the Department returning to full operations during FY 2021-22. Front end service during normal operations requires staffing at a front customer service desk which is staffed by two people during peak hours and one person during non-peak hours, staffing at a children's reference desk, and an adult reference desk. We also staff two people during afterschool hours to work with the heavy influx of teens that use the library. Back end operations involve program planning, book purchases and processing, return and shelving of books from patrons, and general administration.

The Library maintains a pool of temporary staffing (on-call part time) as part of its normal operating budget to maintain service levels during staff vacancy due to use of normal leave, Family Medical Leave Act (FMLA) leave, or position vacancies due to resignation/retirement. In order to maintain service levels expected by the public, vacancies generally do not result in a net cost savings as those cost savings are diverted to backfilling with substitute staff. The Library has experienced six full time position vacancies in the past four years. Of these, one was due to maternity leave, two were FMLA medical leaves, and only three were due to vacant positions. In all cases, staff backfill was necessary and was used to maintain service levels.

The impact of a long-term full time vacancy as a cost saving measure would trigger the reduction of front facing service hours to the public, likely realized as moving from seven day a week service to six day a week service, or a reduction of morning hours (greatest impact to seniors) or reduction of afternoon/evening hours (greatest impact to students).

Parks and Public Works (PPW)

PPW utilized data from the Town's asset management program in assessing impacts from service reductions that could result from an ongoing vacancy. The analysis included:

- Exclusion from consideration of work funded with restricted funds (e.g., street sweeping).
- Prioritization of urgent response items (e.g., work during heavy storms).
- Prioritization of mandated work (e.g., storm drain cleaning, sign maintenance).

DISCUSSION (continued):

- Consideration for eliminating a service fully versus providing limited service as it relates to maintaining efficiencies.

Based on that analysis, one FTE in the Maintenance Worker classification is equivalent to about a 10% reduction in capacity. Staff has identified several categories of maintenance that could be reduced to meet a short-term staffing reduction.

1. Concrete maintenance – Maintenance staff responds and addresses small concrete issues, typically tripping hazards. This work makes up approximately 10% of the annual workload. Work in this category could be deferred into a backlog for a period of six months. Potential impacts include increased claims from tripping incidents. Longer term recovery from a potential six-month deferral would require additional capital funding.
 - a. Pavement maintenance – Staff currently allocates approximately 20% of time on pavement maintenance. Cutting this in half would result in only severe pothole patching, with other work requests or needs deferred until such time that the work occurs through the Capital Improvement Program. Impacts would include more severely degraded roadways as areas that are patched historically continue to degrade over time and a potential decrease to the Pavement Condition Index (PCI). Longer term recovery from a potential six-month deferral would require additional capital funding.
 - b. Storm Drain Maintenance – The work to maintain the storm drain system amounts to an average of 13% of the Department’s assigned efforts. Foregoing this work would allow for a vacant position for six months. The associated work is mandated through the Town’s stormwater permit with the State and recovery from deferred work is not possible because the work is routine cleaning. The annual reporting to the State would simply show a missed maintenance cycle. Ramifications from this could include increased stormwater pollution and sanctions, including fines, from the State for non-compliance with the permit.

Los Gatos Monte Sereno Police Department (LGMSPD)

Dispatchers: The LGMSPD Communications Center provides public safety dispatch services 24 hours a day, 365 days a year. When fully staffed (8 Dispatchers), the Communications Center operates with two Dispatchers on duty for 16 hours per day (10:00 a.m. to 2:00 a.m.) to handle the increased call volume, and a single Dispatcher on duty for the remaining eight hours (2:00 a.m. to 10:00 a.m.). All Dispatchers work a 12-hour shift. Due to retirements and unexpected resignations, the Communications Center has been operating at 50% staffing for the last six months. Dispatchers have worked throughout the course of the pandemic and this staffing level made working conditions difficult but tolerable due to the reduced call volume.

DISCUSSION (continued):

As the pandemic recedes, calls for service have increased significantly. In order to maintain safe and viable service levels in the Communications Center, the Department has reduced the number of hours that two Dispatchers are on duty to 12 (with a single Dispatcher on Sunday) and mandated overtime shifts for all Dispatchers. This has resulted in longer wait and response times for community members reporting non-emergency situations, as well as a marked increase in overtime expenditures (\$225,449 FY20/21 to date versus \$99,481 FY19/20).

Ultimately a 50% staffing level in the Communications Center is untenable. The physical, mental, and emotional fatigue of working 50-80 hours of overtime in a two-week period with all vacations and training cancelled is having a deleterious effect on morale as well as the ability of the Dispatchers to function in a safe and effective manner.

Police Officers: The LGMSPD Operations Bureau which includes Patrol and Investigations Divisions provides public safety services 24 hours a day, 365 days a year. When fully staffed, Patrol Division fields four patrol teams consisting a Sergeant, Corporal and four to five Officers depending on the shift (based on call volume). At full staffing, Investigations Division consists of one Sergeant and five Detectives, plus the School Resource Officer. Including the two traffic enforcement (motorcycle) Officers and the Captain, Operations Bureau should have 35 sworn positions when completely staffed.

There are currently three identified vacancies (two in Patrol and one in Investigations). This doesn't account for an additional five long-term vacancies for injuries incurred both on and off duty in addition to having two recruit Officers still training in the Police Academy. To manage vacancies and ensure minimum staffing for a safe response to calls for service, each Patrol Team and Investigations Division carries one vacant position. In addition, the two motorcycle Officers have been re-assigned to the day shift Patrol Teams to supplement staffing while continuing to enforce traffic laws as time allows.

As mentioned with the Dispatchers, the waning of the pandemic has led to an increase in calls for service, including a significant uptick in property crimes. The reductions in the size of the Patrol Teams has led to increased call volume for every Officer and since most calls for service require a two-Officer response, a Patrol Team can typically only handle two calls for service at any given time. This results in longer wait times for community members who have reported low priority incidents. Due to the normal occurrence of Officers requesting time off, calling in sick, or attending mandatory training, the use of overtime shifts is necessary to maintain minimum staffing levels.

DISCUSSION (continued):

Overtime costs for FY20/21 to date are \$169,387 versus \$159,102 for FY19/20.

Mitigation strategies to alleviate the current staffing shortage should it continue or as a result of a freeze on vacancies may include:

- Proactive patrol, directed traffic enforcement, etc. will be limited to ensure an equitable workload among fewer staff per shift.
- Low level criminal offenses or reports for insurance claims with no suspect information will be referred to online reporting system.
- Non-injury traffic collisions will no longer receive a Police response; parties will be advised to exchange insurance information and file a non-injury collision report with their insurance company.
- Officer responses to select Priority 2 Calls for Service may be re-evaluated and re-classified as beat information only (alarm calls, 911 hang ups, welfare checks with no exigent circumstances).
- Quality of life and low-level code compliance calls will be prioritized as available or forwarded to other Town staff.
- Event security for pre-planned events by Officers may be referred to other resources.
- Community engagement events, Neighborhood Watch, and other outreach programs may be temporarily halted based on availability of staff.
- Misdemeanor property crimes (cases involving loss of property under \$950) and fraud cases with bank reimbursements in process will no longer be investigated.
- Investigative case assignment and follow up will be re-prioritized based on crime severity in the following order: Violent crimes, Sex crimes, Assaults, Property crimes, and Fraud. As discussed with the Town Council, hate crimes are typically an enhancement associated with another crime.

Other Cost Containment Approaches

The Town is continuously looking for ways to provide high value services at reduced costs. Some recent examples include:

- Position evaluations when vacancies occur: When the Deputy Town Attorney left Los Gatos for a higher paying job with another jurisdiction, a position analysis was completed and identified that a lower cost approach would best meet the needs of the Town Attorney's Office. The Legal Administrative Assistant is a lower cost position compared to a Deputy Town Attorney which had provided support to the Town Attorney.
- Use of technology for routine work to increase staff capacity for higher value work: The Library installed an automated book return system which no longer requires staff to

DISCUSSION (continued):

manually check in returned materials. On-line Building and Planning application submittals are another example.

- Selective use of vendors: In some cases, a vendor can accomplish more than our limited staff. For example, the Town contracts with a tree service to prune and manage the Town's urban forest. This frees up staff time for other parks and streets maintenance projects. In other cases, a vendor is not the cheaper option and for this reason, the Town staff perform street sweeping services.
- Creative programming: Throughout the pandemic, staff pivoted to continue to offer services in different ways. Library programming continued to bring the community together for online book clubs, storytimes, and craft work. Parks and Public Works implemented online bidding to continue to receive contractor proposals and select the lowest cost proposal that met the capital project objectives.

CONCLUSION:

While staff respects the Finance Commission's concerns regarding the overall cost structure of the organization, we believe a more structured approach to potential service reductions is warranted. If Council is interested in reducing FTEs, it should engage in a community process to determine which services the community would be willing to forego. Once acceptable service reductions are identified, then the Town can systematically reduce positions through attrition or other means to meet the Council's service reduction goals. This approach ensures that the Council is meeting its goals for municipal service delivery without having the random service impacts that would result from a hiring freeze.

Attachments received with the Staff Report:

1. FY 2021/22 Proposed Operating and Capital Budget, provided to the Council in April and available: <https://www.losgatosca.gov/2668/FY-21-22-Proposed-Operating-Budget>
2. FY 2021/22 – FY 2025/26 Proposed Capital Improvement Program Budget, provided to the Council in April and available: <https://www.losgatosca.gov/2669/FY-21-22-Proposed-Capital-Budget>
3. Finance Commission Recommendations
4. Revenue and Expense Forecast Assumptions
5. List of proposed changes related to typos and adding clarifications
6. Council Principles for Considering Requests
7. Town of Los Gatos Donation Policy
8. Town of Los Gatos Donation Opportunities: FY 2021/22

Attachments received with this Addendum:

9. Public Comment received from the release of the staff report on May 13, 2021 and before 11:00 a.m. on May 14, 2021