

Councilmembers, Staff, and the Public

I appreciate the efforts of Acting City Manager Mary Gourley, Administrative Services Director Ana Kwong, and the Budget Committee in assembling a detailed fiscal roadmap during a time of economic complexity. However, I write today to raise seven specific concerns related to the long-term integrity, transparency, and sustainability of the City's financial plan. These concerns center on the potential risks of waste, fraud, and abuse. Particularly through mechanisms that obscure structural imbalances or reallocate resources without clear accountability.

### **1. Ongoing Reliance on One-Time Revenues**

As acknowledged within the budget, the city continues to rely on non-recurring revenue sources, such as elevated building permit fees and a temporary Measure U arrangement with the County to close this year's budget. While this approach yields a technically balanced budget with a slight surplus, it masks deeper structural challenges. Continued dependence on volatile development cycles undermines long-term stability and contradicts prudent fiscal practice.

**Request:** Please include a contingency plan showing service-level reductions should one-time revenues fall short, and identify pathways to recurring revenue replacements.

### **2. Underfunding of Capital Asset Maintenance**

City staff estimate that \$1 million per year is necessary to maintain critical infrastructure such as streets, parks, and drainage systems. However, only \$375,000, sourced from Measure U is being allocated. This amounts to underfunding by over 60%, despite the city's stated goal of preparing for economic uncertainty.

**Request:** Please have specifically your staff engineer and not outside paid consultants provide an asset condition report and capital backlog forecast to accompany the infrastructure funding strategy.

### **3. Opaque Cost Allocation Plan (CAP) Transfers from Enterprise Funds**

As noted, additional money is being transferred from the Water and Wastewater Funds to the General Fund under the CAP framework. These funds, intended for direct utility services are being used to subsidize central administrative overhead. The methodology behind these interfund transfers is not provided in the public documents, and the risk of quietly offsetting General Fund shortfalls is real.

**Request:** Please publish the full consultant-prepared CAP methodology, including time-allocation data, assumptions, and departmental share calculations.

### **4. Flexible but Risk-Prone Council Travel Fund Transfers**

While the proposed travel policy imposes a \$3,500 cap per councilmember, it also allows intra-council transfers of unused funds with simple majority approval. This flexibility, though well-intentioned, could result in inequitable or opaque fund utilization, with some members attending multiple conferences while others are excluded.

**Request:** Please require justification memos for all transfers and publish a summary of travel expenditures by member annually.

## **5. Lack of Specific Deliverables for Growing Contract Services**

A wide array of departmental budgets include notable allocations to consulting and contract services, including:

- \$70,000 for an impact fee study (Building)
- \$40,000 for homeless outreach (Police)
- \$12,000 for RV towing enforcement (Police)
- \$3,000 for an economic gardening workshop (Community Development)

These items lack outcome definitions, deliverables, or impact metrics.

**Request:** Please standardize requirements for scope of work, community benefit, and post-contract performance review for all services over \$10,000.

## **6. Ratepayer Impact from Enterprise Fund Restructuring**

As acknowledged in the Water/Wastewater section, over \$9 million in new ratepayer revenue will be needed over the next three years. This includes \$1 million to repay the General Fund. Without a comprehensive equity study or public engagement process, rate hikes could unfairly burden vulnerable households.

**Request:** Please conduct a rate equity assessment and launch a public information campaign on enterprise fund restructuring.

## **7. Disproportionate Service Reductions via Position Freezes**

Two critical frontline positions remain frozen: a Laborer in Public Works and a Police Officer. At the same time, administrative and consulting budgets have not seen comparable restraint. The Public Works Department already operates below optimal staffing and has been tasked with additional responsibilities, such as tree removals and beautification projects.

**Request:** Please reassess the staffing-to-consultant ratio across departments and articulate the service-level impact of labor freezes.

This budget reflects significant work and positive intent. Nonetheless, it relies too heavily on temporary fixes and contains insufficient documentation to ensure fair, efficient, and transparent use of public funds. I urge the Council to strengthen fiscal accountability mechanisms, fund core services more equitably, and protect the long-term integrity of both the General and Enterprise Funds.

- Kyle Falbo