

CITY OF SAN CARLOS
Interoffice Memo

TO: City Council
FROM: Brian Moura, Assistant City Manager
SUBJECT: Council Newsletter

DATE: November 16, 2012

City Manager

Article & Video on Shared Services

The City continues to receive interest about our work in Shared Services. San Carlos' Shared Services project enabled the City to eliminate a \$3.5 Million structural budget deficit, save over \$4.5 Million per year and increase the level of City Services to the public without the need for a tax increase. The program won the 2012 Helen Putnam Award for Internal Administration and Finance earlier this year.

This month, the program is highlighted in Western City Magazine in an article "San Carlos Adopts Innovative Contracting Techniques to Maintain Service Levels" and a You Tube video on the League of California Cities web site that also covers the program. A copy of the Western City Magazine article is attached to the newsletter. The You Tube video is watchable on their web site at <http://youtu.be/eXKnXkFH2QU>

Thanks to San Carlos

City Staff received thanks from the City of Morgan Hill after that City used the San Carlos RFP and Consultant Study on Fire & Emergency Services to do their own Request for Proposal (RFP) process for these services. Morgan Hill Staff informs us this led their City Council to move from a contract for Fire Services with the Santa Clara County Fire Department to a contract for these services with Cal Fire – at an annual savings of \$800,000. This contract change helped Morgan Hill balance their budget this year.

Updates from SBWMA

This Thursday, the South Bayside Waste Management Authority (SBWMA) held their final Board Meeting for the year. Key discussions and actions at that meeting included:

- **Electing John Doughty as Vice Chair.** Doughty is the Community Development Director of East Palo Alto and the former Executive Director of the Monterey Association of Area Governments. He replaces Jesus Nava, former Finance Director in Burlingame who now works for the Santa Clara County Water District.
- **Update on a Model Anti-Scavenging Ordinance for SBWMA Member Agencies.** This is already in place at three cities (Burlingame, Foster City and Redwood City) where the Police Department issues warnings and infractions (typically \$100 or more per incident) for illegally taking these recycled materials. The three cities report this program has reduced scavenging and also may reduce crime from people outside the community.
- **Annual Tipping Fee Adjustment.** The Board increased Solid Waste tipping fees at the Shoreway Transfer Station in San Carlos. Revenue from the increased fees helps to pay the bonds issued for the Shoreway Center improvements.
- **Plastic Bag Recycling.** SBWMA is now accepting clean plastic bags at the Shoreway Center for recycling. This is in addition to the other recycling services available at that site. A news release will be issued on this program and posted to the RethinkWaste.Org web site.

Caltrain Modernization Advisory Group Meeting Delayed

Caltrain has informed the City that they have been unable to schedule the first meeting of their new Caltrain Modernization Project Local Policy Makers Advisory Group for November. It now looks like this group will hold its first meeting in early December on the first or second Thursday of the month. The San Carlos City Council has selected Council Members Ron Collins (Representative) and Mark Olbert (Alternate) to participate in this process.

Once the Advisory Group process begins, Staff anticipates discussion on several items of interest including amendments to the Agreement between the Caltrain Joint Powers Board (JPB) and the California High Speed Rail Board of Directors and the release of the Caltrain reports on a) Blended Operations and Passing Tracks and b) Traffic Impacts on Local Streets & the need for Grade Separations. Staff plans to bring updates and draft City Comment Letters on these items as they are released and the comment periods begin.

Administrative Services

Recruitment Updates

Here are some quick updates from the Human Resources Division of the Administrative Services department on recruitment and testing to fill vacant positions at the City:

- The Administrative Services Department has completed initial interviews for the Senior Management Analyst position. The top two candidates will proceed to the next level of interviews.
- Applications for the Recreation Leader I position for the Athletics program in the Parks & Recreation department will be accepted until the position is filled.
- Second interviews have concluded for the position of Principal Planner in the Community Development department.
- One candidate is in the process of a background check and another begins on Monday, November 19th for the Maintenance Worker position in the Public Works department.
- The candidate for the position of Volunteer Program Coordinator in the City Clerk's department is in the background check stage.
- A new Firefighter/Paramedic will begin work for the San Carlos Fire department on Monday, November 19th.

Website Updates and Changes

We continue to receive suggestions and feedback on the features and layout of the City Web Site. The IT Division is working with the City Departments to provide several web site changes and upgrades as a result. These include:

Boards & Commissions Information

We have cross-linked information on City Boards and Commissions in the City Clerk's section and added it to the City Council section. This will make it more accessible and easier to find from multiple locations, including other tabs such as "How Do I?" etc.

Agendas and Minutes

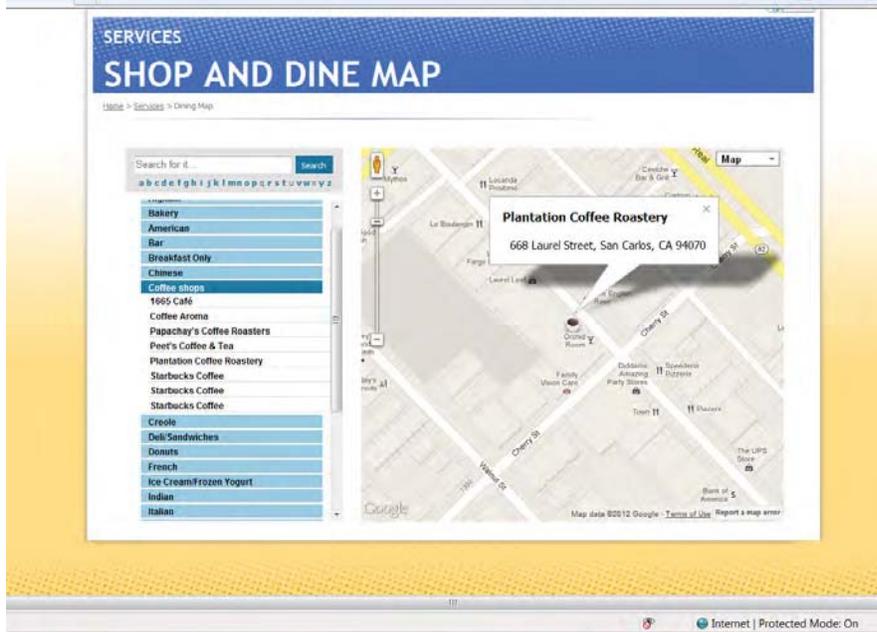
In the near future, Agendas and Minutes (for the Boards and Commission) will point to the www.ePackets.net web site. This will ensure a consistent look. The ePackets Page will also be redesigned to match the new website look.

Council Newsletter

Copies of the City Council Newsletter that is issued twice a month (most months) after each City Council Meeting and distributed to Council Members, Planning Commission Members and City Department Heads are now available in the City Council section of the City web site. This will enable all Boards & Commission members as well as local residents to read and print this useful publication right from the web site.

Shop and Dine Here Map

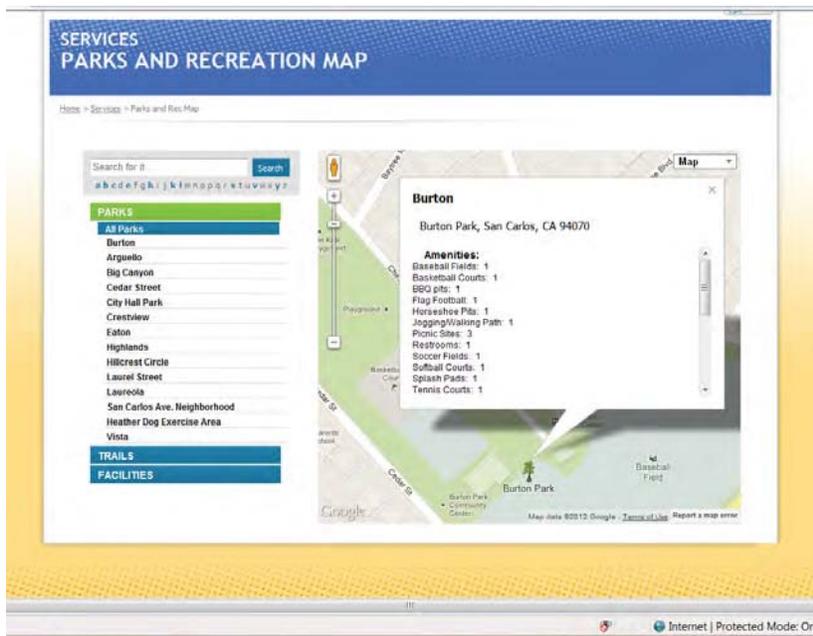
Residents now have access to local restaurants, coffee shops and dining information that is displayed visually on a map. This page can be accessed from Services (Tab) > Dine Here.



A new "Shop Here" section is currently under construction with the assistance of the Community Development Department. Similar to the Dine Here map, this will list retail information in San Carlos.

Play Here Map

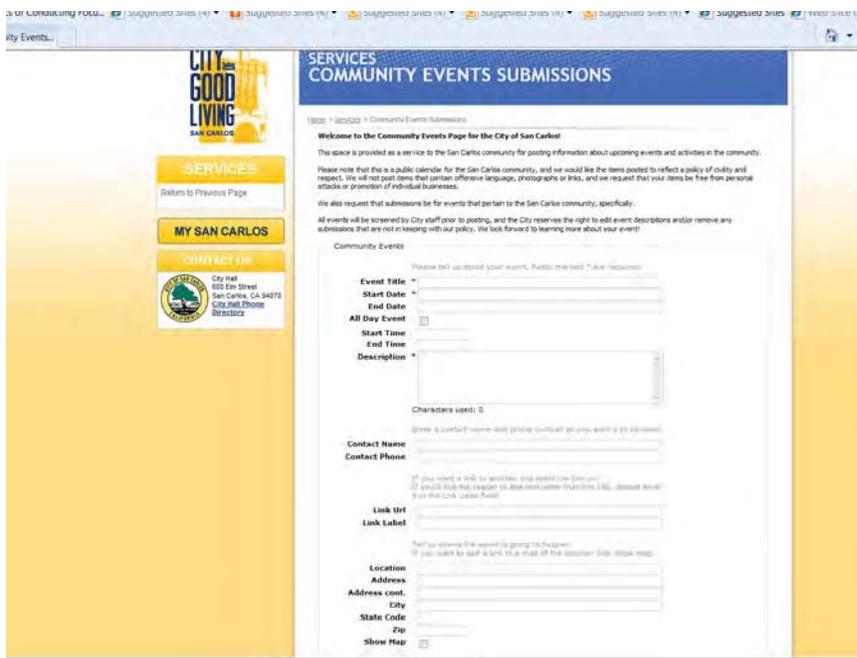
The community now has the ability to quickly and visually get a snapshot of information regarding Parks, Trails, and the City facilities by accessing the "Play Here" section.



Community Calendar for Non-City Events

The Community Calendar allows for non-profit organizations, clubs, and the community to post information about their upcoming events. This is a public calendar for the community and lists events that are not sponsored or co-sponsored by the City.

All events will be screened by a City staff prior to posting, and the City will reserve the right to edit event descriptions and/or remove any submissions that are not in keeping with City policy. We are working with Christine Boland, City Clerk/Director of Community Relations, to fine tune the submission form.



Home Page Banner

The “Welcome to San Carlos” banner will be updated to reflect the current season or an upcoming City event. E.g. we had the Goblin Walk in October. Nov- Dec will feature Holiday Lights, etc.



San Carlos TV Channel Video Player

The San Carlos TV live player is now muted by default and can be turned on by manually clicking on the unmute button.



Community Development

Staff Launches Business Outreach and Retention Program

Among the Council’s Six Month Strategic Objectives for enhancing economic development are two items: develop a Business Outreach and Retention Program (by October 31); and begin implementation of the Program by meeting with at least five existing businesses (by February 15).

Staff has drafted a plan that is attached to this newsletter and prepared a list of key businesses to begin outreach meetings with. Also attached are sample questions that we will provide participating businesses in advance of meeting. Our aim is to gain a better understanding on how the City can assist with local business expansion and retention, as well as guide attraction and recruiting efforts.

Specifically, the meetings with businesses are intended to:

- Gain a better understanding of their operation
- Understand the challenges the company faces
- Understand why the company chose to locate in San Carlos
- Discuss the company’s potential for future expansion and how to provide for that in San Carlos
- Discuss marketing programs or events hosted by the City or the Chamber that would benefit the company
- Discuss other businesses the City might recruit that would benefit the company

The meeting will include the City Manager, a City Councilmember, the Community Development Director and the Economic Development & Housing Manager. The first outreach meeting is expected to be with Kelly Moore Paint Company and scheduling is currently underway. The next businesses we hope to meet with include three large employers (L3 Electron Devices, PG&E, Delta Star) and two leading biotech firms (Novartis, and Natus Medical).

Sales Tax Update for 2nd Quarter 2012 (April - June Sales Activity)

Attached to today’s Council Newsletter is a copy of the 2nd Quarter 2012 Sales Tax Revenue Update prepared by HdL, the City’s sales and property tax revenue consultant. Sales tax revenue is received one quarter after it is earned and reported by businesses to the State. 2nd Quarter sales activity generated tax receipts for the City in the 3rd calendar quarter of 2012, which is the first quarter for Fiscal Year 2012-13.

The Sales Tax update shows that net sales tax receipts for April to June 2012 totaled \$1,750,079 and, on an unadjusted basis, were 8.8% greater than the same period in 2011 (\$142,000 higher). This growth percentage exceeded both the County as a whole (+6.9%) and the State (+6.7%).

Healthy growth was seen in the categories of Electrical Equipment, Contractors, Light Industrial/Printers, Medical/Biotech, Tool Rentals and Business Services. Restaurant sales continued to grow at the fastest pace. Significant declines were seen in electronics stores as these sales move to the Internet.

Following are 2nd Quarter 2012 shares of receipts by major industry group and the change in receipts from the prior year period, on an adjusted basis:

Industry Group	Share of Total 2nd Q 2012	Change from 2nd Q 2011
Consumer Goods	25%	-1.3%
Business & Industry	25%	+15.2%
Building & Construction	24%	+8.5%
Restaurants & Hotels	11%	+17.2%
Fuel & Service Stations	5%	+4.9%
Autos & Transportation	5%	+3.9%
Food & Drugs	5%	+3.8%
Total All Groups	100%	+7.5%

Fire

On Monday, October 22 five new Firefighters reported to Fire Station 9 in Redwood City for their first day of work. They are the most recent new hires for the San Carlos Fire department. The week was spent outfitting them for their uniforms and personal protective equipment, doing their paramedic orientation for the county, basic administrative work and various other “to-do” list items.

On Monday October 29 these new hires began their intensive 14-week San Mateo County firefighter academy with graduation scheduled on Friday February 1st. The opening ceremony for the academy was held on October 30th at the Millbrae public library.

With this round of hiring we will have staffing for 22 of the 24 positions budgeted for the San Carlos fire department. The two open positions in the Fire department are:

- A vacant Fire Captain position which was opened up with the departure of a Captain to Oakland Fire Department back in August.
- We anticipate hiring a lateral Firefighter/Paramedic to fill the final position sometime in the next few months.

Police

Ten Ways to Avoid Property Crime During the Holidays

Police Captain Greg Rothaus with the San Carlos Police Bureau of the San Mateo County Sheriff's Office has issued a Crime Alert on Property Crime during the Holiday Season coming up. It includes a "Top 10 List" of things to do to make your home and property safer this holiday season. The City has disseminated the information via the City Web Site, a News Release, Twitter, Facebook, a message on Next Door and SMC Alert.

Personal Safety Trainings Scheduled at San Carlos Middle Schools

The Sheriff's Activity League (SAL) has scheduled a couple of events in San Carlos to reinforce the importance of "stranger danger" awareness. SAL is hosting a Safety/Self-Defense demonstration at both middle schools during their lunch times. District Attorney's Office Inspector Eric Acha owns Peninsula Self-Defense Studio in Redwood City and will give two lunchtime presentations on October 30th at Central Middle School, and presentations on November 5th and 6th at Tierra Linda.

County Sheriff's Office on Facebook

The County Sheriff's Office continues to expand its use of Social Media. Initially the Sheriff's Office experimented with posting information from the Jail Planning Unit and the Sheriff's Athletic League (SAL) on Twitter and Facebook. They have now added a County Sheriff's Office page on Facebook which features department events including the recent unveiling of their state of the art emergency command center vehicle. See <https://www.facebook.com/SMCSheriff> to view the new site.

Former San Carlos Police Chief Joseph Kimble Passes Away

On Saturday, October 20th, former San Carlos Police Chief Joseph Kimble passed away from natural causes. Chief Kimble served the City of San Carlos as Police Chief from 1965 to 1969, and was a longtime resident of San Carlos. After retirement, he was active member of the Adult Community Center and helped form that group's computer club.

The Kimble family is having a very small, intimate service. Later on, they will host a larger celebration of life on Saturday, December 8th at our Community Center. Chief Rothaus will be among those representing the City at that event.

Subject Arrested for Fleeing Police & Possessing Methamphetamine

On October 13th, around 2am, deputies responded to a welfare check call near the Belmont border after a subject reported that he believed he was being followed. When deputies contacted the subject, he displayed symptoms of being under the influence of a controlled substance.

During the investigation, the suspect fled from deputies on foot and was soon apprehended. A search of his property was conducted and he was found to be in possession of suspected methamphetamine, and subsequently booked into the San Mateo County Jail.

Recovered Stolen Property

In the late afternoon on October 17th, deputies responded to West Marine Products at 1119 Industrial Road in San Carlos to investigate the report of a possible burglary in progress. Upon arrival, a traffic stop was completed on the suspect vehicle as it was trying to leave.

Sheriff's Deputies discovered the two male suspects were under investigation for the burglary of a West Marine Products store in Sausalito, California earlier that day. The stolen property from that burglary was still in the possession of the suspects, and they were arrested and booked into the San Mateo County Jail.

During the course of the investigation, several other pieces of property were found in the suspect's vehicle, including several pieces of maritime gear, dozens of high price bottles of wine, clothing, and high end culinary cookware, all of which are currently being examined. The vehicle also had three different license plates, all held together by rubber bands.

Driver Grazes Pedestrian, Stops on Residential Lawn

In the early evening of November 11th, a woman was driving northbound on Alameda and after stopping at the Eaton intersection, she began to turn right onto Eaton. The woman ended up jumping the curb and grazing a pedestrian with her car, before stopping on the lawn of a residence.

When deputies arrived she told them that she had just purchased the car and it felt like the power steering had locked on her. A records check of the driver showed that she had a suspended license, and she was cited and released. The pedestrian was transported to the hospital with non-life threatening injuries.

Theft with Fraudulent Checks

The manager at Lucky's Supermarket on Old County Road contacted the San Carlos Bureau on November 12th regarding three checks that were passed on three separate days, from the same checking account. The suspect used the checks to purchase items and receive cash back.

The total loss is approximately \$200, and the checks used by the suspect belong to a deceased Belmont resident. The Lucky's manager noted the license plate number and vehicle description, including the same white female each time that passed all three checks. This investigation is continuing by the Police Department.

Juvenile with Passengers Arrested for DUI

Around midnight on November 11th, a deputy pulled over a vehicle at Holly and Industrial for not using the blinker when changing lanes, and not having the rear license plate illuminated. The vehicle was also swerving after just exiting the freeway.

The driver was an underage female and upon speaking with her, the deputy could smell the odor of alcohol. She also displayed objective signs of alcohol intoxication and a DUI investigation was conducted.

Based on her Field Sobriety Test performance and her breath test registering a .09 / .10, she was arrested for driving under the influence and brought to the Bureau for blood withdrawal. There were several other juveniles in the car with her and they were released to one of their parents. The driver's father arrived at the Bureau and she was released to him.

Female Parolee Arrested for Being Under the Influence

On November 13th just after midnight, a deputy noticed a white female walking northbound on El Camino Real. He observed the female staggering and waving her arms in the air, and he pulled over and made contact with her. He asked if she was okay and she stated she was going to get something to eat.

A records check through dispatch revealed that she was on parole for Assault with a Deadly Weapon. The deputy put her through sobriety tests and determined that she was under the influence of a controlled substance. She refused to submit to a urine sample and was transported to the County Jail.

Public Works

Arundel Safe Routes to School Meeting November 15th

Public Works staff and Siegfried Engineering hosted an open house to discuss the proposed plans for the Arundel School Safe Routes project. The purpose of the meeting was to gather school and neighborhood input on the proposed improvements, so that the project scope can be finalized. The project is scheduled for construction in the Summer of 2013.

San Carlos Adopts Innovative Contracting Techniques to Maintain Service Levels



The City of San Carlos won the Award for Excellence in the Internal Administration category of the 2012 Helen Putnam Award for Excellence. For more about the award program, visit www.HelenPutnam.org.

The City of San Carlos (pop. 28,406) is located on the San Francisco peninsula in the heart of Silicon Valley. Like many California cities, San Carlos has faced some serious budgetary challenges in recent years. The economic downturn meant that key revenues, including sales tax and investment income, declined and the formerly dependable year-to-year growth in property tax revenue ceased — but costs continued to grow.

The city resolved a \$3.5 million structural budget deficit and simultaneously increased services over an 18-month period. This was achieved through a mix of shared services, contract services and becoming a recreation services provider.

Engaging the Community

To start the discussion, the city manager and department head team developed an overview of the city's budget problem. This included the history of the city's budget, service cuts over the past decade, significant salary and benefit concessions made by city employees and the options going forward.

The city conducted a series of public meetings to engage residents and the business community, culminating in two all-day budget workshops held on Saturdays to maximize citizen participation. At the workshops, representatives from city departments discussed service levels, budget, staffing and challenges.

Several residents said that the city should bring the budget into balance with existing revenues. They also believed that the current service levels should be maintained, and they indicated that the method by which the city was able to maintain services was of secondary interest to them.

Examining Options

The city manager laid out two options for the city council and the community. One involved more severe service cuts, which could include closing a community center and several parks as well as eliminating the entire Parks and Recreation Department. With this option, the budget would be balanced for another year but further cuts were likely after that.

The other option called for taking a hard look at how the city was delivering services in the three direct service areas that had grown the most: fire, police and parks and recreation. Public testimony indicated strong interest in this option.

The city council authorized the city manager and department head team to explore the second option.

Council Sets Goals

The city initiated discussions with neighboring agencies and private service providers, based on goals set by the city council after the public workshops:

- Reduce annual costs by \$3.5 million or more;
- Cut police costs by \$2 million per year, fire by \$1 million per year and parks maintenance by \$500,000 per year;
- Provide the same or a higher level of service to the community;
- Reach this goal in a relatively short time (12 to 18 months); and
- Provide the city council with two or more alternatives in each service area.

New Approaches Provide Cost Savings And More Services

The challenge was to explore alternative service delivery models and discover whether the \$3.5 million savings target could be reached while maintaining current service levels.

Police Department

Due to the unique nature of police services, the city focused on discussions with neighboring cities and the county. Two neighboring agencies, the San Mateo County Sheriff's Office and Redwood City, expressed interest in providing police services and submitted proposals. The city council selected the county sheriff to provide police services in San Carlos, starting Nov. 1, 2010.

"The transition from the city Police Department to the County Sheriff's Office was flawless," says City Manager Jeff Maltbie. "The sheriff's deputies are in town all the time. The city saved so much money that it allowed the city council to add more police services."

Because the projected savings exceeded the city's \$2 million annual goal, San Carlos used the savings to add:

- A police substation at city hall, with a captain, a sergeant and an administrative secretary, to provide a local police presence in San Carlos;
- A traffic enforcement unit;
- A Sheriff's Athletic League for local youth; and
- A resource officer to serve as a liaison with the schools.

Fire Department

Fire protection services in San Carlos had been provided through a Fire Department shared with another city. San Carlos retained a consulting firm to define future fire services, draft the Request for Proposals (RFP) and provide advice on selecting the future provider.

During the RFP process, the city evaluated more than 20 different service options. The city council decided that re-establishing the San Carlos Fire Department, managed by neighboring Redwood City, was the best option. This produced annual savings of approximately \$1 million initially and more than \$2.1 million projected for the 2012–13 fiscal year.

The new San Carlos Fire Department (SCFD) has matched the services of the former shared department. SCFD also provides additional services in the areas of incident reporting, community events and involvement and fire personnel training. In the coming year, a portion (\$100,000) of the savings from this approach is being used to purchase additional staff services from Redwood City and explore sharing staff at all levels between the two city fire departments.

Parks Maintenance

The city prepared an RFP that described the current service levels and work hours of city maintenance crews. Several private firms responded. The council ultimately awarded the work to two contractors who were able to reduce the city's annual expenses by more than \$500,000. San Carlos generated additional savings by selling off the city equipment and supplies formerly used for this work unit.

“A key ingredient in the success of contracting for parks maintenance services with an outside landscape firm was retaining our senior maintenance workers,” says Parks and Recreation Director Doug Long. “They monitor the quality and performance of the contract services and have ensured our success.”

Conclusion

In summary, San Carlos has saved more than \$4.8 million per year in police, fire and parks and recreation services. The city also increased its level of services to the public while simultaneously reducing costs by using a creative mix of shared services, contract services and providing services to other agencies.

Contact: *Brian Moura, assistant city manager, San Carlos; phone: (650) 802-4210; email: bmoura@cityofsancarlos.org.*



Key Lessons Learned

City staff offers these lessons learned to other communities interested in launching a similar effort.

Strive to maintain or even increase your service levels. Residents are most concerned about the level of services provided by the city. If you can demonstrate that services can be maintained or enhanced through shared services, residents are more willing to consider such a change.

Establish benchmarks to measure the project's progress and success. It's important to set benchmarks on service levels and needed budgetary savings as options for shared services are considered. To be successful, shared service proposals must maintain service levels and deliver real budgetary savings.

Look at all options without making assumptions. In some cases, options that seem “outside the box” — a small city serving as a service provider, reinstating a city Fire Department versus a shared Fire Department, contracting with a private firm for landscaping or partnering with a city that is not contiguous to your city — can be the best approaches to shared services.

Provide multiple alternatives for the city council to consider. The council and the community should be presented with multiple options and choices for shared service delivery. This is especially important when the city service is a highly visible program and provides direct service to residents. It enables the council to explore benefits and impacts of each shared service option.

Consider using subject matter experts outside the community. Using a consulting firm with subject matter expertise enables the city council and community to hear from experts who do not have a stake in the options under consideration. This approach also allows a city to consider service proposals from neighboring agencies in a neutral and objective manner.

Compare historical revenue and expense patterns. Reviewing revenue and expense patterns over time can be helpful. In San Carlos, expenses for police and fire had grown from 48 percent to more than 62 percent of the budget before the shared and contract services project started. That fact and a chart showing that the cost of public safety services was no longer covered by property tax and sales tax revenues provided strong indicators to the city council and the community that major changes were needed.

Crime Alert - Crime Doubles at the Holidays

Top 10 Reasons Why People Become Crime Victims During the Holidays



The San Carlos Bureau of the San Mateo County Sheriff's Office wishes to advise the community that property crime rates almost double in this City during the holiday period. We will be moving into that holiday period starting next week.

San Carlos is a very safe City but complacency and a lack of basic crime prevention measures can make you vulnerable to becoming a victim of property crime.

Here are the top 10 reasons people become property crime victims in San Carlos during the holidays and all year long:

1. They leave their car door unlocked thinking that no one would dare steal from them in San Carlos. That's not true; they will.
2. They leave items of value in plain view in their car. Even if your car is locked, people will break your window to get that item. Do not leave anything of value in your car; including and especially your wallet or purse.
3. They leave their purse in a shopping cart or anywhere else and walk away from it.
4. They leave their laptop, ipad, iphone, or other high value gadget out in plain view and turn their back on it.
5. They engage illegal solicitors by either buying something from them or allowing them to do work on their car or house. This is often a ruse to steal.
6. They tell illegal solicitors "I'm not interested" but then do not call the police. Door-to-door illegal soliciting is one of the most common ruses criminals use to see if someone is home. If no one answers when they knock, they see that as a green light to break in without being observed. (More information on illegal soliciting will be provided to you in the coming week.)
7. They see a suspicious person or car in their neighborhood and they don't call the police. People will sometimes justify not calling by thinking "it's probably nothing" or "I don't want to bother the police." It's never a bother to call us to ask for a service you pay us to provide and, if what you saw is enough to give you concern, there may be something to it.
8. They don't lock their house. Burglars will often go house-to-house looking for an unlocked one.
9. They go on vacation and their house looks like they're on vacation because newspapers are piled up, lights are always off, no cars are around, etc. If you go on vacation, take measures to make it look like someone is home. Have a neighbor get your papers, put lights on timers, allow someone to park their car in your driveway, etc.
10. They respond to email solicitations from bogus accounts and end up defrauded by someone who conned them into something.

This alert is not meant to scare people. In fact, few communities in the Bay Area can boast about having the low crime rate San Carlos has. But, we **do** have crime and when people do not take basic precautions, they are more vulnerable to it.

More detailed crime prevention information can be found at www.crimepreventiontips.org.

The Sheriff's Office will have extra patrols out at key times and places during the season. We ask that you do your part in keeping crime down by taking basic crime prevention measures. Working together, we **can** have an impact on crime.

Thank you and we wish you a safe and happy holiday season!

-- Greg Rothaus, Police Captain, San Carlos Bureau, San Mateo County Sheriff's Office

<http://www.cityofsancarlos.org/news/displaynews.asp?NewsID=1039&TargetID=1>



BUSINESS OUTREACH AND RETENTION PROGRAM

PURPOSE

Most new jobs are created by companies already operating in the local community. If we are going to grow the number of jobs in our area, it is vital that we retain as many local employers as possible and help them expand their operations in the City of San Carlos.

The City of San Carlos is initiating this Business Outreach and Retention Program to meet with local businesses to gain insight and assist with business expansion and retention. The process includes:

- Meeting with local business owners and executives to ascertain their attitudes about conducting commerce in the City of San Carlos
- Assessing their level of satisfaction doing business here
- Identifying any "red flags" that might cause them to close or move their operations
- Identify any opportunities for local businesses to expand in San Carlos
- Determining how vulnerable businesses are to leaving San Carlos for other locations
- Determine what new businesses to attract that would support or complete the existing businesses
- Determine opportunities for local business to business sales or collaboration
- Determine what marketing programs or events hosted by the City or the Chamber would assist local businesses

BUSINESS OUTREACH MEETING QUESTIONS

1. Please provide an overview of your business activities, how long you have been in San Carlos, how many employees, etc.?
2. How's business? Do you see your company expanding, contracting or staying about the same in the next few years?
 - a. What are the factors driving change in your business? What are your biggest challenges?
 - b. Does your current space accommodate your growth path? Do you plan to remain in San Carlos?
 - c. Is there anything the City can do to assist with your business growth?
3. Why did you choose to locate in San Carlos? What do you see as the best things about being in San Carlos? What are the biggest challenges about being located in San Carlos?
4. Have you had experience working with the City? If so, how was that experience?
5. Does your company have any special infrastructure needs (transportation, energy, etc.) we should be aware of?
6. How important is the train service and public transportation to your business and your employees?
7. How important is the availability of housing to your employees?
8. Are there any marketing programs or events hosted by the City or the Chamber that would assist your business? What can the City or Chamber do to help your business be successful?
9. Do you use social media (facebook, twitter, etc) to promote your business?
10. Would you be interested in participating in a business improvement district to provide funding to promote San Carlos businesses?
11. Are there any companies that the City should try to attract that would benefit your company from being here, such as your suppliers or clients/customers?

Q2 2012



City of San Carlos Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

San Carlos In Brief

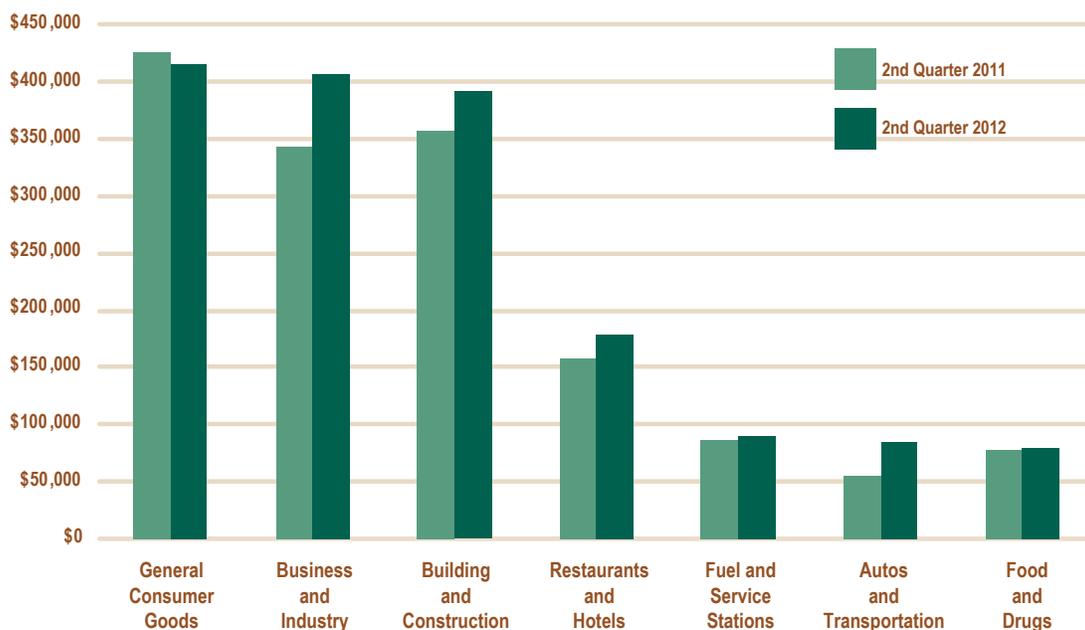
Receipts from second quarter sales were 8.8% above the comparable sales period one year earlier but payment aberrations skewed the data. With anomalies excluded, actual sales were up 7.2%.

All major industry groups showed increases except general consumer goods. A retroactive payment adjustment inflated the autos and transportation gain. Several business categories in the building and construction group posted higher results. Strong sales in combination with use tax from equipment purchases lifted business and industry proceeds. Restaurants and hotels benefited from new business additions; but reporting aberrations offset some of the increase. Actual gains were higher than they appeared. Food and drugs and fuel and service stations managed moderate improvements over the year-ago quarter.

Sales declines in the electronics and appliances group cut general consumer results.

With accounting adjustments factored out, all of San Mateo County was up 6.6%; statewide sales grew 7.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ahern Rentals	Kelly Moore Paint
Bayshore Supply	Natus Medical
Best Buy	Office Depot
Brittan Ave Shell	OK Lumber
CVS Pharmacy	REI
Da Vinci Marble	Ross
Ewing Irrigation Products	Royal Wholesale Electric
Holly 76	San Carlos Supply Garden
Holly Petroleum	TJ Maxx
Home Depot	Town
House of Wreckers	Trader Joes
Independent Electric Supply	Walgreens
Inside Source	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$1,507,617	\$1,647,014
County Pool	185,979	193,524
State Pool	(899)	1,651
Gross Receipts	\$1,692,698	\$1,842,189
Cty/Cnty Share	(84,635)	(92,109)
Net Receipts	\$1,608,063	\$1,750,079
Less Triple Flip*	\$(402,016)	\$(437,520)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

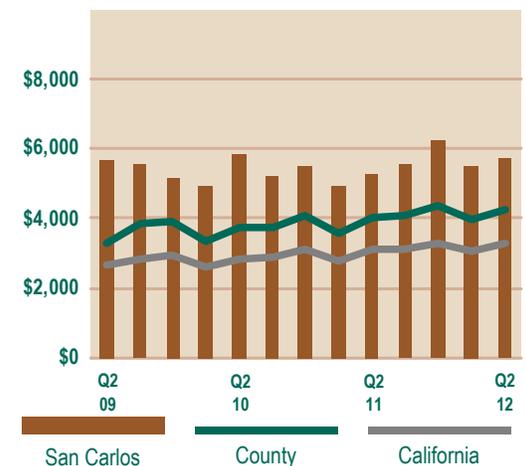
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



SAN CARLOS TOP 15 BUSINESS TYPES

Business Type	San Carlos		County	HdL State
	Q2 '12*	Change	Change	Change
Auto Repair Shops	41.2	3.6%	1.4%	5.0%
Contractors	52.4	12.0%	9.4%	11.6%
Drug Stores	— CONFIDENTIAL —		2.4%	3.4%
Electrical Equipment	91.1	107.5%	162.8%	-5.7%
Electronics/Appliance Stores	109.6	-17.8%	-9.7%	-2.3%
Family Apparel	69.0	5.6%	0.7%	8.8%
Lumber/Building Materials	235.7	6.9%	15.7%	20.5%
Office Supplies/Furniture	84.5	-1.3%	22.2%	-13.0%
Plumbing/Electrical Supplies	75.5	9.5%	12.2%	-1.5%
Restaurants Beer And Wine	48.5	-1.2%	-1.2%	0.4%
Restaurants Liquor	78.0	15.4%	16.5%	11.2%
Restaurants No Alcohol	51.1	23.3%	-4.0%	8.0%
Service Stations	89.7	5.7%	7.3%	2.3%
Specialty Stores	52.2	11.6%	9.7%	2.2%
Sporting Goods/Bike Stores	81.9	1.2%	11.5%	9.0%
Total All Accounts	\$1,647.0	9.2%	6.9%	6.7%
County & State Pool Allocation	195.2	5.5%		
Gross Receipts	\$1,842.2	8.8%		
City/County Share	(92.1)	-8.8%		
Net Receipts	\$1,750.1	8.8%		

*In thousands