



Item No. 3 Town of Atherton

CITY COUNCIL STAFF REPORT – STUDY SESSION AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL

**FROM: GEORGE RODERICKS, CITY MANAGER
ROBERT BARRON III, FINANCE DIRECTOR**

DATE: NOVEMBER 2, 2016

**SUBJECT: BUILDING FUND – CIVIC CENTER PROJECT – REVIEW AND
PROVIDE STAFF WITH FEEDBACK**

RECOMMENDATION

Review and Discuss issues related to the Building Fund as related to the Civic Center Project and provide staff with feedback on next steps.

BACKGROUND

When Measure L was approved in November 2012 it stated as follows:

“Should the Town of Atherton use funds primarily from private donations to construct a new Town Center? Other funding sources might include funds derived from Building fees or future grant money, but would not use general fund or parcel tax money.”

The summary and impartial analysis of the measure stated that a “YES” vote restricts the types of funds that could be used for the Town Center improvements, to generally requiring that other non-tax sources, such as Building fees and grants; be used. Other funding sources cannot include general fund tax money or parcel tax funds without further voter approval.

The argument in favor of Measure L notes that a “YES” vote ensures that no tax dollars or bond measures would be used for this project. Only fees from the Building Department (noting that those fees were “currently ~\$2m”) and state/federal grants as permitted along with private donations.

FINDINGS/ANALYSIS

An initial assessment of the comparative square footage of building and planning space needs (community development) today represents approximately 8%-10% of the current square footage at the Civic Center. However, in the new facility, the amount of square footage attributable to community development is approximately 13.6%.

Building Fund – Civic Center Project

November 2, 2016

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Based on the project cost estimate at 50% Design Development, that amount of square footage represents a cost of \$3.3 million attributable to community development. The funding level of \$2.1 million is \$1.2 million shy of the target need. The Town stopped contributions into the fund prior to FY 2013/14. From fiscal years 2001 to 2009, the City Council directed Building Department funds be set aside to fund capital costs expected to be incurred for future replacement of Town facilities.

In FY 2008/09, \$1,805,144 was transferred directly from the General Fund to the Facilities Construction Fund for future building replacement needs. This was done by formal Council action. The transfer was designated for the future replacement of the building utilized by the Town's Building Department. From that point forward and based on a study completed by NBS Consulting, the Town was to set aside approximately \$153,500 each year into the fund (no end date was set). The \$1.8 Million transfer was a true up from FY 2000/01 to FY 2007/08. Over the next fiscal years \$153,500 per year was set aside and transferred to the Facilities Construction Fund to mitigate costs for future facility replacement. This amount was derived from the estimated cost of a new facility (\$16 million in construction costs) and this was the Building Department's amortized debt service portion of the costs. However, over the years, the amount required to be set aside each year was not consistently followed. FY 2012/13 was the last year of contribution at \$80,000. The allocation stopped as Measure L was approved November 2012 and there was a lack of clarity on next steps.

In FY 2012/13, the Town hired Capital Accounting Partners to conduct a full User Fee Study of all Town Fees. The study took into account indirect and direct Town costs for all departments, but did not include costs for construction of a new building. The current fee schedules do not include the replacement of a new Town Facility, a result of Measure L.

Building fees are a non-tax revenue source authorized for project funding. The most logical way that the Town can make up the difference in funding is by adding a surcharge to the building fees for a period of years to address the shortfall. The fairest way to allocate that surcharge is based on permit valuation. If the Town had a surcharge of \$0.005/\$1 of valuation in place over the last three FYs, the amount collected would have been \$1,186,320.

Year	Total Permits	Total Valuation	Surcharge (0.005)
FY 2013/14	349 Permits	\$85,085,891	\$425,429
FY 2014/15	345 Permits	\$72,829,774	\$364,149
FY 2015/16	396 Permits	\$79,348,445	\$396,742
			\$1,186,320

Thus far in FY 2016/17, total permits issued is 258 with valuation totaling \$48,358,133. The bulk of the surcharge would apply to those permits with the largest valuations. In most cases, those permits are for new single-family residences, new accessory structures, and new additions. Other permits with much smaller valuation amounts are re-roofing permits, grading permits, plumbing, mechanical and electrical permits, and demolition permits.

Attached are the Community Service Report excerpts for the past 4 fiscal years, inclusive of the partial for FY 2016/17.

The Town could impose the surcharge at a factor of \$0.005 per each dollar of permit valuation with the expectation that we would reach the target of \$1.2 million at 2.5 or 3 years. The surcharge would cease once the final target is reached. The target could be adjusted based on the actual bid cost of the project. The timeframe could be extended beyond the 2.5 or 3 years to lower the surcharge amount; however, an extended period would likely necessitate that the General Fund or some other funding source be borrowed against as the Civic Center Project begins and the Building Fund would then payback the General Fund loan with each year's remittance.

Presently, the Town has \$5 million in unallocated General Fund Reserves (beyond the required 35% reserve requirement). The Town also has \$4.4 million in unallocated Capital Improvement Project reserves. In June 2017, we expect to receive an additional \$1 million in Educational Revenue Augmentation Funds (ERAF). These total \$10.4 million in unallocated funds at fiscal year end June 2017. Beyond these funds, the Town is currently experiencing a revenue over expenditures gap of approximately \$1.2 million. Assuming that projection holds into the next fiscal year, for FY 2017/18, the Town could have approximately \$11.6 million in unallocated funds.

Based on the above, it is projected that there would be sufficient funds available to allow the Town's unallocated funds to loan funds to the Building Capital Facilities Fund based on a loan repayment schedule from that fund back to the General Fund.

If the City Council desires to move forward with adding a surcharge fee to the building permit fee structure, the Council could adopt the surcharge fee through a Resolution. Pursuant to Government Code Section 66017(a), the Town must conduct a Public Hearing for review of changes to the Town Master Fee Schedule. The notice of Public Hearing needs to be sent out 45 days prior to the hearing. In accordance with state law, the potential additional fee must also be made available for public review 10 days prior to the public hearing for adoption of the new fee. If the fee passes by adoption of Resolution, it will take effect 60 days following adoption. Assuming staff time necessary to create and publish the notice, a timeline of 120 days from the Notice of Public Hearing to effective date is reasonable.

POLICY CONSIDERATIONS

Measure L contemplated the use of building fees as a non-tax revenue source. At the time Measure L was provided to the electorate, the building fee fund had a fund balance of approximately \$2 million. This was noted in the ballot arguments. As a non-tax revenue source, building fees are a valid use of funds for the project. It would be appropriate to apportion the cost of community development based on the overall project and collect any additional revenue as needed.

FISCAL IMPACT

None at this time.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the item is also

disseminated via the Town’s electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town’s electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service provides (water, power, and sewer), and regional elected officials.

ATTACHMENTS

- Attachment A – Extract Building Permits FY 2013-14
- Attachment B – Extract Building Permits FY 2014-15
- Attachment C – Extract Building Permits FY 2015-16
- Attachment D – Extract Building Permits FY 2016-17 Partial

Town of Atherton Building Safety & Inspection

*Construction and Permit Summary
December 1, 2013 to December 31, 2013*

	December	Fiscal Year 2013-14
Total Construction Valuation¹:	\$11,475,075	\$85,085,891

REVENUE

Plan Check Fees Collected:	\$64,768	\$268,014
Permit Fees Collected:	\$82,937	\$544,233
Other Fees Collected:	\$4,375	\$23,799
TOTAL:	\$152,080	\$836,046

PLAN CHECK

Applications Received:	66	403
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PERMITS

<u>Residential:</u>		
New Single Family Residential Permits Issued:	3	18
New Accessory Structures Issued:	13	89
Addition / Alteration Permits Issued:	2	59
Reroof / Water Well / Grading Permits Issued:	9	74
Plumbing/Mechanical/Electrical Permits Issued:	12	80
Demolition Permits Issued:	4	24
<u>Non-Residential:</u>		
New Permits Issued:	0	5
TOTAL Permits Issued:	43	349

Total Open Permits as of 12/31/13	304	
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INSPECTIONS

Inspections Performed:	686	3,694
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Footnotes:

¹Valuation: For permitted projects during this period.

Town of Atherton Building Safety & Inspection

*Construction and Permit Summary
December 1, 2014 to December 31, 2014*

	December	Fiscal Year 2014-15
Total Construction Valuation¹:	\$15,641,712	\$72,829,774

REVENUE

Plan Check Fees Collected:	\$31,272	\$212,850
Permit Fees Collected:	\$86,310	\$556,321
Other Fees Collected:	\$5,508	\$58,429
TOTAL:	\$123,090	\$827,600

PLAN CHECK

Applications Received:	56	361
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PERMITS

<u>Residential:</u>		
New Single Family Residential Permits Issued:	4	16
New Accessory Structures Issued:	15	88
Addition / Alteration Permits Issued:	5	54
Reroof / Water Well / Grading Permits Issued:	3	56
Plumbing/Mechanical/Electrical Permits Issued:	21	98
Demolition Permits Issued:	3	24
<u>Non-Residential:</u>		
New Permits Issued:	0	9
TOTAL Permits Issued:	51	345

Total Open Permits as of 12/31/14	620
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INSPECTIONS

Inspections Performed:	654	4,561
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Footnotes:

¹Valuation: For permitted projects during this period.

Town of Atherton Building Safety & Inspection

*Construction and Permit Summary
December 1, 2015 to December 31, 2015*

	December	Fiscal Year 2015-16
Total Construction Valuation¹:	\$1,266,355	\$79,348,445

REVENUE

Plan Check Fees Collected:	\$26,643	\$157,582
Permit Fees Collected:	\$26,894	\$528,389
Other Fees Collected:	\$3,695	\$53,405
TOTAL:	\$57,232	\$739,376

PLAN CHECK

Applications Received:	45	359
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PERMITS

<u>Residential:</u>		
New Single Family Residential Permits Issued:	0	19
New Accessory Structures Issued:	11	109
Addition / Alteration Permits Issued:	3	44
Reroof / Water Well / Grading Permits Issued:	7	79
Plumbing/Mechanical/Electrical Permits Issued:	15	117
Demolition Permits Issued:	2	27
<u>Non-Residential:</u>		
New Permits Issued:	0	1
TOTAL Permits Issued:	38	396

Total Open Permits as of 12/31/15	770	
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INSPECTIONS

Inspections Performed:	613	5,194
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Footnotes:

¹Valuation: For permitted projects during this period.

Town of Atherton Building Safety & Inspection

*Construction and Permit Summary
Sept 1, 2016 to Sept 30, 2016*

	Sep-16	Fiscal Year 2016-17
Total Construction Valuation¹:	\$14,168,026	\$48,358,133

REVENUE

Plan Check Fees Collected:	\$23,691	\$132,381
Permit Fees Collected:	\$102,725	\$352,548
Other Fees Collected:	\$3,180	\$28,096
TOTAL:	\$129,596	\$513,025

PLAN CHECK

Applications Received:	73	251
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PERMITS

<u>Residential:</u>		
New Single Family Residential Permits Issued:	4	12
New Accessory Structures Issued:	25	78
Addition / Alteration Permits Issued:	12	36
Reroof / Water Well / Grading Permits Issued:	10	45
Plumbing/Mechanical/Electrical Permits Issued:	22	74
Demolition Permits Issued:	2	10
<u>Non-Residential:</u>		
New Permits Issued:	0	3
TOTAL Permits Issued:	75	258

Total Open Permits as of 9/30/2016	917
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INSPECTIONS

Inspections Performed:	930	2,758
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Footnotes:

¹Valuation: For permitted projects during this period.