



MINUTES
Town of Atherton
CITY COUNCIL/ATHERTON CHANNEL
DRAINAGE DISTRICT

JUNE 14, 2004

6:00 p.m.

TOWN COUNCIL CHAMBERS

94 Ashfield Road
Atherton, California

SPECIAL MEETING

Mayor McKeithen called the meeting to order at 6:03 p.m.

1. **PLEDGE OF ALLEGIANCE**

2. **ROLL CALL**

PRESENT: James R. Janz
Charles E. Marsala (left the meeting at 6:17 p.m.)
Alan B. Carlson
Kathy McKeithen
William R. Conwell

City Manager Jim Robinson and City Attorney Marc Hynes were also present.

3. **PUBLIC COMMENTS**

4. **PUBLIC HEARING – PROPOSED FISCAL YEAR 2004-05 INTEGRATED OPERATING/CAPITAL BUDGET**

ADOPTION OF A RESOLUTION ADOPTING THE FY 2004-05 BUDGET

City Manager Jim Robinson thanked staff for its hard work in preparing the Proposed Budget for Fiscal year 2004-05. The proposed Operating Budget was approximately \$8.1 million and the Capital Budget was approximately \$4.2 million. There were no additional positions within the budget. The budget reflected carrying two vacancies in the Police Department and one vacancy in the Public Works Department; reducing from a full-time to 1/2-time City Clerk position starting mid-year; not including a Horticulturist position, although \$16,000 had been retained for the services of a Horticulturist if needed; retaining existing staff; and recommending that one Police Officer be used as part of the Narcotics Task Force which would be 75 percent funded by that entity. Pension and health insurance costs have contributed to the budget increases. A negotiated agreement with Miscellaneous employees provided no salary increase for the next fiscal year. Negotiations were forthcoming with Management and Police Department employees. The Police Department was in the 5th and final year of a

contract. Regarding the Parcel Tax, the Capital Improvement Program was in its last year and included over \$4 million of improvements: \$2.7 million in street improvements, and \$600,000 in Atherton Channel improvements.

Finance Director John Johns projected a carryover from Fiscal Year 2003-04 of \$205,000, representing approximately \$80,000 in higher revenues and approximately \$120,000 in lower expenses. There was no significant reduction in Motor Vehicle License fees, \$200,000 in parcel tax revenues was kept in reserve, and staff recommended keeping the reserve level at \$3.7 million for the upcoming year. An excess property tax withholding from the school district resulted in a one-time rebate of \$180,000. Salary and employee benefits represented an average 75-78 percent of the budget over the past two years. In order to control cost, vacant positions would not be filled. In the current year, four positions that were authorized were being held as vacant and unfunded and would save \$367,000 for the fiscal year and assumed funding one Police Officer for 25 percent of the year. The General Fund Balance for yearend, June 30, 2004, was higher than the average of the past 10 years. A Comparative Analysis of the General Fund Balance was located on Page 16 of the Proposed Budget. An Intermediate Range Financial Plan did not show a significant change from the financial plan presented to the Council last year. There was a high degree of confidence in projections; however, a sizable deficiency would result in Fiscal Year 2007-08. The challenge to find alternate revenue sources would continue. The transmittal letter provided a thorough description of the major changes and assumptions anticipated in the upcoming year. Overall, the financial environment would be fairly stable without significant changes in operations.

Staff responded to Council questions and clarified various items contained in the Proposed Budget. Discussion centered on ways to reduce salary and benefit costs. Negotiations with each employee group would continue as each came up for renewal of its contract. A recommendation in the Proposed Budget in the Police Department was to fund 20 of the 23 authorized positions, thereby reducing staff levels by 3. Vice Mayor Conwell suggested an independent efficiency expert might find additional savings, or possibly outsourcing police services with the Sheriffs Department, and asking each department for a 5, 7.5, or 10 percent reduction in its budget. City Manager Robinson said although contracting with another agency for police services might be cost effective, duplicating the level of service residents have come to expect would be difficult. Staff would look into alternatives if Council so desired.

A concern was raised regarding the erosion of required financial reserves, which were projected to drop below the \$3.7 million level at the end of FY 2007-08. Finance Director Johns was confident in the 4-year financial plan. The exception was whether the parcel tax would be passed. The Building Department had a 6-month reserve and was expected to cover its operating costs. Discussion continued on various projected expenditures and revenues including revenues from property taxes and expenditures for vehicle replacement, health benefit costs, possible litigation costs, recovering maintenance costs from the library, etc. The projected increase in business license fees of \$40,000 included the addition of landscape contractors and the question was raised

whether the actual costs could be captured. Finance Director Johns said the fee was based on an estimated value of permitted construction of \$100 million and charging 4/10 of one percent. The landscaping activity was approximately \$10 to \$20 million.

Discussion continued on various staff savings such as 100 percent of the Town Arborist's time being funded by the Building Department; 75 percent of a Police Officer being funded by the Narcotics Task Force; a reduction of the City Clerk position by 50 percent at mid-year; vacating a Park Maintenance position and elevating the incumbent to a Park Supervisor and contracting for park maintenance; and eliminating the \$16,000 set aside for horticulturist services.

The \$30,000 budget item for the San Mateo County Crime Lab fees was discussed. Police Chief Brennan indicated the County had not charged in the past, was trying to offset its fees, and estimated each city or town's fees for the upcoming year. Discussion centered on the exact amount to be budgeted, and whether the \$8,000 estimate given by the County was realistic. Another issue was Police Department overtime and other employment expenses of \$350,000. Chief Brennan explained the various types of temporary help needed to cover shifts due to vacations, leaves, etc. Overtime costs were accrued when officers went to court on their day off. Staff was asked to provide a report on overtime charges represented by an officer going to court and on what types of temporary help was needed. Methods for reducing the expenses were discussed. City Manager Robinson noted that \$300,000 of the increase to the Police Department Budget was directly related to pension benefit costs.

Mayor McKeithen called a short break in the meeting at 8:05 p.m. The Council reconvened at 8:17 p.m.

Further discussion and clarification continued on various budget line items. Regarding the parcel tax, Finance Director Johns said staff expected to manage the Town's financial position fairly well in the current fiscal year. The anticipated \$1 million shortfall for Fiscal Years 2006-07-08 was reduced to \$850,000 as a result of an agreement between the Governor and the League of California Cities that did away with the ERAF takeaway. Rather than losing \$900,000 over three years, staff expected a \$300,000 loss over two years, representing a substantial improvement in the Intermediate Range Financial Plan. The parcel tax would need to be raised from \$750 to \$1012 for the 1/2-acre but less than two-acre parcel to break even in Fiscal Year 2005-06 and to \$1100 in Fiscal Year 2007-08.

Council asked staff, for the City Council Meeting of June 16, 2004, to revise the chart on Attachment 3 of the packet, Analysis of Parcel Tax Options, to reflect the actual dollar amount needed to balance the budget for Category No. 5 for each of the four years of the parcel tax. Additionally, Council requested staff to prepare a pie chart for the General Fund Revenues and Other Financing Sources that would include the parcel tax.

Discussion centered on revenue sources such as the Property Transfer Tax, Building Permit Fees, Landscape Fees, Vehicle Code Fines, etc.

In preparation for the June 16, 2004, City Council Meeting, staff was asked to remove the \$16,000 budgeted for horticulturist services and to reduce the San Mateo County Crime Lab fees from \$30,000 to \$8,000. Finance Director Johns said he would prepare an itemization of all revenue increases, expense reductions, and make the necessary changes to the budget resolution for Council's approval.

Staff was commended on its work in compiling the Proposed Budget document.

Mayor McKeithen opened the public hearing at 9:55 p.m. No one came forward to speak, and Mayor McKeithen closed the public hearing at 9:55 p.m.

The Item was continued to the regular City Council Meeting of June 16, 2004.

5. **ADOPTION OF A RESOLUTION APPROVING THE FISCAL YEAR 2004-05 APPROPRIATIONS LIMIT AND CALCULATIONS**
(The item was deferred to the regular City Council Meeting of June 16, 2004.)
6. **DISCUSSION OF PARCEL TAX FOR FISCAL YEARS 2005-09 AND ALTERNATIVE FUNDING/TAXING MEASURES FOR SUPPORT OF OPERATING AND CAPITAL EXPENDITURES**
(This item was deferred to the regular City Council Meeting of June 16, 2004.)

ADJOURNMENT

The meeting adjourned at 9:58 p.m.

Respectfully submitted,

Kathi Hamilton
Interim City Clerk

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