



Minutes
Town of Atherton
CITY COUNCIL
ATHERTON CHANNEL DRAINAGE DISTRICT

May 9, 2011

8:00 A.M.

Council Chambers

94 Ashfield Road
Atherton, California

SPECIAL MEETING

1. **ROLL CALL** **Council Members Lewis, Carlson, McKeithen,
Vice Mayor Widmer, Mayor Dobbie**

2. **PUBLIC COMMENT** –

John Flaherty, Atherton resident, said he is extremely upset that the Town is considering outsourcing the Building Department. Flaherty said the Town's full-time employees have been in the building trade most of their careers and the Town will lose continuity by replacing them with contract workers.

Virginia Ruggeiro, Atherton resident, urged Council not to cut traffic control. Ruggeiro requested additional funds in the budget for another speed sign on the North side of Stockbridge Avenue.

3. **DISCUSS AND PROVIDE DIRECTION TO THE CITY MANAGER REGARDING THE BUDGET DEFICIT AND REDUCTIONS**

Report: Verbal John Danielson

Recommendation: To be determined

Mayor Dobbie said the Town has serious financial problems and we are spending approximately \$120,000 more than we are bringing in. Dobbie said City Manager Danielson is beginning to work on solutions to allow for a sustainable financial situation.

City Manager Danielson asked Finance Director Louise Ho to present an overview of the Town's current status.

Ho said that a draft General Fund budget was presented to the Finance Committee on April 11, 2011, which showed a projected General Fund deficit of \$855,781 of which \$525,064 is from building activities. Ho said this assumes no salary increases. The draft budget included 100% prefunding for the annual required contribution (ARC) for GASB 45 (unfunded retiree healthcare cost).

Ho said as good business practice the Town should budget for building improvement and IT infrastructure but the Town is not able to do so at this time.

Ho said challenges that the Town continues to face are possible take-aways from the State of California, and potential loss of the \$100,000 COPS grant from the State.

Ho said that unless the Town has the ability to drastically increase its revenues the long-term future of the Town is unsustainable.

Ho reviewed the Town's general fund structural deficit. Ho said the Town reviewed on general fund reserve and parcel tax in the past to close the deficit. She added that for 2010 the Town used general fund reserves to pay for 2 separate legal settlements that amounted to \$430,000. In 2011, the Town reimbursed \$900,000 in road impact fees.

Ho reviewed a 5-year financial forecast which includes pension projection breaks from CalPERS, no salary increase for four years, and assuming property tax at 2 to 3%. For 2015 and 2016 staff made the assumption that no parcel tax was used to fund police services since it needs to be voter approved when it sunsets in 2014. Ho said if this scenario were the actual case the Town would completely exhaust its general fund reserve.

Interim City Manager Danielson said the presentation is a picture of a structurally insolvent organization. Danielson said staff has spent hundreds of hours looking at other potential cost saving methods. He added that the Town spends 80% of its costs on labor, and while staff is looking at every measure possible to cut costs, reductions in force are inevitable. Danielson concluded that in 20+ years in government he has never been in such poor financial condition that he had no other options.

Council Member Carlson said he has spoken to Danielson several times over the last few months and he knows he has looked at every alternative possible. Carlson said he supports Danielson's decisions.

Council Member Lewis felt the notice of the agenda did not give sufficient time to the residents. Lewis said this is a high end residential community and we need to be careful what we cut in terms of services. Lewis concluded that while there is a financial issue that needs to be addressed, Council should look to every option available to make sure we help our residents improve their properties and increase the valuation of their property.

Vice Mayor Widmer said when he began his campaign last summer he voiced his concerns over the Town's financial problems. Widmer said the organization is insolvent and he supports whatever Danielson has to help it become sustainable. Widmer said Council needs to look at all service levels and added that a successful outsource will preserve some institutional knowledge.

Council Member McKeithen asked what the Town's outstanding medical debt is according to the last actuarial study. Ho said it is estimated at 12 million and being amortized over 30 years.

Council Member McKeithen questioned what the outstanding PERS retirement liability is. Ho said it is approximately \$15 million.

McKeithen said the Town has, in the past, balanced their budget with excess tax funds but we can no longer be assured that we will receive those funds year by year.

McKeithen questioned whether the Town is liable to pay for the employee and their dependent for retiree medical [for life]. Ho said that is correct for the Atherton Police Officers Association, but no longer for the Teamsters miscellaneous group which has moved to a two-tier retiree health plan.

McKeithen said in her eleven years on Council Danielson is the best City Manager the Town has had and he has her full support.

Mayor Dobbie said that on top of the dire financial stability, the Town also has a huge liability in regard to the garbage and refuse contract. Dobbie said he has spent many hours with Danielson and he is very impressed. Dobbie concluded that Danielson has his full support.

Mayor Dobbie opened up for public comment.

John Ruggeiro, Atherton resident, said the Town should consider following the lead of other cities such as San Francisco whose Chief recently demoted three Assistant Chiefs, refused his own raise, and they are not hiring. Ruggeiro said there is plenty the Town can do without having to do away with employee's altogether.

John Foster, Atherton resident, said the deficit has nothing to do with the Building Department and Council should look to the Department that creates the most deficit for the Town.

4. ADJOURN

MOTION by Dobbie, second by McKeithen to adjourn the meeting. The motion passed unanimously.

Mayor Dobbie adjourned the meeting at 8:47 a.m.

Respectfully submitted,

Theresa DellaSanta
Deputy City Clerk