



Minutes
Town of Atherton
CITY COUNCIL/ATHERTON CHANNEL DRAINAGE
DISTRICT
March 13, 2013
1:00 P.M.
Town Council Chambers
94 Ashfield Road
Atherton, California
Special Meeting

ROLL CALL Lewis, Carlson, Dobbie, Widmer, Wiest

PUBLIC COMMENTS

REGULAR

MID-YEAR BUDGET ADJUSTMENTS REPORT FOR FY 2012-2013

City Council discussed the Mid-Year Budget Report for 2012-2013.

The Mid-Year Budget Report focuses on the Town's General Fund and does not look at the Town's Special Funds other than where they impact the General Fund. The PowerPoint presentation and a spreadsheet distributed to the City Council can be accessed through the City Clerk's Office. The Report also projects forward to fiscal year-end with respect to revenues and expenditures.

At Mid-Year, the Town's General Fund revenues are tracking at 9% over budget. The major source of the Town's revenue is property taxes. Property taxes will come in \$558,474 over budget. This is primarily due to an increase in receipts for the Educational Reimbursement Augmentation Fund. This revenue is unique to only a few counties in the State and is the result of property values in the county exceeding the level necessary to provide the minimum required school funding under State law. When the minimum funding level is met the additional revenues are returned to the local agencies in proportion. This revenue is a continuing target of the State budget process and cannot be counted on as a continuing revenue source. As a result, the Town budgets conservatively for it in future years. Other revenues had slight increases. At year-end, the net change to the General Fund balance is a \$1,093,100 increase. This results in a year-end General Fund Balance of \$7,737,858.

This total general fund amount is broken down into various reserve allocations. The Town has established a Building Reserve (\$728,911) to address fluctuations in permitting revenue and costs year-to-year; a 15% Emergency Reserve (\$1,612,471), local miscellaneous pension obligation (\$704,313), a 5% Capital Projects Reserve (\$537,490), and a 15% General Operating Reserve (\$1,612,471). The Town has established set-asides to pay down future underfunded actuarial liabilities such as the CalPERS pension obligations and/or other post-employment benefits.

At this time, the Town has paid-off its underfunded pension obligation for local safety employees and has allocated the pay-off for local miscellaneous – the earlier \$704,313. However, the Town still retains other unfunded post-employment benefit obligations of approximately \$7 million. The Town’s Finance Committee and City Council are considering ways to address this unfunded liability.

The table below reflects these allocations off of the end of year projected general fund balance.

| Item | General Fund Allocation |
|---|--------------------------------|
| End of Year General Fund Balance | \$7,737,858 |
| Building Reserve | (\$728,911) |
| 15% Emergency Reserve | (\$1,612,471) |
| Reserve for Local Miscellaneous Side Fund | (\$704,313) |
| 5% Capital Project Reserve | (\$537,490) |
| 15% Operating Reserve | (\$1,612,471) |
| Remaining Unallocated Fund Balance | \$2,542,202 |

On the expenditure side, overall expenditures are netted out within each department. Where there are cost-savings in one area they are netted out against additional expenditure needs in another. Using the Police Department as an example, if the Department is running understaffed by one officer due to an unanticipated vacancy there is an associated salary and benefit savings connected to that vacancy. However, there are minimum staffing requirements in order to fulfill appropriate coverage needs in the community. As a result, some officers may be called in for overtime while the Department recruits to fill the unanticipated vacancy. At the beginning of the year one does not expect the position to be vacant nor does one expect the need for additional overtime. The budget will reflect this perspective. However, when the unanticipated vacancy occurs there will be salary and benefit savings in the short-term and overtime costs in the same term.

These unanticipated savings and expenses are netted out at mid-year for a more accurate picture of the budget. Where there are clear needs to increase the budget allocation, staff presents the Council with budget amendment requests to do so. At this time the budget for Building Department is the only area that requires amendment and this is due to an accounting correction within one area and a project allocation within another. Even with these two increases, overall across all departments, the Town’s budget reflects a 1.16% budget decrease.

Staff provided the Council with details of revenues and expenditures of prior years together with a five-year projection. Staff prepared the five-year projection using a set of assumptions: 1) a modest property tax increase per year of 3%; 2) an ERAF revenue projection held flat at \$700,000; 3) all other revenues increasing at 2%; 4) all operational costs increasing at 2%; 5) elimination of single-year one-time revenues or expenditures; and 6) decreased CalPERS employer rates due to the payoff of the pension side-fund obligations.

Staff proposed three areas for the Town to focus this unallocated fund balance in the future.

- 1) Consider an increase in the Town’s total reserve policy from its current 35% to 50%.

- 2) Consider allocating funds toward the Town's Capital Improvement Fund to assist in the Town's philosophy of save and then spend, for capital projects.
- 3) Consider allocating funds to pay down and/or pay off the Town's unfunded actuarial liability for other post-employment benefits. Presently, this is the Town's only unfunded liability and it totals approximately \$7 million.

MARSH ROAD CHANNEL REPAIRS DISCUSSION

Next up on the Agenda was a discussion of the Marsh Road Channel Repairs. Here the Council heard a report from Biggs Cardosa Associates, Inc. on their preliminary analysis of options to repair the Marsh Road Retaining Wall. The Council considered several options: 1) a soldier pile wall; 2) a soil nail wall; 3) a cast-in-place concrete U-Channel; and 4) a precast concrete U-Channel. Each option had its pros and cons reflected in its impact during construction, its ability to accommodate future widening of Marsh Road, its construction time, and its cost. The Council asked a number of questions covering areas related to future opportunities to cover the channel, construction duration, utility impacts, tree impacts, environmental analysis, and construction design and durability.

The costs of the projects ranged from \$2.1 million to \$2.8 million. Recommended options were the soil nail wall and the cast-in-place U-Channel. These options were approximately \$2.1 million. The Town's 5-Year Capital Improvement Plan allocates funding to this project should the Council ultimately choose to move ahead with it. Because none of the options included covering or widening the capacity of the channel but instead focused on repairs to the stability of the roadway all were exempt under CEQA.

At the conclusion of the meeting the Council directed staff to return with another option for their consideration. The Council expressed a desire to assess the cost of covering the channel as an option as well as an analysis of shorter term "fixes" rather than a complete overhaul of the channel expressing that the issue isn't one of drainage, rather repairs to the roadway stability.

Staff will work with the consultant to develop these options and return the issue to the Council for their further discussion.

ADJOURN

MOTION by Widmer, second by Dobbie to adjourn the meeting. The motion passed and Mayor Lewis adjourned the meeting at 3:35 p.m.

Respectfully submitted,

Theresa DellaSanta
City Clerk