



MINUTES
Town of Atherton
CITY COUNCIL/ATHERTON CHANNEL
DRAINAGE DISTRICT
JUNE 11, 2008
7:00 P.M.
TOWN COUNCIL CHAMBERS
94 Ashfield Road
Atherton, California

Special Meeting

Mayor Janz called the meeting to order at 7:10 p.m.

ROLL CALL

PRESENT: Jerry Carlson
Charles E. Marsala
James R. Janz Kathy
McKeithen

City Manager Jerry Gruber and City Attorney Marc Hynes were also present.

PUBLIC COMMENTS

Council Member McKeithen noted Atherton resident John Sisson passed away on Sunday, June 8, 2008. He loved the Town and gave a lot of himself to it.

PUBLIC HEARINGS (Items 1-3)

1. CONSIDERATION AND POSSIBLE ADOPTION OF A RESOLUTION ADOPTING THE FY 2008-09 OPERATING AND CAPITAL BUDGET

Mayor Janz stated Council anticipated the meeting to be more of a workshop on the budget and would most likely be continued to the June 18, 2008, meeting for adoption.

City Manager Jerry Gruber thanked the Finance Committee and the Finance Department for their work on the budget, as well as all the senior management staff.

Interim Finance Officer Bill Yeomans presented the 2008/09 Budget. The uncertain economy was affecting many communities. The income tax was seriously affecting the State budget, which was down \$17 billion. Atherton was more protected than in the past due to Prop 1A. The primary revenue source of Atherton's General Fund was property taxes. The County estimated a 6.6% property tax increase; however, Interim

Finance Officer Yeomans estimated 6% due to the possibility the numbers could be adjusted downward. After discussions with the Finance Committee, the City Manager's budget was recommending that Parcel Tax funds be used entirely for capital improvements. In the past, \$650,000 of the \$1.8 million went for public safety. Additionally, a number of cuts were implemented to tighten the budget, totaling \$724,000, or about 6% of the budget. With regard to the Building Facilities Fund, no transfer was recommended at this time; the money was to remain in the General Fund. Balances and Reserves looked to break even for the current year. The General Fund total balances would be over \$9 million. Reserves were to be maintained to at least \$5.3 million; therefore, just under \$4 million in unreserved balance was available in the General Fund. The Budget Adjustment List, if approved by Council, would be added to the detail for the final budget. Looking to next year, Interim Finance Officer Yeomans indicated the intention to review all fees for potential increases and ultimately incorporate them into a Master Fee Schedule. With the sunset of the Parcel Tax in 2010, staff would work with the Council to study alternate funding sources.

Council Member McKeithen said the Finance Committee's fundamental precept was a balanced budget without going into reserves. Although, the reserves appeared to be large and not designated for any particular purpose, the Town did have unfunded liabilities related to PERS. Secondly, the \$650,000 Parcel Tax funds would be used solely for capital improvements. Next, the Finance Committee concentrated on where the budget could be cut: 1) Eliminate the \$100,000 Contingency Fund; 2) Eliminate \$5,000 of the training budget in three areas; 3) Eliminate \$30,000 for new audio equipment in the Council Chambers; 4) Reduce litigation expenses to \$25,000; 5) Do not increase Code Enforcement by \$10,000; 6) Do not raise 1/2-time position to 3/4-time in the Finance Department; 7) Reduce the Police Department Budget by \$350,000; 8) Examined the Public Works Department regarding traffic studies budget; 9) Eliminated one request for a trailer in Public Works; 10) Painting costs of \$32,000 were put off, along with re-carpeting needs.

Vice Mayor Carlson, Finance Committee Member, said having a balanced budget was key, i.e., General Fund expenses could not exceed revenues. At mid-year, \$650,000 in Parcel Tax funds was taken from the General Fund and given to capital improvement projects. Revenue estimates in the past were very conservative, and by putting Parcel Tax funds in the General Fund meant there were no funds available for infrastructure improvements. Regarding the Building Facilities Fund, he believed a better way to approach it would be to look at a portion of the unallocated reserves and setting aside some portion of it for Town facilities. The Police Department increased its budget from 2007 to mid-year 2008 by \$350,000. The projection for the current year was that the Police Department would overrun its budget. However, Police Chief Brennan indicated an overrun would not occur and he would keep the upcoming budget in line with the mid-year numbers. There was a need to look for opportunities for additional revenues. The Planning Department was looking at ways to bill its time to third-party users. The Business License fee needed to be reviewed from a structure standpoint as well as from a fee standpoint. Appropriate rates needed to be set for Town services for all departments. In May 2000, by using the internal Administration Fund, 20% of a pool of money was allocated to the Building Department to provide a transfer of

overhead to the Building Department to recover through permit fees. That overhead allocation process should apply to all departments.

Police Chief Bob Brennan said during his eight-year tenure, the Police Department came in under budget and he expected that would be the case for the current year. He did not believe that the projection of \$100,000 in excess expenses for 2007/08 was accurate. He believed the Interim Finance Officer factored that into next year's budget to reach the \$4.6 million request. He believed an accurate projection would be 3% for salaries, 3% other contract services, 2% office supplies, and some allocation for handguns, long guns, etc. There were 22 police officers and he did not want to lose any positions. He believed with his requested budget, the positions could be retained. Additionally, for the past eight years, \$200 to \$400,000 had been received in grant monies, totaling approximately \$1.8 million. He believed the Town would receive the \$100,000 from the COPS Fund but would lose the \$68,000 from Sequoia Union High School District for the SRO officer. The Police Department had seen a low attrition rate during the past eight years. He believed creating opportunities for outside duties for officers to be creative, to learn, and to become better police officers was critical to retention of officers. Eighteen months of training and \$150,000 was the cost for a new hire. Losing the specialty positions would encourage police officers to go elsewhere. The Town would either pay now or pay later. He firmly believed the Police Department did not need to cut any positions. There were some items that could be cut, such as a radar trailer or cameras in the intersections. He emphasized the need to retain the \$12,000 for long guns. Chief Brennan responded to Council questions.

Building Official Mike Wasmann said the increase in salaries and benefits for the Building Department was a result of the newly created Permit Tech position. He had a concern regarding contract services, which had been lumped into one category but were line-itemed in the new budget document, e.g., Plan Review, Code Enforcement, and Building Inspection. Regarding the economy, there was no slow down for the Building Department. The recruitment for a Senior Building Inspector was in process and included in the 2008-09 Budget. He expressed concern for the projected Planning cuts, as that person was in the department on Tuesdays and Thursdays, answers questions for realtors, developers, and contractors and included counter time for plan review for zoning review. Depending on the cuts, service for the Building Department would be jeopardized. Turn-around time would be extended. He responded to Council questions.

Vice Mayor Carlson believed the planning function was performing to sets of duties: 1) supporting the Building Department; and 2) responding to third-party requests. With regard to the second set of duties, the Town should be billing, collecting revenues, to offset them. He did not recall recommending cuts. He would like to see a separation of the Building Department from the Planning Department in terms of how the budget was presented. Additionally, he would like to see Environmental Programs be a separate program. With the addition of the new software, he suggested including management indices, e.g., tracking the volume of business and/or measuring efficiency.

Council Member McKeithen said over-the-counter services should remain at their highest level and were never intended to be reduced. The intent was to cost out what could be cost out, e.g., responding to a resident's request for information. Additionally, the City Manager needed to look for greater efficiency regarding the Contract Planner's time to ensure time was not being spent for routine services.

Deputy Town Planner Lisa Costa Sanders said her budget request included a more cost-effective approach for her and her staff. A part-time Assistant Planner was hired to assist in the Building Department, as well as to prepare and present staff reports to the Planning Commission. A part-time Administrative Assistant was hired to prepare minutes. Recently, she was able to hire an Assistant Planner on an as-needed basis to assist with vacation coverage or a heavier workload. With these new additions, costs should come down. One additional task being done was lot-line adjustments, which were numerous the past year. She and the City Manager spoke regarding the handling of additional requests from the Council for projects referred to the General Plan Committee; she would return to Council with a budget, fiscal impact, associated with the request. In 2003, she requested through the Finance Director, the ability to collect a deposit. With the amended fee resolution in 2007, the deposit was somehow lost. She wanted to reinstate the ability to collect a deposit and increase all the planning fees. Comparison research for other jurisdictions indicated Atherton's fees were probably the lowest. Recommendations for planning fee increases, the ability to collect a deposit, and cost recovery for staff research time would be presented to Council at its meeting in July. She responded to Council questions.

City Manager Jerry Gruber expressed reluctance for anticipating revenues that have not yet been implemented. He suggested waiting until the mid-year budget review when more accurate numbers would be available.

Council Member McKeithen understood the concern, as well as the need for a balanced budget. She suggested cutting \$50,000 from the contract fees instead of from over-the-counter services, which could be reinstated as soon as \$50,000 was realized from increased revenue.

Discussion ensued and Deputy Town Planner Costa Sanders indicated she would be comfortable with a \$25,000 reduction, not \$50,000. She said the Interim Finance Officer estimated planning revenues at \$30 to \$40,000 currently. She believed those could be doubled to bring in a net increase of \$50,000.

Council Member McKeithen did not understand that the \$50,000 was a projected revenue increase that was not yet approved. She said the intent of the Finance Committee was to cut back the ever-increasing cost of Planning services, not over-the-counter services.

Deputy Town Planner Costa Sanders stated that her firm provided two days per week over-the-counter planning services. Part of the increase in the contract planner budget was reflective of that.

Council Member McKeithen suggested separating out the elements of the contract.

Council Member Marsala suggested the Environmental Programs, the Housing Element, and the Historic Artifact Ordinance should be separated from the Building Department.

Public Works Director Duncan Jones said the Public Works budget was over \$2 million, an increase of a little over \$400,000 from last year. The only increase to the Operations budget was to salaries and benefits, partly due to additional part-timers needed for Holbrook-Palmer Park, to an increase of events at the Pavilion, for assistance with maintenance of the buildings. Additionally, a reallocation was done to the staffing matrix to more accurately reflect what staff was actually doing. He noted a request for the Maintenance I – II position be upgraded to a Lead Worker position, which was not reflected in the budget and was an attempt to retain good workers. The remainder of the increases were requests for: 1) \$50,000 for traffic studies (Finance Committee recommended \$20,000); increase to the grading and drainage consultant contract; 3) \$28,000 additional facility repairs; 4) \$30,000 in inspection and testing and other contract services related to capital improvements; 5) \$48,000 for the two trailers (Finance Committee recommended funding one; 6) \$138,000 for building improvements (Finance Committee recommended removing \$82,000). The remainder of the Operations budget was maintaining the same budget as the previous year. He clarified on the Capital Improvement Budget that the additional monies reflected the proposed \$650,000 in Parcel Tax funds, \$250,000 from deferring two projects, moving \$200,000 from next year into the current year for a large drainage project for a total of \$1.1 million. Additionally, \$600,000 of additional drainage projects were moved up to the current year. The department needed a new backhoe, a necessary piece of emergency equipment, for \$92,000.

Council Member Marsala noted he served on the San Mateo County Library Commission for the past five years where funds were available for Library upgrades. With the ERAF windfalls, the Town had \$2.5 million in reserves in the Library fund. He suggested spending \$70 to \$90,000 to perform a site evaluation, a needs assessment, and to develop a conceptual plan on needed improvements. Atherton's Library staff would need to be consulted as well.

City Manager Gruber said that Council Member Marsala was requesting that \$90,000 be added to the budget to begin the process. In order to upgrade the Library, the San Mateo County Library required the above-mentioned evaluations and assessments. Several libraries had been built through the same mechanism: Brisbane, Burlingame, Belmont, and Foster City.

Council Member McKeithen was in favor of authorizing the funds; however, she believed the Council should have oversight rather than the Facilities Committee.

Council Member Marsala emphasized that the Facilities Committee could work with the City Manager in between Council meetings to expedite the process and report back to the Council. The research and vetting of what other cities were doing would be time-consuming.

A deliberation ensued regarding the pros and cons of the Facilities Committee vs. Council having oversight.

Vice Mayor Carlson did not view the item as a presentable budget document and suggested it be revised before the budget was adopted. He questioned the maintenance aspect.

Public Works Director Jones clarified that Town staff performed routine maintenance and charged that labor to the Library fund. The Library did not have staff to maintain the building.

Vice Mayor Carlson said the Finance Committee recommended reducing the amount of funds spent on landscaping at the Park. There was approximately \$200,000 in revenues and \$585,000 on the expense side for Park programs and Park maintenance; the \$385,000 difference, plus capital outlays of \$105,000, resulted in a sizable Town investment in the Park of \$490,000.

City Manager Jerry Gruber responded to Vice Mayor Carlson that obtaining long-term approval of a financing mechanism for the Town was not necessarily implementation by June 30, 2009, but to ascertain what the citizens would or would not support, e.g., a utility users tax.

Vice Mayor Carlson noted that goal setting in conjunction with the budget was a significant cultural change. His concern was the June 30, 2009, timeline and believed the only goals should be those that could really be accomplished by that date. His opinion was the goals would result in the criteria to assess the City Manager's performance. When the goals were finalized, they needed to be realistic.

Interim Finance Officer Yeomans said staffing was of concern in the Finance Department. Having a ½-time assistant resulted in the Assistant Finance Director performing a good deal of clerical work. He suggested redrafting the Library budget as some of the strategic questions were addressed and to include Library staff's requests. Thirdly, PERS was requiring the Town to pay a higher portion of retiree health benefits. A meeting was being planned to discuss the issue.

Mayor Janz opened the public hearing.

Denise Kupperman, Atherton, was concerned with the reduction of \$10,000 in Code Enforcement as the Town needed to enforce its ordinances, e.g., the Heritage Tree Ordinance, dogs off leach in the Park, etc. She asked for clarification on Parcel Tax funds. She also believed that the amount of funds spent on the Park were infinitesimal in comparison to other capital improvement projects. She would like to see more of her property tax dollars used there.

Interim Finance Officer Yeomans said the plan was to spend all the funds on capital improvements.

Council Member McKeithen noted that over \$55,000 was authorized for the Code Enforcement Officer. She also noted numerous projects were approved for the Park.

Public hearing closed.

Vice Mayor Carlson was interested in: 1) How staff was going to get the budget in balance; 2) Setting aside unallocated reserves up to \$1 million for the Town Center; 3) Addressing a long-term finance plan for the Town and what role the Finance Committee would have in looking for alternative means of financing; 4) Looking at actuarial numbers for unfunded liabilities; 5) Developing a Record Retention Policy; 6) Setting goals for the Human Resources and City Clerk areas; 7) Developing a formal evaluation process for the City Manager/City Attorney by using an outside facilitator. Additionally, he wanted a budget for the Environmental Programs Committee.

Mayor Janz called for a recess 10:05 p.m. The meeting was reconvened at 10:12 p.m.

Council Member Marsala agreed with moving \$1 million from reserves for new Town facilities. He would like to consider reinstating funds for a speaker system for the Chambers. He noted Measure O (Park funding) failed for a second time. He agreed with Ms. Kupperman that an allocation of the budget should go toward the Park. On a side note, he noted that Sandy Ferrando's husband passed away.

Council Member McKeithen said she would not agree to setting aside \$1 million for Town facilities that evening but would consider it at another time

Mayor Janz wanted Police Department staffing restored. If needed, he would recommend sacrificing the Narcotics Office before the SRO. He also agreed with setting aside \$ 1 million of reserves for facilities, believing that was the intent of the Council in 2000. He asked about the budget for the Environmental Programs Committee.

Interim Finance Officer Yeomans indicated the net budget, included in the Building Department, was \$21,900; \$8,000 in revenues, resulting in \$29,900.

Mayor Janz asked for an information item added to the budget regarding staff time for committees.

City Manager Gruber clarified staff needed \$190,000 more: \$100,000 in revenues for Planning and the Planning contract, \$90,000 from the Library fund. He clarified Council was in favor of including the projected raise in Planning fees.

Setting aside the \$1 million for Town facilities would be considered separately.

2. CONSIDERATION AND POSSIBLE ADOPTION OF A RESOLUTION APPROVING THE FISCAL YEAR 2008-09 APPROPRIATIONS LIMIT AND CALCULATIONS

Recommendation: Adopt a Resolution approving the Fiscal Year 2008-09 Appropriations Limit and Calculations

The item was continued to the City Council meeting of June 18, 2008.

3. CONSIDERATION AND POSSIBLE ADOPTION OF A RESOLUTION ESTABLISHING A SPECIAL TAX FOR MUNICIPAL SERVICES FOR THE FISCAL YEAR 2008-2009

Recommendation: Open public hearing, receive testimony, and close public hearing. After consideration, adopt a Resolution establishing a Special Tax for Municipal Services for the Fiscal Year 2008-2009 as set forth in Ordinance No. 555.

NOTE: Ordinance No 555 approved by the voters on June 7, 2005, provided for the authorization to levy a Special Tax for Municipal Services and Capital Improvements and for the expenditure of the funds derived from the tax. The Special Tax was to commence in FY 2005-2006 and continue through June 30, 2010. Each year, following the adoption of the Budget, it is necessary to hold a Public Hearing and adopt a Resolution levying a Special Tax for Municipal Services and instructing the Tax Collector of the County of San Mateo to collect the tax rates as identified within the Adopted Resolution.

The item was continued to the City Council meeting of June 18, 2008.

4. ADJOURN

Mayor Janz adjourned the meeting at 10:27 p.m.

Respectfully submitted by:

**Kathi Hamilton
Acting City Clerk**