



MINUTES
Town of Atherton
CITY COUNCIL/ATHERTON CHANNEL
DRAINAGE DISTRICT
JUNE 18, 2007
7:00 P.M.
TOWN COUNCIL CHAMBERS
94 Ashfield Road
Atherton, California

Special Meeting

Mayor Alan Carlson called the meeting to order at 7:27 p.m.

ROLL CALL

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

PUBLIC COMMENTS

There were no public comments.

PUBLIC HEARINGS (Items 1-4)

1. ADOPTION OF A RESOLUTION MODIFYING FEES FOR SERVICES RELATED TO PLANNING AND BUILDING

Finance Director John Johns explained that the item was scheduled that evening because staff was recommending a significant investment in the Building Department which would require an increase in building fees to recover those costs. Additionally, a corrected copy of the fee resolution was placed before Council indicating the recommended Grading and Drainage fee was actually \$2,000 and not \$750.

Council Member McKeithen, as a member of the Finance Committee, reviewed the recommended fee increases along with Building Official Mike Wasmann and Finance Director John Johns. Finance Director Johns was directed to review other jurisdictions to see whether fees were either too high or too low. The Finance Committee asked staff to solicit input from developers and from the public arena in order to encompass everyone's thoughts and concerns regarding the fee schedule over the years. Council Member McKeithen assured the public that the recommended

increases were not a substitute for the excavation fee or to recover monies lost. The fees were to recover new and continuing expenses incurred by the Building Department. The Finance Committee reviewed the fees to judge them for fairness and ongoing software support to ensure a better Building Department to serve the people who do business in the Town.

Council Member Marsala believed the item should be heard at a regular meeting of the City Council where more members of the public would be present.

Finance Director Johns said the matter was not ready for discussion previously in order for staff to collect information regarding the current cost for building and for information from an independent cost estimator. Staff commissioned a study to review 12 projects that were recently permitted to determine what the permitted value was in comparison to the actual cost of building the projects. Four projects were returned representing approximately 30,000 square feet of residential construction. Staff learned that the average cost per square foot was \$467 as compared to the current fee of \$250. He clarified that the recommended fee increases were not to provide monies to acquire the Permit Tracking System. The cost of the system would be amortized over 7 years. The increased fees would provide the Building Department the resources it needed to do its job. The Building Department had an operational loss of approximately \$200,000 the past fiscal year and that amount would be drawn from the reserve for future building inspections. Staff wanted to reverse the trend as expeditiously as possible.

Council Member Marsala would be more comfortable seeing the numbers in a future meeting before approving the new fee schedule.

City Manager Jim Robinson said holding a special meeting to consider the budget was a widespread practice. The current meeting had been properly noticed, notices were published in the *Almanac*, and notices were sent to those organizations that requested notification.

Mayor Alan Carlson opened the public hearing. No one came forward to speak, and Mayor Carlson closed the public hearing.

Council Member McKeithen said the Finance Committee met numerous times regarding the issue and was pleased people within the industry had been notified. She also wished more public was present to discuss the item; however, there was no guarantee that more people would attend the regular meeting on Wednesday.

Mayor Carlson found the resolution to be consistent with past practices and the philosophy of the Town, which was to have the governmental costs associated with plan checking and building services the Town provided be borne by those who received them.

In response to Council Member Marsala, Finance Director Johns clarified the budget for 2006-07 for Building Permit fees was \$1,000,000. As of that day, Building Permit Fee revenues collected were \$1,063,000. He believed the projected \$1,100,000 revenue for 2007-08 was a good estimate. When you took into consideration the Building Department's direct operating cost at an operational loss of \$160,000 and the unallocated indirect costs of approximately 14% of the department's expenses (\$140,000), the result was an approximate loss of \$300,000. There was a very clear trend that the Building Department was not recovering its costs with the current fee structure. The new permit fee would be a 30 to 35% increase, i.e. from \$250 a square foot to \$350 a square foot for habitable space. All other activities were the same, i.e. uninhabitable space remained at \$250 a square foot.

Council Member Jerry Carlson commended Building Official Mike Wasmann and Finance Director Johns for their work in researching the issue and was satisfied with the resulting fee structure.

In response to Vice Mayor Janz, Finance Director Johns said the 1% factor was derived from the Uniform Building Code which prescribed that 65% of the fees be applied toward building inspections and the remaining 35% be applied to plan check.

Vice Mayor Janz clarified that the 1% factor was required. In essence, the cost of the service was based upon the anticipated volume and what was charged had to result in sufficient revenue to cover costs. It was a mathematical computation that did not relate to the real cost of construction. He inquired about the solar fee and wanted to know how many installations were done per year that required the \$250 fee.

Building Official Wasmann believed there were 10 to 12 permits per year; however, if solar was part of new construction, there was no separate solar fee.

Vice Mayor Janz said the Environmental Programs Committee and the General Plan Committee both recommended the solar fee be eliminated. He was proposing to set the fee to zero (0). The amount of revenue lost would be insignificant. He believed it would send a statement that the Town of Atherton was firmly behind efforts to go "green," to reduce global warming, energy use, and impacts on the environment.

Mayor Carlson believed government was a two-way street. The law required that the Town give adequate notice to ensure people would attend meetings. The fact that there was not a full audience did not affect his decision-making.

MOTION – to adopt Resolution No. 07-17, “A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ATHERTON MODIFYING FEES FOR SERVICES RELATED TO BUILDING AND PLANNING”

M/S McKeithen/J.Carlson

Vice Mayor Janz proposed the motion be amended to include reducing the solar fee to zero.

Council Member McKeithen strongly supported installing solar but believed everyone should pay the fee that incurred a labor cost. There were other ways to support solar.

Council Member Jerry Carlson did not support the amendment.

The maker and seconder of the motion did not support the amendment.

Mayor Carlson explained if there was a desire to change the motion, the original motion would need to be defeated and another motion made. He would understand that if anyone voted against the motion, it was because the motion was not amended to include the solar fee, and not because he/she was against the fee resolution.

ORIGINAL MOTION Ayes 3 Noes 2 (Marsala/Janz) Absent 0 Abstain 0

2. ADOPTION OF A RESOLUTION ADOPTING THE FY 2007-08 OPERATING AND CAPITAL BUDGET

Finance Director John Johns said the budget was straight forward, although a lot of work was done to identify the needs of the Building Department. Within the transmittal letter, any significant variances in revenues and expenses were identified. He believed the Town was on a solid financial footing and expected to remain so in the immediate future.

Vice Mayor Janz said his biggest concern was the 4-year trend regarding the Parcel Tax. The ending fund balance decreased year by year. However, there was a \$3,000,000 excess over the required minimum reserve. He asked how the Finance Director felt about running down the fund balance over time.

Finance Director Johns said there were two competing schools of thought. One was that the Town was not in the banking business and should only have funds that could justify the working capital requirements, and anything above that should be returned to the residents by spending the fund down. He believed the philosophy was not to plan on carrying funds that were in excess of long-range requirements. Council was consistent over the years in establishing minimum reserve requirements that represented between 25 to 50% of ongoing operating expenses. At \$4.3 million, that constituted about five months of financial reserves. He did not see the reduction in the intermediate range fund balance to be alarming. Staff had been conservative in estimating revenues over the past years and achieved or exceeded revenue targets.

Council Member Jerry Carlson said a priority in future years would be how to provide financing to maintain the level of services the Town provided. He would like a separate breakout of benefits from the salary numbers to see the rate of increase over the last three years. A discussion ensued regarding estimated department expenses. The Finance Director had a high level of confidence in the estimates and believed the projections would be close to the actual numbers at yearend. Staff clarified Council Member Carlson's questions regarding contract services, employee automobile

allowances, the Town's Post Office, Building Department contract services, Police Department contract services, Holbrook-Palmer Park revenues and expenditures, as well as the Arts Committee's budget and Library fund.

Council Member Marsala asked whether funds had been budgeted for the CO2 emissions study to determine a baseline for the Town.

City Manager Jim Robinson indicated funds had not been allocated in the budget for the Environmental Programs Committee (EPC). Staff received a request for approximately \$11,000 in funding for the EPC after the Finance Committee had met. The Council would need to review the request for funds if funds were to be included in the budget.

Council Member Marsala indicated there was a State Bill, AB32, mandating a reduction in CO2 emissions. He encouraged the Finance Committee and Council to notify the EPC of any deficiencies in its plan in order to come into compliance with AB32. The Town needed to develop a plan to meet the conditions of AB32. Additionally, he asked whether any funds were allocated for the refurbishing the tennis courts.

Public Works Director Duncan Jones said staff was seeking a grant to pay for half of the tennis court work, which would give leverage to seek additional funds for the other half.

Mayor Carlson asked what the sufficiency of the present Parcel Tax would be if spending continued at the same rate.

Finance Director Johns said the Parcel Tax, at its current rate, would not be sufficient with the current split between the General Fund/Capital Improvements. One choice would be to increase the portion of the Parcel Tax that went to the General Fund to finance operations. Another choice would be to leave the current split as it was and increase the Parcel Tax levy the next time.

Mayor Carlson queried whether as part of the budget process, staff asked departments how they could cut costs.

Finance Director Johns said the approach was for the departments to indicate their requirements, how the upcoming year's needs varied from the current year. One thing staff was acutely aware of was that 75% of General Fund monies went to salaries and employee benefits. One approach had been to take a very hard look at vacancies to see whether the position needed to be filled or whether restructuring was possible in order to save money.

Council Member McKeithen said a major benefit of being on the Finance Committee was that her questions had been answered. She clarified the litigation expense was high but was not just related to historical elements and Building Department issues but

also the Menlo-Atherton High School Performing Arts Center issue and some issues regarding Menlo schools. She indicated the Finance Committee would like to review the EPC request regarding funding for the CO2 emissions baseline; however, information was needed regarding an accounting of the \$6,000 allocated to Earth Day events. Town Arborist Kathy Hughes-Anderson's time also needed to be taken into consideration as she spent a lot of time with the EPC, which needed to be included in the EPC budget. Perhaps an increase in the SBWMA contribution would be possible. She clarified that the Public Works' increase in contract services was related to the Atherton Oaks emergency light issue. She noted that one of the detectives in the Police Department was in the San Mateo County Gang Task Force and the Town did not receive reimbursement. The Finance Committee was concerned about the \$300,000 subsidy for Holbrook-Palmer Park. The Committee asked for reports regarding the fee structure, how many events were held and at what times, when the last fee increase occurred, and expenditures/revenues. The Committee also considered updating a previous study to possibly make recommendations to the Council for further review. The Finance Committee requested information, on a weekly basis, regarding how the Police Department used its time and resources in order for the Committee to understand how the officers were being used. She asked for further clarification regarding rents and leases within the Police Department.

Mayor Carlson opened the public hearing, No one came forward to speak, and Mayor Carlson closed the public hearing.

Council Member Jerry Carlson said the Town was doing an excellent job on the roads. He asked that the City Manager's house be evaluated to see whether improvements were needed.

City Manager Robinson said, at the request of the Park & Recreation Commission, the house was evaluated and improvements were identified. Funding was included within the Capital Improvement budget for that purpose. Some improvements had been completed.

Council Member Jerry Carlson said the home was an important element in looking for a new city manager and suggested a plan needed to be developed to address those issues.

Public Works Director Jones indicated a plan was in place to carry out improvements.

Council Member Marsala said he would provide the Finance Committee with a previous study done in 2000 regarding possible improvements to the Pavilion, as well as qualifying issues regarding the EPC. He suggested putting an item for funding AB32 on a future agenda.

Mayor Carlson noted a great deal of work went into developing the budget. He thanked the Finance Committee, Finance Director Johns and all staff who developed the budget.

City Manager Jim Robinson handed out a summary of goals and objectives identified by Council, which had been ranked according to Council's prioritization.

Mayor Alan Carlson suggested that two more columns be added to the chart: 1) what staff member was responsible; and 2) what Council subcommittee, if any, was responsible for each goal.

Council Member McKeithen suggested a status column be added, i.e. including dates and timetable, accomplishments, progress.

Discussion ensued and Council suggested after the format was adjusted and the status enlarged, the document should be reviewed on a regular basis. Other items needed clarification such as grants, housing element, and those goals that continually moved.

City Manager Robinson suggested that Council direct staff on what Council's expectations were for each goal and what it wanted to accomplish.

Council Member McKeithen wanted more information regarding grants, what the status was regarding the housing element, etc.

Vice Mayor Janz asked Finance Director Johns to ensure Council received a finalized copy of the budget.

Council Member McKeithen requested that Council return to Closed Session to reconsider an item.

6. ADJOURN

Mayor Carlson adjourned the meeting at 9:34 p.m. to a *Continued* Closed Session.

Mayor Carlson adjourned the *Continued* Closed Session at 10:00 p.m.

Respectfully submitted,

**Kathi Hamilton
Acting City Clerk**