



**Town of Atherton
CITY COUNCIL**

AGENDA

Monday, February 7, 2005


6:00 p.m.

TOWN COUNCIL CHAMBERS

94 Ashfield Road
Atherton, California

Special Meeting

- 6:00 P.M. 1. PLEDGE OF ALLEGIANCE**
- 6:03 P.M. 2. ROLL CALL Janz, Marsala, Carlson, Conwell, McKeithen**
- 6:05 P.M. 3. PUBLIC COMMENTS (only for items which are not on the agenda – limit of three minutes per person)**
- 6:15 P.M. REGULAR AGENDA**
- 4. CONSIDER AND DISCUSS POSSIBLE REVENUE ENHANCEMENT OPTIONS, INCLUDING BUT NOT LIMITED TO A BALLOT MEASURE RENEWING THE PARCEL TAX AT A SPECIAL ELECTION TO BE HELD ON JUNE 7, 2005, AND PROPOSED AMENDMENTS TO THE ROAD IMPACT FEE ORDINANCE RELATED TO EXCAVATION PROJECTS**
- 5. ADJOURN**

 Please contact the City Clerk's office at (650) 752-0529 with any questions
Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the City Clerk's Office at 752-0500. Notification of 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)



Town of Atherton

CITY COUNCIL STAFF REPORT

TO: HONORABLE MAYOR AND CITY COUNCIL

**FROM: ATHERTON FINANCE COMMITTEE
JIM ROBINSON, CITY MANAGER
JOHN P JOHNS, FINANCE DIRECTOR**

DATE: FOR THE SPECIAL MEETING OF FEBRUARY 7, 2005

**SUBJECT: COMMITTEE AND STAFF RECOMMENDATIONS FOR A PROPOSED
ORDINANCE TO RENEW THE PARCEL TAX**

RECOMMENDATION:

- Adopt an ordinance calling for a special election on June 7, 2005 to renew the Atherton Parcel Tax for a term of either five or seven years with no change in the current maximum levy.
- Consider and provide direction to staff regarding proposed adjustments to road impact fees related to excavation and landscaping.

DISCUSSION:

At its regularly scheduled meeting of January 19th, the City Council requested the Finance Committee, in consultation with the City staff, to prepare a recommendation to the City Council regarding the amount and duration of a proposed ordinance to renew the Atherton Parcel Tax.

Pursuant to the Direction of Council, staff met with the Finance Committee on January 26th and February 2nd to review an extended version of the intermediate range financial plan.

The extended version of the intermediate range financial plan incorporates approximately \$1.4 million in budgetary savings that the City Council has approved since February 2001 in order to

preserve current service levels without sacrificing to existing financial reserves. (The following table provides an itemization of budget savings.)

Description	Budgetary Savings
Adjusting building fees to attain full cost recovery.	\$200,000
Increasing the level of reimbursement from the Gas Tax fund for road maintenance activities performed with resources provided by the General Fund.	\$100,000
Re-negotiating intergovernmental service agreements with the US Postal Service and with Caltrans	\$50,000
Eliminate funding for three full-time equivalent positions (two in Police and one in Administration).	\$312,000
Allocating general fund direct and indirect costs to the Town's capital improvement program.	\$310,000
Increasing compliance with the Town's business license enforcement	\$150,000
Using contractors in-lieu of a permanent staff to perform routine park maintenance.	\$30,000
Establish road impact fund operating transfer at 50 percent of street operating budget	\$200,000
Place a cap on accumulated compensated absences (to be negotiated with city employees).	\$40,000
Reduce unfunded pension liabilities	\$40,000
Total	\$1,432,000

In looking forward to a proposed renewal of a parcel tax, the Finance Committee has considered the following options:

- No change in the scope, duration or amount of the parcel levy;
- Providing an exemption for a select group of residents, such as senior citizens or low income households; and,
- Extending the duration of the parcel tax from four years to five or seven years.

With respect to the first option, the Finance Committee determined that it would be preferable to establish a parcel tax renewal cycle that would occur at a time other than a general election.

With respect to the second option, the Finance Committee noted that the Audit Committee had considered such an exemption in formulating its April, 2004 recommendations on the parcel tax. The Audit Committee chose not to recommend that an exemption be granted to a specific category of homeowners over concerns that such an exemption would result in financial instability due to uncertainties as to how exemptions might affect the income stream from the parcel tax.

Additionally, the Finance Committee had the opportunity to review a stratification of property assessments by property classifications. This analysis indicates that:

- 884 households or 34 percent of the taxable parcels in Atherton have an assessed value of \$500,000 or less.

- While comprising 34 percent of the total number of taxable parcels, the 884 homes with an assessed value of \$500,000 or less comprise only 7 percent of the total assessed value of taxable parcels in Atherton.

Under the provisions of Proposition 13 the assessed value of real property are capped at 2 percent per year unless subject to a change in ownership. Accordingly, the data above suggests that a substantial portion of long-term Atherton residents receive substantial benefit in the form of reduced assessments.

In assessing the merits of renewing the parcel tax for a duration of longer than four years the Finance Committee took note of the fact that, beyond 4 years, an increasing proportion of the parcel tax proceeds would be required to fund current operations.

The effect upon the availability of funding for current operations and capital projects that a renewal of the parcel tax at the current levy but for a longer duration is illustrated in the following table.

	FY 2005	FY 2006	FY 2010	FY 2012
Parcel Tax Levy	\$1,856,000	\$1,856,000	\$1,856,000	\$1,856,000
Less Operating Transfer to General Fund	799,000	818,999	1,146,148	1,222,635
Equals funds available for Capital Projects	\$1,057,000	\$1,037,001	\$709,852	\$633,365
Percentage of Parcel tax proceeds for Capital Projects	57%	56%	38%	34%
Percentage of Parcel tax proceeds for continuing operations	43%	44%	62%	66%

As indicated in the preceding table, if the parcel tax were renewed for an additional five years, at the current level, the amount of parcel tax proceeds needed for continuing operations would increase from \$799,000 in FY 2004-05 to \$1,146,148 in FY 2009-10. Accordingly, the amount of funds available to support capital projects would amount to \$709,852 or \$347,148 less than the amount of funds currently derived from the parcel tax. If a parcel tax were renewed for seven years, the percentage of funds available for current capital projects and current operations would amount to 34% and 66% respectively.

The preceding analysis indicates that should the Council desire to seek a renewal of the parcel tax beyond four years at the \$750 level and to place a priority on the use of such proceeds to finance current operations, alternative sources of funding will be required to maintain the current level of investment in the Town's capital improvement program.

The Finance and Public Works Departments have retained an engineering consultant to examine possible adjustments to the road impact fee ordinance. Staff has further indicated that adjustments to the Town's road impact fee are warranted in light of the accelerated rate of

deterioration that has been observed on residential and collector streets during the past several years that appears to be a result of increased construction and excavation activity.

Staff has had the opportunity to review a preliminary draft of a road impact fee report that has been issued by the consulting engineer. (A final report from the consultant along with recommended adjustments to the road impact fee ordinance will be forthcoming in March). Based upon a review of the consultant’s work product, staff has determined that the amount of funds available from a renewal of the parcel tax at the \$750 level combined with an adjustment to Atherton’s road impact fee ordinance would provide for a higher level of funding for road improvements, despite the need to direct a greater percentage of funds to current operations.

The following table provides a comparison of the availability of funding from road impact fees and from the parcel tax under two scenarios:

- a) No change in either the allocation of parcel tax funds or the scope and amount of road impact fees during fiscal years 2006 through 2010; and,
- b) A reallocation of parcel tax proceeds sufficient to meet the Town’s funding requirements for current operations, combined with an adjustment to road impact fees during fiscal years 2006 through 2010.

	(a) No change in the allocation of parcel tax proceeds or road impact fees	(b) Increased proportion of Parcel Tax revenues to fund current operations combined with modifications to Road Impact Fees	Increase (Decrease) in Funding Available for Road Improvements (b) – (a)
Parcel Tax Levy (FY 2006 through FY 2010)	\$9,280,000	\$9,280,000	\$0
Plus Estimated Road Impact Fees	2,000,000	5,000,000	3,000,000
Less Funds Directed to Current Operations	(3,995,000)	(5,009,876)	(1,014,876)
Equals total funds available for Road Improvements	\$7,285,000	\$9,270,124	\$1,985,124

As indicated in the preceding table, scenario (b), an adjusted allocation of parcel tax proceeds combined with a change in the road impact fee ordinance, would generate an additional \$1,985,124 to support improvements to Atherton’s roads during fiscal years 2006 through 2010.

CONCLUSION:

The intermediate range financial plan has been revised to reflect the following assumptions:

- A renewal of the parcel tax for a duration of between five and seven years;
- No change in the amount of the parcel tax levy (i.e. retention of the current rate per parcel for each of the 11 categories of parcels subject to assessment); and,
- An operating transfer from the Parcel Tax Fund equivalent to the level of funding needed to maintain existing service levels while preserving existing financial reserves.

Under the preceding assumptions, the amount of funds available to support the Town's capital improvement program would decline from \$1,057,000 in FY 2004-05 to \$709,852 in FY 2009-10. Accordingly, alternative sources of funding in the amount of \$347,000 annually would be needed to maintain the current level of investment in the Town's infrastructure.

In March of 2005, staff will be submitting proposed changes to Atherton's road impact fee ordinance. Such changes are expected to generate an additional \$600,000 annually for road improvements. As such the amount of funds that would be made available from revisions to Atherton's road impact fee structure would be sufficient to offset the effect of an increased proportion of parcel tax proceeds being directed to continuing operations.

Prepared by:

Approved by:

John P. Johns, CPA
Finance Director

Jim Robinson
City Manager

Attachment 1: General Fund Revenue and Expenditure Analysis Fiscal Years 2005 through
2012

Attachment 2: Parcel Tax Ordinance

Attachment 1
General Fund Revenue and Expenditure Analysis
Fiscal Years 2005 through 2012

Revenue Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	2010	2011	2012
Property Tax	\$ 3,517,254	\$ 3,447,013	\$ 3,598,682	\$ 3,757,024	\$ 3,922,333	\$ 4,094,915	\$ 4,275,092	\$ 4,463,196
Sales Taxes	120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585
Other Taxes	757,010	880,210	915,418	952,035	990,117	1,029,721	1,070,910	1,113,746
Licenses and Permits	1,796,699	1,706,864	1,723,933	1,741,172	1,758,584	1,776,170	1,793,931	1,811,871
Fines and Forefeitures	14,700	14,994	15,294	15,600	15,912	16,230	16,555	16,886
Aid from other Agencies	215,176	195,176	195,176	195,176	195,176	195,176	195,176	195,176
Service Charges	335,900	339,259	342,652	346,078	349,539	353,034	356,565	360,130
Use of Money and Property	274,622	255,147	318,530	350,221	350,221	350,221	350,221	350,221
Other Revenues	13,086	13,086	13,086	13,086	13,086	13,086	13,086	13,086
Total Revenues	\$ 7,044,447	\$ 6,975,349	\$ 7,250,078	\$ 7,501,519	\$ 7,730,028	\$ 7,967,666	\$ 8,214,821	\$ 8,471,896
<i>Revenue Growth</i>	<i>2.2%</i>	<i>-1.0%</i>	<i>3.9%</i>	<i>3.5%</i>	<i>3.0%</i>	<i>3.1%</i>	<i>3.1%</i>	<i>3.1%</i>
Expenditure Category								
Contingency - Non Departmental	81,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Council	20,204	21,012	21,748	22,617	23,296	23,995	24,715	25,456
Manager	528,226	509,355	529,729	550,918	567,446	584,469	602,003	620,064
Attorney	156,228	164,039	172,241	180,853	186,822	192,987	199,355	205,934
Finance	405,597	381,821	397,094	412,977	425,367	438,128	451,272	464,810
Building	1,018,929	1,059,686	1,102,074	1,146,157	1,180,541	1,215,957	1,252,436	1,290,009
Police	4,036,909	4,166,385	4,333,041	4,606,362	4,744,553	4,886,890	5,033,497	5,184,501
Public Works	1,805,972	1,894,211	1,969,979	2,048,778	2,110,242	2,173,549	2,238,756	2,305,918
Total Expenditures	\$ 8,053,065	\$ 8,296,510	\$ 8,625,906	\$ 9,068,664	\$ 9,338,267	\$ 9,615,975	\$ 9,902,033	\$ 10,196,692
<i>Expenditure Growth</i>	<i>10.6%</i>	<i>3.0%</i>	<i>4.0%</i>	<i>5.1%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
Surplus (Deficiency) of Revenues over Expenditures	(1,008,618)	(1,321,160)	(1,375,828)	(1,567,145)	(1,608,239)	(1,648,309)	(1,687,212)	(1,724,796)
Add (subtract) Operating Transfers In (out)								
Parcel Tax	799,000	818,999	873,667	1,064,984	1,106,078	1,146,148	1,185,051	1,222,635
Library Fund Operating Transfer	-	-	-	-	-	-	-	-
Police on the Street	-	-	-	-	-	-	-	-
Gas Tax/Road Impact Fees	352,161	352,161	352,161	352,161	352,161	352,161	352,161	352,161
CIP Support	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Subtotal Operating Transfers	1,301,161	1,321,160	1,375,828	1,567,145	1,608,239	1,648,309	1,687,212	1,724,796
Beginning Fund Balance	6,045,697	6,338,240	6,338,240	6,338,240	6,338,239	6,338,239	6,338,239	6,338,239
Ending Fund Balance	\$ 6,338,240	\$ 6,338,240	\$ 6,338,240	\$ 6,338,239	\$ 6,338,239	\$ 6,338,239	\$ 6,338,239	\$ 6,338,239
Less Reserve Requirements:								
Insurance	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Cash Flows and Contingencies	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Building Inspections	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Comensated Absences	476,850	405,323	344,524	292,846	301,631	310,680	320,000	329,600
Equals Unreserved Fund Balance	\$ 1,561,390	\$ 1,632,917	\$ 1,693,716	\$ 1,745,394	\$ 1,736,608	\$ 1,727,559	\$ 1,718,239	\$ 1,708,639
<i>Increase (Decrease) in Fund Balance</i>	<i>\$ 292,543</i>	<i>\$ (0)</i>	<i>\$ 0</i>	<i>\$ (0)</i>	<i>\$ (0)</i>	<i>\$ (0)</i>	<i>\$ (0)</i>	<i>\$ (0)</i>

ORDINANCE NO. _____

**AN ORDINANCE OF THE TOWN OF ATHERTON
CALLING AN ELECTION TO SUBMIT TO THE VOTERS AN ORDINANCE
AUTHORIZING THE RENEWAL OF A SPECIAL TAX FOR MUNICIPAL SERVICES
AND CAPITAL IMPROVEMENTS, FOR THE EXPENDITURE OF FUNDS
DERIVED FROM SUCH TAX**

The City Council of the Town of Atherton does hereby ordain as follows:

SECTION 1. ELECTION CALLED. The City Council of the Town of Atherton submits the following ordinance to the voters of the Town of Atherton at a Special Election to be held on Tuesday, June 7, 2005.

SECTION 2. FULL TEXT OF MEASURE. The complete text of the proposed ordinance shall be:

**“AN ORDINANCE OF THE TOWN OF ATHERTON
AUTHORIZING THE RENEWAL OF A SPECIAL TAX FOR
MUNICIPAL SERVICES AND CAPITAL IMPROVEMENTS AND FOR THE
EXPENDITURE OF FUNDS DERIVED FROM SUCH TAX**

The people of the Town of Atherton do ordain as follows:

SECTION 1. **AUTHORITY TO ADOPT MEASURE.** This ordinance and the tax authorized herein are adopted pursuant to the provisions of the California Constitution, Articles XIII A §4, XIII B §4 and XIII C §2, and pursuant to Sections 50075, 50076, 50077 and 53722 et. seq. of the California Government Code.

SECTION 2. **AUTHORIZATION TO LEVY SPECIAL TAX.** If, in any fiscal year commencing on or after July 1, 2005, the City Council shall determine that municipal services such as police protection, street repair and maintenance, drainage facility repair and maintenance are necessary for the public good, welfare, and safety, and that the cost of providing such services will exceed the amount of funds generated through other revenue and income which are counted under the limit of the Town for such services calculated in accordance with the provisions of Article XIII B of the California Constitution, as provided for in the adopted budget, and/or if capital improvements are required, the cost of which exceeds the amount of funds generated through other revenues and receipts, and/or if amounts should be required to augment operational and capital needs of the Town, then it may levy a special tax for such fiscal year on each parcel of property within the Town in the manner provided herein. This special tax shall be in addition to the annual tax rate allowed by law.

SECTION 3. **DETERMINATION OF AMOUNT TO BE RAISED.** Each year following adoption of the Town’s annual budget, the City Council will determine the total amount of expenditures necessary to provide adequate levels of municipal services and capital improvements and deduct therefrom the projected revenue to be gathered from sources other than this special tax. The difference, if any, shall be the maximum amount of funds to be derived from the tax authorized by this ordinance for such year.

SECTION 4. MAXIMUM TAX RATE/METHOD OF ASSESSMENT. After determining the amount of tax to be raised under Section 3, the City Council shall apportion said amount among the parcels of real property within the Town not exempted by law as follows:

		MAXIMUM TAX IN GIVEN YEAR				
		2005-06	2006-07	2007-08	2008-09	2009-10
1.	For each dwelling on a parcel with an area of less than 1/4 acre:	450	450	450	450	450
2.	For each unimproved parcel with an area of less than 1/4 acre:	225	225	225	225	225
3.	For each dwelling on a parcel with an area of 1/4 acre or more, but less than 1/2 acre:	570	570	570	570	570
4.	For each unimproved parcel with an area of 1/4 acre or more, but less than 1/2 acre:	285	285	285	285	285
5.	For each dwelling on a parcel with an area of 1/2 acre or more, but less than 2 acres:	750	750	750	750	750
6.	For each unimproved parcel with an area of 1/2 acre or more, but less than 2 acres:	375	375	375	375	375
7.	For each dwelling on a parcel with an area of 2 acres or more:	960	960	960	960	960
8.	For each unimproved parcel with an area of 2 acres or more:	480	480	480	480	480
9.	For each private club:	10,000	10,000	10,000	10,000	10,000
10.	For each parcel available for tax owned by a utility which serves the Atherton community:	450	450	450	450	450
11.	For each parcel available for tax owned by a utility which does not directly serve the Atherton community:	750	750	750	750	750

The records of the San Mateo County Assessor, as of each year, shall determine whether or not any particular lot is unimproved for purposes of this ordinance.

SECTION 5. HEARING, TAX LIEN AND INCLUSION IN CITY TAXES. Prior to levying a special tax under this ordinance in any fiscal year, the City Council shall conduct a public hearing on the proposed tax. Such hearing shall be conducted after the City Council has adopted an annual budget for that year. Notice of such hearing shall be posted in at least three public places within the Town of Atherton at least fifteen days prior to the hearing. All of the information and material which the City Council intends to consider at such hearing and the amount of tax to be raised shall be made available to the public by being on file in the office of the City Clerk for at least fifteen days prior to said hearing. Following said hearing, the City Council may adopt a resolution fixing the amount of tax to be raised which shall not exceed the amount contained in the material on file in the Clerk's office. Any tax levied under this ordinance shall become a lien upon the properties against which it is assessed and collectible in the manner provided by applicable law and by the levying resolution.

SECTION 6. COLLECTION. The City Council may elect to have any special tax authorized under this Chapter either collected by the Town or, in the alternative, by the Tax Collector of San Mateo County. If the services of the Tax Collector of the County of San Mateo are elected, the special tax may only be included on the annual tax bill sent out by such Tax Collector. A certified copy of the resolution electing to use the service of the Tax Collector of San Mateo County shall be filed with said Tax Collector prior to September 1st of the fiscal year for which the tax is assessed and shall include a list of all parcels of real property to be taxed and the amount of each parcel.

SECTION 7. INCREASE APPROPRIATIONS LIMIT. Pursuant to California Constitution Article XIII B, the appropriations limit for the Town of Atherton will be increased by one and one-half times the aggregate sum authorized to be levied as a special tax in each of the years covered by this ordinance.

SECTION 8. FUNDING AND EXPENDING PROCEEDS. Proceeds of any tax levied under this ordinance shall be deposited in a Special Fund and expended only for the purposes stated in this ordinance.

SECTION 9. UNEXPENDED RESIDUE. In accordance with Section 2(b) of Article XIII B of the California Constitution, all revenues received by the Town in a fiscal year and the fiscal year immediately following it in excess of the amount which may be appropriated by the Town in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

SECTION 10. SEVERABILITY. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect any other provision or applications, and to this end the provisions of this ordinance are declared to be severable.

SECTION 11. DURATION AMENDMENT OR REPEAL. The authorization to levy a tax under this ordinance shall commence with the Fiscal Year 2005-2006, beginning July 1, 2005 and shall continue through and including June 30, 2010. This ordinance or any provision thereof

may only be amended or repealed by approval of two-thirds of the voters voting on the proposition at any initiative or referendum election.

This ordinance shall be adopted if approved as an initiative measure by two-thirds of the voters voting at a Special Election to be held on Tuesday, June 7, 2005, and go into effect ten (10) days after the City Council has, by resolution, declared that such initiative measure was approved by two-thirds of the voters voting thereon.”

SECTION 3. CONDENSED STATEMENT OF MEASURE. The manner in which the proposed measure shall appear on the ballot shall be:

“Shall an ordinance renewing the current Town of Atherton Parcel Tax which provides funding for Town general purposes such as, but not limited to, police and public safety services and capital improvement projects be adopted?”

Yes _____ No _____

SECTION 4. PUBLICATION. This ordinance shall be posted in at least three public places within the Town of Atherton, and shall become effective immediately upon its passage and approval. The City Clerk is authorized and directed to give notice of election in accordance with Chapter 2 (commencing with section 12100) of Division 12 of the California Elections Code.

SECTION 5. CONSOLIDATION. Due to the economics involved, the public interest would best be served by consolidating such Special Election with any other elections to be held on Tuesday, June 7, 2005 and by contracting with the County of San Mateo for election services. The Town of Atherton does hereby request the Board of Supervisors of the County of San Mateo to consolidate said Special Election with any other election to be held on June 7, 2005. The City Manager is hereby authorized and directed to enter into a contract with the Chief Elections Official of the County of San Mateo for the purpose of providing election services in connection with said Special Election.

SECTION 6. SEVERABILITY. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect any other provision or application, and to this end the provisions of the ordinance are declared to be severable.

SECTION 7. EFFECTIVE DATE. This ordinance calling an election shall become effective immediately upon its adoption by the City Council of the Town of Atherton.

* * * * *

I hereby certify that the foregoing ordinance was adopted at a regular meeting of the City Council of the Town of Atherton held on February 16, 2005, by the following roll call vote:

AYES: Councilmembers:

Ordinance No. ____
Adopted _____
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NOES: *Councilmembers:*
ABSTAIN: *Councilmembers:*
ABSENT: *Councilmembers:*

William R. Conwell, Mayor
Town of Atherton

ATTEST:

Linda Kelly, Acting City Clerk

APPROVED AS TO FORM:

Marc G. Hynes, City Attorney