



Item No. 11 Town of Atherton

CITY COUNCIL – PUBLIC HEARING

**TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER**

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: JUNE 19, 2024

SUBJECT: ADOPT THE ATTACHED RESOLUTIONS ADOPTING THE FY 2024/25 OPERATIONS AND CAPITAL BUDGET, SALARY & BENEFIT RESOLUTION FOR UNREPRESENTED STAFF; 2024/25 SALARY AND CLASSIFICATION SCHEDULE, GANN LIMIT APPROPRIATIONS, AND TOWN MASTER FEE SCHEDULE

RECOMMENDATION

Adopt the accompanying Resolutions (adoption of all Resolutions may be done by one motion):

1. Resolution of the City Council of the Town of Atherton Adopting the Fiscal Year 2024-2025 Operating and Capital Improvement Program Budget;
2. Resolution of the City Council of the Town of Atherton Adopting Salaries and Benefits for Unrepresented Staff;
3. Resolution of the City Council of the Town of Atherton Approving Fiscal Year 2024-2025 Salary Schedules and Classifications;
4. Resolution of the City Council of the Town of Atherton Establishing the Appropriations Limit for Fiscal Year 2024-2025 Pursuant to Article XIII B of the California Constitution;
5. Resolution of the City Council of the Town of Atherton adopting the attached fee resolution amending various fees and charges on the Town Master Fee Schedule.

EXECUTIVE SUMMARY

Staff is pleased to present the Annual Operating Budget for FY 2024/25. The Council held four (4) public sessions in review of the Town Operational and Capital Budgets. The FY 2024/25 Operating Budget continues to reflect a positive outlook. With the completion of the Holbrook Palmer Park Access and Circulation plan, the new focus is shifting to park playground improvements and park playground restrooms replacement. Traffic safety improvements are a priority as the Alameda de las Pulgas Traffic and Safety Improvements project is currently in the conceptual design phase. The El Camino Real Complete Streets Gap Closure Project planning study is underway and is anticipated to be completed in FY 2024/25. There will be an update to the Bicycle and Pedestrian Master Plan. Drainage improvements are another priority as upcoming

projects include the Atherton Channel Assessment and Relining Upstream of Alameda de las Pulgas design and construction, El Camino Real Long Term Drainage improvement solutions conceptual design, and Atherton Channel culvert and detention system improvements initiation of design. The General Fund provides new funding capacity in the next several years for project priorities within the Town CIP Master plans and operational needs.

Staff incorporated all City Council feedback from the FY 2024/25 Budget meetings, together with additional adjustments, if any, to the Operational and CIP budgets based on identified priorities or projects that need to move forward to the subsequent fiscal year.

During the CIP budget study session, discussions included the use of unallocated General Fund Reserves toward Town capital projects. This budget includes an allocation from the Town Unallocated General Fund Balance toward the Town Capital Improvement Fund for CIP projects.

In the 2024/25 fiscal year budget, \$4.45 million is allocated from General Fund Reserves to project priorities identified by Council. During the June 5 Study Session, the Council directed staff to remove supplemental funding for the Selby Lane Bicycle Lane project. Staff removed the \$250,000 in direct project funding, as well as \$175,000 for Green Infrastructure related to the project. The Council requested to allocate more where possible from Measure A, Measure M/Gas Tax to reduce General Fund allocation from Fund 401 or General Fund Transfer. Staff reallocated \$450,000 for ADLP traffic Safety Improvement project from the Capital Improvement Fund to Measure A. These adjustments reduced the General Fund allocation from \$5.325 million to \$4.45 million.

For FY 2024/25, General Fund revenues are projected at \$23,001,022 and General Fund expenditures are projected at \$20,774,676. This reflects a single year surplus of \$2,226,346 before the addition below the line of ERAF and transfers in/out for CIP. There is a projected year-end positive fund balance in the General Fund of \$11.56 million. Staff strives to ensure that the Town's fiscal position remains positive while continuing current programs, policies, and services.

REVENUE HIGHLIGHTS

FY 2024/25 Total General Fund revenues are projected at \$23,001,022. Grants and contributions are only budgeted if they have been authorized and approved by the granting agency. A Cal-Recycle grant of \$5,000, \$25,000 LEAP grant, and a Community Oriented Policing Grant of \$165,000 are included as known revenues.

The table below reflects major General Fund revenue categories for the Town's budget. Some of the items in the table are expanded for additional detail and some include only the rolled-up amount.

| | Actual | Orig. Budget | Adjusted | Recommended |
|----------------------|--------------|--------------|--------------|--------------|
| Category | FY 2022/23 | FY 2023/24 | FY 2023/24 | FY 2024/25 |
| Secured Property Tax | \$11,000,972 | \$12,082,630 | \$12,246,530 | \$12,797,625 |
| Other | \$3,241,865 | \$3,043,966 | \$2,535,148 | \$3,006,960 |

FY 2024/25 Town Operations Budget

June 19, 2024

Page 3 of 24

| | Actual | Orig. Budget | Adjusted | Recommended |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| Category | FY 2022/23 | FY 2023/24 | FY 2023/24 | FY 2024/25 |
| Subtotal Property Tax | \$14,242,837 | \$15,126,596 | \$14,781,678 | \$15,804,585 |
| | | | | |
| Sales Taxes | \$300,138 | \$321,100 | \$435,000 | \$442,400 |
| Franchise Fees | \$1,063,409 | \$1,056,000 | \$1,035,000 | \$1,076,000 |
| Intergovernmental | \$41,143 | \$40,700 | \$39,600 | \$40,800 |
| Business License Tax | | | | |
| | \$269,739 | \$283,600 | \$283,600 | \$290,000 |
| Planning Fees | \$321,042 | \$298,300 | \$405,300 | \$850,300 |
| Building Fees | \$1,506,988 | \$1,677,000 | \$1,781,291 | \$2,203,280 |
| Policing Fees | \$162,541 | \$285,690 | \$517,715 | \$368,861 |
| Public Works Fees | \$457,981 | \$635,700 | \$535,700 | \$659,700 |
| | | | | |
| Park Program Fees | | | | |
| <i>Social Fees</i> | <i>\$85,487</i> | <i>\$95,000</i> | <i>\$25,000</i> | <i>\$60,700</i> |
| <i>Meeting Fees</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> |
| <i>Class Fees</i> | <i>8,278</i> | <i>\$15,000</i> | <i>\$10,000</i> | <i>\$15,300</i> |
| <i>Weddings</i> | <i>\$22,186</i> | <i>\$40,000</i> | <i>\$2,500</i> | <i>\$20,000</i> |
| <i>Day Use Fees</i> | <i>\$15,234</i> | <i>\$16,500</i> | <i>\$10,000</i> | <i>\$19,000</i> |
| <i>Catering Service Fee</i> | | | | |
| | <i>\$34,839</i> | <i>\$41,000</i> | <i>\$5,200</i> | <i>\$0</i> |
| <i>Admin Fees</i> | <i>\$10,299</i> | <i>\$0</i> | | |
| Subtotal | \$176,322 | \$207,500 | \$52,700 | \$115,000 |
| | | | | |
| Misc. Revenues | | | | |
| <i>Admin Citations</i> | <i>\$113,100</i> | <i>\$85,000</i> | <i>\$68,000</i> | <i>\$90,000</i> |
| <i>Cell Lease(s)</i> | <i>\$70,775</i> | <i>\$73,606</i> | <i>\$73,606</i> | <i>\$74,816</i> |
| <i>Interest Income</i> | <i>\$323,053</i> | <i>\$175,000</i> | <i>\$240,000</i> | <i>\$300,000</i> |
| <i>Knox Playschool</i> | <i>\$53,420</i> | <i>\$89,533</i> | <i>\$50,533</i> | <i>\$55,000</i> |
| <i>C&D Forfeiture</i> | <i>\$874,200</i> | <i>\$1,000,000</i> | <i>\$1,250,000</i> | <i>\$500,000</i> |
| <i>Other</i> | <i>\$122,293</i> | <i>\$111,150</i> | <i>\$150,775</i> | <i>\$130,280</i> |
| Subtotal | \$1,556,841 | \$1,534,289 | \$1,832,914 | \$1,150,096 |
| | | | | |
| Total General Fund | | | | |
| | \$20,098,982 | \$21,466,475 | \$21,700,498 | \$23,001,022 |
| <i>Excess ERAF</i> | <i>\$2,339,065</i> | <i>\$2,300,000</i> | <i>\$2,633,605</i> | <i>\$2,500,000</i> |
| Total Revenues | \$22,438,047 | \$23,766,475 | \$24,334,103 | \$25,501,022 |

- Note – table includes ERAF.

Educational Revenue Augmentation Fund (ERAF)

The Town's ERAF revenue for FY 2023/24 was \$2,633,605. This is an increase of \$333,605 over the budget of \$2,300,000. ERAF funding remains at risk and should still be considered below-the-line for one-time use. **ERAF** is considered a vital revenue component for the use on one-time capital projects, reduction of any long-term liabilities, and Town CIP projects and programs. Allocation is reviewed by the Council as part of the budget process. Once staff determines the amount of ERAF to be received, a recommendation is made to the Council for its use as part of the coming fiscal year budget. Staff set ERAF at \$2.5 million for FY 2024/25

Revenue Assumptions

In FY 2024/25, **Property Taxes** represent approximately 70% of the Town General Fund Revenues. The total projected revenue from property taxes is \$15,804,585, approximately 6.8% or \$1,022,907 over the FY 2023/24 actuals estimate. Changes in property values are based mainly on CPI growth, residential remodels, and new construction on razed properties. The Town's Property Tax Consultant HdL Companies suggests that the Town use a projected increase of 4.5 to 5.5 percent in Property Tax revenues. Since FY 2011/12, the Town has seen an Assessed Property Value growth of about 241% or approximately 7.63% per year.

The FY 2023/24 VLF amount is \$1,651,448 and the funds available from the State are \$946,463. There is an estimated shortfall of \$704,985. There is still a shortfall of \$425,395 for FY 2022/23 producing a total VLF shortfall to the Town of \$1,130,380. Staff has budgeted the VLF for FY 2024/25 with the understanding of shortfall occurring while also possibly receiving partial payment for above shortfalls. It is estimated that the FY 2022/23 shortfall would be appropriated in the State's 2024/25 budget. As of this month it is appropriated in the State Budget.

Other General Fund revenues for FY 2024/25 include conservative revenue assumptions and reflect current market assumptions. Revenue from activities in the Building, Planning and Public Works Departments comprise the majority of fee revenue for the Town. With the recent increase in the Town fee schedule, revenue from Building, Planning and Public Works fees are projected to increase. These revenues are based on the current trend of building activity for residential improvements and new construction. Franchise fee revenues are projected at 1 to 3 percent (%) and based on the current year's trend. Miscellaneous and other revenues were evaluated based on current trends, eliminated revenues and one-time revenues.

EXPENDITURE HIGHLIGHTS

Overall, General Fund expenditures are estimated at \$20.77 million. Expenditures are evaluated based on operational needs to provide consistent services to the community. Staff reviewed operational expenditures and known expenditure adjustments were incorporated wherever possible based on upcoming contract costs, projected dues/fees for member agencies, as well as corresponding changes in rate adjustments for CalPERS, health costs, and Workers' Compensation rate adjustments.

Overall Personnel Costs and Benefits

Basic, employee-paid CalPERS pension costs are 7% of salary for Miscellaneous employees (non-sworn personnel) and 9% of salary for Public Safety employees (sworn personnel). Through cost-sharing agreements with employees implemented in FY 2019/20, in addition to the preceding rates, employees pay an additional 1% (local miscellaneous) and 3% (public safety) of the employer cost. This has also resulted in operational savings of \$743,744 since FY 2019/20.

The employer cost for CalPERS pension costs for Miscellaneous employees is 12.67%. This represents an increase of .04% from the prior year. With the above cost sharing agreement, the actual cost is reduced to 11.67%. The Public Safety employee cost is 29.30% (an increase of .21%). Through the cost-sharing agreement, the Town's actual cost is 26.30%.

Listed below are the Unfunded Accrued Liabilities (UAL) dollar amounts the Town has paid for FY 2017/18 through FY 2023/24. The FY 2024/25 total UAL payment is \$1,570,384 and is an increase of \$347,383. These expenses are incorporated into respective department budgets.

| CalPERS Employer Payment of Unfunded Liability | UAL FY 2017/18 | UAL FY 2018/19 | UAL FY 2019/20 | UAL FY 2020/21 | UAL FY 2021/22 | UAL FY 2022/23 | UAL FY 2023/24 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Miscellaneous Employees | \$183,648 | \$230,536 | \$288,470 | \$333,762 | \$393,774 | \$452,652 | \$431,925 |
| Public Safety Employees | \$498,416 | \$607,679 | \$750,799 | \$860,123 | \$6,007,045 | \$813,210 | \$791,076 |
| Total Contribution | \$682,064 | \$838,215 | \$1,039,269 | \$1,193,885 | \$6,400,819 | \$1,265,862 | \$1,223,001 |

The table below reflects the Town's total Unfunded Actuarial Liability for all employee classes (PEPRA, Classic, Public Safety).

| Unfunded Actuarial Liability As of June 30, 2022 | | | | |
|---|---------------------|---------------------|---------------------|--------------|
| Retiree Class | Liability | Funded | Unfunded | Funded Ratio |
| Classic Miscellaneous | \$21,653,860 | \$14,881,263 | \$6,772,597 | 68.7% |
| PEPRA Miscellaneous | \$977,995 | \$866,251 | \$111,744 | 88.6% |
| Classic Safety | \$53,881,366 | \$41,481,143 | \$12,400,223 | 77.0% |
| PEPRA Safety | \$2,072,880 | \$1,771,540 | \$301,340 | 85.5% |
| Totals | \$78,886,101 | \$59,000,197 | \$19,585,904 | 74.8% |

OPEB & Workers' Compensation

Town retiree health expenses are now being paid through the PARS Trust. The operational cost savings expense to all General Fund operation departments for FY 2024/25 is (\$454,888). The current OPEB Liability is \$7.88 million and there is currently \$8.36 million in the Trust. This results in an estimated Net OPEB Liability *asset* of \$426,932.

Each department is responsible for an allocated cost for **Workers' Compensation**. Allocations vary based on the risk assessed for each department (by type) and the number of employees. For the FY 2023/24 budget the Workers' Compensation charge for the Police Department was reduced to 1% from 7% of salary costs and other departments charges reduced from 3% to 1%. This produced total savings of approximately \$245,000 in the General Fund operating departments. The reduction was due to the Workers' Compensation Fund maintaining enough reserves for future allocations of equity replenishments. The FY 2024/25 budget maintains the 1% charge of salary costs for all departments. Staff will continue to monitor this expense and may need to increase the allocation in future years to maintain adequate reserves.

The Town is "self-insured" as part of a risk pool – Cities Group Joint Powers Authority. The Town also maintains an active Workers' Compensation Risk Management Program. There are approximately 13 open claims (down from 15) that incur a *reserve* claims cost of approximately \$937,052 in the current year. This is an increase of \$357,426 in reserve claims from the previous fiscal year. Claim costs and reserves are established for each claim; however, these amounts are not indicative of the actual claim paid. The three-year average claim loss/expense is approximately \$316,070, an increase of \$118,955. The current year assessment is \$141,568 and is expected to increase to \$188,709 in FY 2024/25. The increase is due to the Town equity reserve share is at (\$191,556) and The Town needs to make a replenishment of \$263,798 to its Workers' Compensation equity reserve to maintain a reserve balance of \$72,242. Staff is recommending that this replenishment come from the Workers' Compensation Internal Service Fund.

BUDGETS BY DEPARTMENT

During the review of department operations, each department evaluated service and maintenance needs required for the next fiscal year. General operations focused on anticipated needs and cost assumptions on meeting operational demands. Included are summaries by department and roll-ups of total operational expenditures.

CITY COUNCIL OPERATIONS OVERALL NET DECREASE OF \$2,400

The City Council budget includes expenditures related to City Council meetings, conference attendance such League of California Cities, Council/Town memberships (LAFCO, C|CAG, HEART, HIP Housing, League of Cities, etc.), Elections, utilities for the Council Chambers and incidentals.

Operations

FY 2024/25 includes an increase of \$1,500 for advertising/publishing for Council meeting postcard notifications and minor increases in membership dues. There was a decrease of \$15,000 for HIP Housing as this is now in the Planning Department budget. There was an increase in municipal election budget line item of \$13,400 for anticipated general election costs in the fiscal year.

**ADMINISTRATION DEPARTMENT
OVERALL NET INCREASE OF \$46,464**

The Administration Department budget includes the City Manager's Office and City Clerk's Office. This represents four full-time salaries and benefits (City Manager, City Clerk/Deputy City Manager, Management Analyst I, and Receptionist/Postal Clerk), contract support for human resources (legal), legal noticing and posting, conference attendance and support, memberships, municipal code publishing, office supplies, and the administrative share of general utilities and costs.

Personnel and Benefits

Overall, the salaries and benefits categories increased by \$18,951. The majority of the increase is in salary and benefits in the department. There were minor increases for Workers' Compensation and Unemployment insurance. There were reductions for retiree health insurance costs (\$11,906) due to the reduction in OPEB retiree health expense as the PARS Trust is paying all retiree health costs. The CalPERS UAL payment increased by \$15,274. The CalPERS normal cost expense increased by \$2,161.

Operations

There was an increase in operations expense in the amount of \$27,513. The majority of the increase is due to Other Equipment Repairs & Maintenance - copier lease, increased printing of materials, and vehicle maintenance. There is an increase in Utilities (\$2,304) and for Printing Services expense (\$6,500) – assistance and printing of the Athertonian newsletter and banner poles marketing for Town events. There were smaller increases in Business Meetings (\$300), Conferences (\$1,000), Noticing and Mailers (\$2,000), Subscriptions (\$300), Dues (\$609), and Special Events and Awards (\$2,000). Other Contract Services expenses are maintained at \$228,000 as the amount allows the Town to focus on areas of need. These include legislative advisory services, communications support, continued expansion of sustainability programs and outreach, public outreach on the Town's Climate Action Plan, SB 1383 Compliance efforts, home energy audits, energy demonstration programs, battery loaner program, and several other programs and outreach efforts.

**CITY ATTORNEY'S OFFICE
OVERALL NET INCREASE OF \$0**

The City Attorney's Office budget consists of the legal retainer for the City Attorney and other associated legal services. The Town City Attorney services are provided by the law firm Kronick Moskowitz Tiedmann & Girard on a retainer amount. The budget also includes a line item for Additional Services as needed.

FINANCE DEPARTMENT
OVERALL NET INCREASE OF \$16,111

The Finance Department budget includes the salaries and benefits of three full-time employees (Finance Director, Accountant and Jr. Accountant). The budget includes contract services for the Town's Audit and Investment Services, financial software licensing and support, conference attendance and support, memberships, office supplies, and business license processing costs.

Personnel and Benefits

Overall, the salaries and benefits category increased by \$15,703. There was a reduction in health insurance for active employees' expenses (\$10,335) and retiree health insurance expenses of (\$2,641). There was a reduction in dental and vision expense total of (\$1,910). Salaries and benefits had an increase of \$18,998 due to reclassification of a staff member and includes salary place holder adjustment of 2.4%. The CalPERS normal cost contribution increased by \$2,078 and the UAL payment increased by \$9,150.

Operations

Operation expenses for the Department increased by \$408. Specific increases related to Business License processing (\$2,000), Technical Services (\$158), and a decrease in Other Contract Services (-\$1,750).

PLANNING DEPARTMENT
OVERALL NET DECREASE OF \$247,849

The Planning Department budget consists of contract planning services and associated services and costs. The Department also includes an allocation of arborist service costs related to planning activities. The budget includes necessary staff hours and counter review for day-to-day processing of basic applications. Costs are offset by fees. The Planning team has responsibility for one-time programmatic expenditures related to the Town various General Plan Updates that include the Safety Element, Housing Element, and the Zoning ordinance code updates, etc. During the last year the Town and staff have been finalizing the required environmental reviews for CEQA, expanded objective design standards, Safety Element updates, In-lieu Exclusionary Fee Nexus Study and Financial Feasibility Analysis report. As the above General plan updates have been in process during the current fiscal year, there is a budgetary decrease in FY 2024/25 of (-\$265,149).

The Planning Department operation budget includes a \$17,300 increase and \$265,149 decrease (one-time costs) for anticipated Housing Element work.

Operations

The total operating budget decreased from \$1,674,819 to \$1,426,970. The current planning contract is estimated to be stable at \$877,440. This is for the core staffing planning services component for the Town. This is three (3) full time equivalents of Town Planner, Senior Planner,

Assistant Planner, Associate Planner at total of 480 hours per month. There are minor increases in Utilities (\$1,000) and Advertising/Noticing (\$1,000) and the added HIP Housing (\$15,000).

BUILDING DEPARTMENT
OVERALL NET INCREASE OF \$47,736

The Building Department budget consists mostly of the contract services for the building department (Interwest), portions of three full-time salaries and benefits are also allocated to the department (Arborist, Associate Engineer, and Office Specialist), general office supplies and materials, software costs, and a share of the building department share of utilities.

Personnel and Benefits

Overall, the salaries and benefits category decreased (\$4,095). Salaries decreased due to FY 2024/25 having an Associate Engineer allocated to the building department whereas in previous years it included a Senior Engineer. There were adjustments in Salaries, Employee Benefits Earned, PERS Retiree Contribution, and Unemployment Insurance allocations for a total of (\$17,692). Allocations for active employee and retiree employee health insurance costs decreased by combined (\$7,231). Retiree health expenses are now being paid by the PARS Trust. The Town contributes the minimum PEHCHA amount only to CalPERS. The CalPERS UAL payment increased by \$20,828.

Operations

Most of the increase is due to a corresponding Building and Life Safety Contract Services increase - \$53,054 This is based on the revenue assumption for the department for the upcoming fiscal year. There are minor increases in Technical Services (\$2,000) and Utilities (\$2,367).

INTERDEPARTMENTAL
OVERALL NET INCREASE OF \$69,918

The Interdepartmental budget provides for the accounting of costs that are incurred and supports all Town departments. Costs include liability insurance, IT support, County Tax administration costs, IT infrastructure costs and other charges that are Town-wide in nature.

Operations

The annual cost for IT support is set at the amount specified at mid-year of \$163,200. This is based on Town IT services support needs. General liability, employment practice, and property insurance costs increased \$78,137 to maintain the Town's cost for insurance and self-insured retention. There is a decrease of (\$7,000) in utilities telephones and a decrease of (\$3,823) in membership dues as CalOpps is accounted for in the administration department. county tax administration cost.

IT Infrastructure expense includes needs and upgrades identified with Town Center. The FY 2024/25 Budget includes updates to the Town's phone system continued cybersecurity, storage,

various licenses, and software application needs. General technology services are within this department (maintenance as well as infrastructure) and include current Shoretel Phone Services, Data Storage Plans, Servers, virus protection systems, software licensing and transparency tools. There is an increase of \$2,600 in IT Infrastructure expense for cybersecurity stress test software.

PUBLIC WORKS DEPARTMENT
OVERALL NET INCREASE OF \$2,442

The Public Works Department budget consists of 5 distinct areas of focus: Engineering, Streets, Park Maintenance, Park Programs, and Building Maintenance. The salaries and benefits of all or portions of five full-time employees (Public Works Director, Associate Engineer, Maintenance Manager, Town Arborist, and Office Specialist) are included in the budget. The FY 2024/25 includes the addition of a Management Analyst I/II position to assist with the expanding administration of projects, programs, and grants within the Department across all the various departmental operations. The budget includes contract services for the Town Maintenance Services (MCE), Custodial Services, new Landscape Maintenance Services, Facility Maintenance services, Tree Trimming, Street Sweeping, Signal Maintenance, Street Light Maintenance, Contract Engineering, and Park Event Services. The equipment and facility servicing needs for the Town are incorporated to include systems maintenance and monitoring, landscaping, custodial, and utilities for these new Town facilities. Within the budget includes maintenance costs for building systems (heating systems, chilled water systems, BMS systems, radiant ceiling and flooring, elevator, green infrastructure, permeable paving, etc.), The budget also includes computers and equipment, training and workshops, software licensing and support, general office support, memberships, office supplies, and shares of general utilities and costs.

Overall, the salaries and benefits category increased \$137,115. This includes net adjustments of savings from OPEB retiree health expense, worker's compensation, and UAL. Most of the increase in salaries and benefits category is due to the addition of the Management Analyst I/II and 2.4% salary adjustments estimation \$134,288. There was a decrease in active employee health insurance of (\$8,508) and retiree health OPEB insurance cost of (\$19,035). The CalPERS UAL payment increased by \$31,199.

Personnel and Benefits

Overall, the salaries and benefits category increased \$137,115. This includes net adjustments of savings from OPEB retiree health expense, worker's compensation, and UAL. Most of the increase in salaries and benefits category is due to the addition of the Management Analyst I/II and 2.4% salary adjustments estimation \$134,288. There was a decrease in active employee health insurance of (\$8,508) and retiree health OPEB insurance cost of (\$19,035). The CalPERS UAL payment increased by \$31,199.

Operations

There is a reduction in operational expenses of (\$134,673). Most of the reduction is due to the one-time sidewalk repair program that was initiated in the current fiscal year for \$182,000 and is not in the projected FY 2024/25 budget. Since this was an initial inspection and repair program, it is

anticipated that future year costs will be part of the Town Capital Improvement Program under ADA projects. The Public Works Department operations budget includes, contract professional engineering town service needs, existing contract for facilities maintenance services, repair and maintenance. The Town has service contracts with various vendors for the needs and services for the Town Center facility maintenance. The Equipment Repair and Maintenance budget increased by \$2,000. There are various service contracts within the Operational budget. These include servicing contracts for the elevator (\$3k), Building Monitoring System (\$32k), Fire Alarm (\$12k), Generator (\$4k), HVAC (\$16k), Heat Pump (\$7k), Water Treatment (\$1k), etc. There is an increase in Utilities of \$2,000. The total current contract Maintenance Service Budget is estimated at \$957,000. This includes contractual adjustment of 5% CPI in the MCE contract. Tree maintenance expenses increased \$30,000 for a total amount of \$140,000. This is due to clearing trees during storms and pruning needs at the park and streets.

- Contract maintenance for streets, building maintenance, and park events - \$575,000
- New Landscape maintenance - Town Center Campus and Holbrook Palmer Park -\$337,000; includes park enhancements of \$45,000.

There are minor areas of adjustment in equipment repairs and maintenance, contract inspection and testing, membership dues, safety supply and materials, custodial supplies, minor tools and equipment, postage, and machinery and equipment for total of \$11,476. Building Improvements expense budget increased \$15,000 for painting of the Gilmore House and fireplace conversion to electric. Contract Park Event Services expenses decreased \$10,000 in anticipation of temporary contract services needed as we bring on a new park event management provider. There is an increase in computer equipment software expense of \$40,000 for new asset management tracking software for building facility maintenance services.

POLICE DEPARTMENT
OVERALL NET INCREASE OF \$587,044

The Police Department budget consists of four distinct divisions: Admin/Training, Patrol/Traffic, Investigations, and Communications/Records. Within these areas are specific areas of focus including: detectives, community service officers (and code enforcement), school resource officer, K-9s, dispatch, and administration. Deployment consists of 4 Patrol Teams of 12 hours shifts (2 day shift 7am – 7pm and 2-night shift 7pm – 7am). Minimum staffing consists of 1 supervisor, 2 officers, and 1 dispatcher. The Department currently has one officer vacancy. Vacancies often result in increased overtime offset by overall salary savings at the end of the year.

Personnel and Benefits

Overall, the salary and benefits category increased \$720,670. This is largely due to the increase in estimated salary adjustments and CalPERS UAL payment (~240k). There is an estimated annual salary adjustment of 2.4% place holder in the budget. The Memorandum of Understanding (MOU) with the Atherton Police Officer's Association was renewed in FY 2023/24. This results in a salary adjustment of \$379,000 for FY 2024/25. This is for personnel represented by the APOA only. Overtime expense (OT) is expected to remain at \$570,000. Department overtime includes

augmented categories for OT pay for dispatchers; OT for backfill staffing-court, training, investigations, court; special operations OT, and holiday OT.

There is an increase in deferred compensation expense of \$19,141. There is a decrease in retiree and active health insurance of (\$26,856). This decrease is due to the Town now using the PARS OPEB Trust to pay for retiree health. With the paying of the retiree health expense via the Trust there is a realized decrease in operation expense for OPEB costs of (\$329,000) in the department. Workers' Compensation had a slight increase of \$3,595. In the current fiscal year budget, the allocation was reduced from 7% to 1% for sworn and 4% to 1% for non-sworn. The expense allocation is maintained at 1% for personnel for FY 2024/25. This equates to a total approximate reduction in Workers' Compensation expense of (\$254,328) for the Department. The normal cost for CalPERS contribution increased by \$80,002 as the contribution increased 0.21% to 29.30% in FY 2024/25. There was an increase in EE Benefits Earned/Medicare Tax and Unemployment/Insurance for a total amount of \$23,186. There was an additional reduction due to a decrease in salary and benefits expense of \$8,045 in the Police Department.

Operations

Overall, the Operations expenditure budget for the Police Department decreased by (\$125,585). The majority of this was due to a decrease in other contract services expenses. There were one-time items that were donation driven that included health and wellness program of (~\$195,000), new K-9 unit training (~\$14,000), and perishable skills training (~\$40,000). The health and wellness, perishable skills programs are annual review programs that will seek donations for continued funding. These are anticipated to be reviewed during FY 2024/25 for program continuation and will be amended to the budget if successfully funded. There is a decrease of (\$30,000) in other supplies and materials from *adjusted budget* due to the replenishment of ammunition in the current year due to low inventory and use for training in the transition to red dot pistols. There is a decrease in POST training expense of (\$10,000) disaster/emergency expense for (\$11,000), and equipment maintenance vehicles for (\$10,000). There was an increase in equipment replacement fund expense of \$117,995 for a total amount of \$363,658.

The Department is purchasing some supplemental budget items from departmental allocations to the Equipment Replacement Fund. These supplemental items include the remaining purchase of Red Dot pistols for sworn staff \$5,658, drug detection mobile test system \$6,000, Equipment CCTV installation in the bike storage, garage, and evidence room to monitor activity \$20,000, a property and evidence audit contract \$17,000, and new quality communication equipment radios (30) APX NEXT all band portable radios \$420,462. The majority of the \$420K purchase of radios comes from the Equipment Replacement Fund. There is a \$125,000 allocation expense to the replacement fund in operations budget for these radios as a portion of the expense is covered by a donation previously accepted by the Council. The Department is also anticipating the purchase of 2 Tahoe patrol vehicles as part of its regular equipment replacement schedule. There is a normal standard Equipment Replacement Fund allocation of \$185,000 each year. With the slight increase in the price of vehicles this has increased to \$190,000. These purchases will be from the Equipment Replacement Fund.

In addition to the preceding adjustments, animal control services increased \$8,403 due to slight increase in operations costs and allocation of the construction costs of the new facility. There was an increase in safety supplies and materials for \$9,000 for protective leather and motorcycle gear for (4) motors officers as well as eye/ear gun range safety gear for officers. Printing expenses increased by \$2,000 as no parking signs, citations, forms, etc. There was an increase in citation processing expense of \$1,500. There was an increase in Computer Equipment/Software of \$56,794 due to an alarm system monitoring upgrade in the communication center \$30,000 and updating townwide Flock cameras (51) fees that are now on annual billing basis.

GENERAL FUND SUMMARY

For FY 2024/25 the Town's General Fund Revenues are projected at \$23,001,022 against \$20,774,676 in expenditure. This will result in a single year-end positive balance of \$2,226,346 and a total ending Fund Balance of \$11,564,345.

FY 2024/25 includes below the line items of \$2,500,000 for ERAF, budgeted debt service payment of \$861,871, Transfer Out to CIP Fund 401 for capital projects of \$4,450,000. There will be a single-year projected change in fund balance by a negative \$2,811,871. The negative change reflects the drawdown of unallocated reserves Fund Balance of \$4.450 million for capital projects from the Town Financial Planning model. Transfer Out to CIP Fund 401 for capital projects is \$4,450,000 as there was a reduction of \$875,000 in the CIP Fund 401 for removal of Selby Lane Bike for \$250,000. Selby Green Infrastructure of \$175,000, and ADLP Traffic Improvement to Measure A.

LIBRARY FUND

REVENUES

The Town is a member of the San Mateo County Library JPA system. The Library is funded through property taxes that are collected and allocated to library services. Under the JPA, jurisdictions are permitted to retain excess funds generated from the local property taxes as long as the basic library services are met. The Town most recent use of all excess funds have been for the Town Center Project – Library – as well as extended library hours of daily operation, utilities, and maintenance costs. With the completion of the new Atherton Library, annual excess funds minus amounts needed for yearly operation of the Library will be retained by the Library JPA until the total advancement amount is reimbursed. Once the advancement of funds is reimbursed, any remaining funds will be evenly split between the Library and the Town for library-related activities.

The projected FY 2023/24 ending balance for the Library Fund is \$2,502,142. This includes the SMCL funds held in trust retained by the Library JPA. The County holds all future excess funds. During the agreement on advancement of Library funds, it was estimated that the projected Library Fund Revenue would be in the range of approximately \$1,600,000. It is estimated that it will take approximately 3 years for reimbursement of the advancement of Library JPA funds. The estimated ending fund balance for FY 2024/25 Library Trust funds is \$2,518,142.

EXPENDITURES

The FY 2024/25 projected expenditures for the Library are \$650,902 for operations, utilities, maintenance costs and development of spaces. There is an increase in utilities costs of \$9,000 for electricity and water. Maintenance costs for facility contracts for Library increased \$5,000 for systems maintenance on new facilities. These amounts are based on the building needs and operations, campus wide. There is Building Maintenance manager allocation of \$18,852 of Town personnel to oversee management of Library facility and systems. There is an allocation for Other Supplies and Materials of \$300,000 for Town programming and needs around the Library and outdoor spaces. These include purchases of various items for the development of spaces such as tables, canopies, umbrellas, café benches, community room furniture and community programs for an estimate of \$100,000. Also includes an allocation of \$200,000 toward a facilities replacement and improvement fund.

OTHER RESTRICTED FUNDS

The Town maintains a variety of Special Revenue and Internal Service funds that are “restricted funds” for specific purposes beyond basic capital improvement. Revenue to internal service funds are in the form of General Fund department charges based on allocations by department and uses.

EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund is an internal depreciation fund for the replacement of large assets. The Fund is the Town’s set aside accumulation account to replace large equipment assets over time – such as computer equipment, software assets, vehicles, trailers, emergency equipment, etc. Annual depreciation-style departmental allocations to this Fund reduces the impact to the Town’s Operational year funding to replace the equipment. There continues to remain sufficient funds in the fund to accommodate emergency replacement needs as well as planned needs.

The FY 2024/25, departmental allocations (revenues) total \$431,758 and the expenditures total \$724,620. The largest allocation charge is \$363,658 in the Police Department for FY 2024/25. This allocaton reflects the purchase of 2 vehicles each year as part of the regular maintenance and replacement schedule for vehicles and for replacement for portable radios. The Department is anticipating the purchase of 2 Tahoe patrol vehicles as part of its regular equipment replacement schedule. These are replacement vehicles to the patrol fleet and the Town uses the State and Federal Multiple-Award Schedule pricing to purchase vehicles from the Equipment Replacement Fund.

In FY 2024/25 the Police Department will also purchase \$469,120 in other miscellaneous equipment assets. These supplemental items include the remaining purchase of Red Dot pistols for sworn staff \$5,658, drug detection mobile test system \$6,000, Equipment CCTV installation in the bike storage, garage, and evidence room to monitor activity \$20,000, a property and evidence audit contract \$17,000, and new quality communication equipment radios (30) APX NEXT all band portable radios \$420,462. The majority of the \$420K purchase of radios is coming from the

Equipment Replacement Fund. There is a \$125,000 allocation expense to the replacement fund in Police Department operations budget for these radios as a portion of the expense is covered by a donation previously accepted by the Council. These were noted in the General Fund Budget presentation. Public Works anticipates replacing an older vehicle in the fleet with a hybrid vehicle alternative..

WORKERS' COMPENSATION FUND

The Workers' Compensation Fund accounts for the cost and expense of managing the Workers' Compensation Program through the Town's self-insurance risk pool, Cities Group Joint Powers Authority. This Fund includes costs related to risk management and prevention – safety training, educational materials, and accident prevention programs. As a member of a JPA, the Town contributes an annual assessment to the JPA based on all recognized and potential liabilities. These assessments or contribution rates are calculated annually based on claims history and any increases in loss recovery due to excessive claims losses.

The Town maintains an active Workers' Compensation Risk Management Program. There are approximately thirteen (13) open claims (down from 15) that incur a *reserve* claims cost of approximately \$937,052 in the current year. This is an increase of \$357,426 in reserve claims from the previous fiscal year. Claim costs and reserves are established for each claim; however, these amounts are not indicative of the actual claim paid. The three-year average claim loss/expense is approximately \$316,070, an increase of \$118,955.

The Workers' Compensation Fund tracks expenditures for related expenses across the various departments. Each department is responsible for an allocated cost for **Workers' Compensation**. Allocations vary based on the risk assessed for each department (by type) and the number of employees. For the FY 2023/24 budget the Workers' Compensation charge for the Police Department was reduced to 1% from 7% of salary costs and other departments charges reduced from 3% to 1%. This produced total savings of approximately \$245,000 in the General Fund operating departments. The reduction was due to the Workers' Compensation Fund maintaining enough reserves for future allocations of equity replenishments. The FY 2024/25 budget maintains the 1% charge of salary costs for all departments. Staff will continue to monitor this expense and may need to increase the allocation in future years to maintain adequate reserves.

The Town maintains an equity reserve designed to keep overall operational rates low. If the equity reserve is not maintained, annual operational rates are subject to increase due to a "special assessment" imposed by the Cities Group JPA. The current year assessment is \$141,568 and is expected to increase to \$188,709 in FY 2024/25. The increase is due to the Town equity reserve share is at (\$191,556) and the Town needs to make a replenishment of \$263,798 to maintain its equity reserve requirement of \$72,242. Currently, there are enough reserves in the Town's Worker's Compensation Fund for equity replenishment and current reserve claims. The FY 2024/25 expense is \$458,287 in the fund.

GENERAL LIABILITY FUND

The General Liability Fund accounts for the insurance cost of general liability claims and property losses. The Town is part of an insurance pool administered by PLAN JPA. The activities within this Fund provide for expenses related to general liability insurance, employment practice insurance and self-insured retention claims. Total internal service charges from the General Fund for FY 2024/25 are estimated at \$614,432. The total FY 2024/25 projected expenditures for this fund are \$714,432. This includes the self-insurance retention expense of \$100,000 that allows the payout of four (4) claims at \$25,000 per claim. The Town does not anticipate expending retention expenses of 4 claims in the fiscal year, however, the amount is a requirement established by PLAN JPA. Average retention claims are about 2 per year.

EMPLOYEE BENEFITS FUND

The Employee Benefits Fund tracks expenditures across various departments for employment, unemployment, retirement, and healthcare benefits. The Fund also represents an audit compliant set aside for compensated absences (time earned) – vacation, sick leave, holiday, compensatory time, etc.). Revenue to the fund comes through charges allocated back to each departmental budget based on number and type of personnel within each department. Revenue to the Fund for FY 2024/25 is \$413,664. Expenditures for FY 2024/25 are \$345,000. The expenditure includes \$79,735 for the Town contribution of the minimum retiree health PEMHCA amount to CalPERS. These costs are included and charged to the respective departments based on retiree health and allocated to the Employee Benefits Fund. The Town is no longer budgeting the “pay as you go” retiree health benefit contribution as an operation expense as the retiree benefits are now funded through the OPEB Trust.

Within this fund is also the employee benefits charge of \$258,447. This is a charge of 3% to 4% of the General Fund Operational Departments salary expense that is allocated for personal leave contributions of sick, vacation, and holiday pay. The Police Department allocation is 4% and all other departments 3%. The Town has a total compensated absences balance of \$1,096,373. Compensated absences comprise of accrued time-off, vacation, and holiday pay for all employees and are recorded as a liability. These are amounts that would be liquidated or mature due to the termination of Town staff.

Included within this fund are also unemployment insurance charges if there are any future claims charged to the Town. Any claims would be paid out of this fund. The total budgeted charge is \$70,982.

TENNIS FUND

The Tennis Fund projected revenues are \$69,500. The majority of this revenue comes through the facility management services contract with Player Capital. During the fiscal year the contract amount was amended and increased by \$10,000. The contract provides yearly revenue of \$50,000 to the Park. Keys are sold on an annual basis to any person (resident or non-resident) that wishes to use the Tennis courts. The standard key for residents is \$100 and includes clay court key, and the non-resident key increased is \$275 and clay court access of \$30/ hour.

Every year the Town attempts to resurface and maintain the courts as needed. The tennis court resurfacing treatment includes crack filling and taping, followed by a new surface coating and striping. This is done on approximately every 3-5 years on a cyclical basis on each of the five (5) non-clay tennis courts. The previous two fiscal years the Town performed comprehensive repairs at the facility that included overlay and urgent rehabilitation needs of the courts. There was also maintenance and reconditioning of the clay court. During the current fiscal year, the Town embarked on a pilot program and added pickleball capabilities at one of the tennis courts. Maintenance and facility enhancements were made to allow for pickleball play. Reservations and use of this court for pickleball will be monitored as the Town observes if permanent enhancements are warranted. A report will be provided to the Council after a 6-month trial period

The FY 2024/25 budget includes the purchase of tennis keys by residents and non-residents providing annual revenue of approximately \$18,300. Each January, new tennis keys go on sale for the new court locks that get installed in February.

For FY 2024/25, the Town anticipates expenditures of \$57,500. This includes \$10,000 for contract maintenance services for MCE, general court maintenance and facility repairs needs of \$45,000 and \$2,500 for building security court gates upkeep.

COPS - CITIZEN'S OPTION FOR PUBLIC SAFETY

The COPS Office was created as a result of the Violent Crime Control and Law Enforcement Act of 1994. As a component of the Department of Justice, the mission of the COPS Office is to advance community policing in jurisdictions of all sizes across the nation. Community policing focuses on crime and social disorder through the delivery of police services that includes aspects of traditional law enforcement, as well as prevention, problem-solving, community engagement, and partnerships. In FY 1996/97, the California State Legislature created the Citizen's Option for Public Safety (COPS) Program. Funds have been available through the State of California to local entities in the form of Citizen's Option for Public Safety (COPS) Grant. The Town in recent years has received approximately \$165,000 per year from the grant. Funds must be used for front-line law enforcement only. The Town anticipates receipt of this funding on an annual basis and funds are used for sworn personnel salary related expenditures.

CAPITAL IMPROVEMENT FUND

The five-year CIP proposes projects to analyze, repair or improve Town infrastructure, and the funding for those projects. Major capital projects are categorized into three areas:

- Streets & Transportation
- Drainage
- Town Buildings, Park, and Facilities

Projects have been developed based on needs identified by the City Council, residents, staff, and adopted master plans.

The 1st year (FY 2024/25) of the CIP is incorporated into the Town's Budget and is the **only year** for which the City Council applies available funding. The remaining four (4) years of the CIP reflect proposed projects and funding. These "out years" are revised annually to reflect changes in City Council priorities, direction, needs and funding availability. The CIP is reviewed by the Town's Planning Commission each year for consistency with the Town's General Plan. This year's CIP will be reviewed by the Planning Commission at their May 22 meeting. The Commission will send their comments in writing to the City Council prior to the Council's June 19 meeting at which the Council is scheduled to adopt the budget, inclusive of the CIP.

The 5-year CIP is presented to City Council at its May 1st Study Session in a workshop format for questions and discussion of individual projects, general discussion about broader objectives to be considered for future proposed projects and priorities for allocating funds. It was pointed out that it is important to remember that in many cases, the costs shown are projections based on high-level estimates. Actual project costs will depend on market-driven bids at the time the project is undertaken.

In broad areas of the five largest CIP expenditures, this year's CIP recommends:

- \$5.3 million for Drainage Improvements Program (\$11.38 million over 5 years);
- \$2 million for Park Improvements Program (\$3.55 million over 5 years);
- \$1.4 million for the Road Maintenance Program (\$7.275 million over 5 years);
- \$0.6 million for the Traffic Safety Improvements Program (\$0.76 million over 5 years); and
- \$0.5 million for Bicycle & Pedestrian Program; (\$5.38 million over 5 years);

The total proposed allocation for the Fiscal Year 2024/25 Capital Improvement Program is \$10.13. The 5-year Capital Improvement Program projection for FY 2024/25 through FY 2028/29 totals nearly \$29.24 million – the largest expenditures attributable drainage improvement project

After the May 1st workshop, staff implemented changes directed by the Council and were minor changes and/or updates to the Park, Drainage, Traffic Safety Improvement, and Bike Pedestrian projects. Based on that Council direction. Below are the changes to the CIP program:

- Drainage Improvements Program – Page 21, #56034
 - The FY 2023/24 Budget included funding to initiate evaluation of long-term drainage improvements along El Camino Real \$250k. The draft FY 2024/25 Budget programmed \$2.75m for the remainder of the project. The design proposal received was significantly higher than the available budget. After discussion the City Council decided to allocate \$400k in FY 2024/25 for design of long-term solutions and the remainder \$2.35m in FY 2025/26 for construction of the project.
 - The City Council directed that a refresh of the Drainage Master Plan be moved up to FY 2025/26 (\$250,000).
 - Funding for the Atherton Channel Culvert and Detention project was revised to include an allocation of \$400,000 from the Atherton Channel District, with a

corresponding reduction in the allocation from the Capital Improvement Program. The local match is \$725K and staff incorporated \$400k of the match to Atherton Channel funds.

- Park Master Plan Implementation Program – Page 27, #56063
 - As major projects at the Park are completed, the Council identified a need to refresh the Park Master Plan. The draft FY 2024/25 Budget included a refresh of the Master Plan in FY 2025/26. The Council decided to move that out to FY 2026/27 (\$200,000).
- Traffic Safety Improvement Program – Page 13, #56064
 - As the Alameda de las Pulgas Traffic and Safety Improvements project moves through design and into construction, input on future projects is desired, including potential traffic signals, HAWK beacons or other major traffic improvements for planning purposes.
 - Staff included an additional \$450,000 in the draft FY 2024/25 budget for the Alameda de las Pulgas Traffic and Safety Improvements. The City Council agreed with these possible improvements as future projects.
- Bicycle Pedestrian Master Plan Implementation Program – Page 15, #56059
 - Based on Council direction, the draft FY 2024/25 Budget included \$250,000 for a refresh of the Town's Bicycle and Pedestrian Master Plan. Previously programmed projects, including the design of Class II bike lanes on Atherton Avenue and evaluation of a walkway along Watkins Avenue from the Dinkelspiel Station Lane to El Camino Real, have been deferred to allow for the Bicycle and Pedestrian Master Plan to provide additional guidance and project prioritization.

During the June 1st Budget Study Session there was additional policy discussion by the Council that resulted in minor changes and/or updates to the Drainage, Traffic Safety Improvement, and Bike Pedestrian projects. Based on Council direction, below are the additional changes to the CIP program:

- Bicycle Pedestrian Master Plan Implementation Program – Page 15, #56059
 - Based on Council direction, the draft FY 2024/25 Budget included \$250,000 towards construction of Selby Lane Bicycle Improvements. *This amount has been removed* in FY 2024/25 as the Selby Lanes Bicycle Lanes Improvements project is currently under conceptual design.
 - The Council directed that Bike/Ped FY 2024/25 grant amount of \$25,000 is to seek grant funding and partnerships opportunities to implement improvements based on Council set priorities.
- Drainage Improvements Program – Page 21, #56034

- The Council directed to remove a portion of the FY 2024/25 Budget of \$350,000 for Green Infrastructure related to Selby Lane Bicycle Lane Project. The Green Infrastructure Selby portion was \$175,000 and *was removed*.
- Traffic Safety Improvement Program – Page 13, #56064
 - The Council directed staff if they could review and allocate more funds from Measure A/Measure M/Gas Tax where possible and reduce General Fund Allocations from Fund 401 or a Transfer.
 - Per Council direction staff reviewed and moved the FY2024/25 ADLP \$450,000 Traffic Safety Improvement Project from Capital Improvement Fund to the Measure A Fund in FY 2024/25.

The above changes resulted in a reduction of \$875,000 in Capital Improvement Fund expenditures in FY 2024/25. As a result, the General Fund allocation to the Capital Improvement Fund decreased from \$5,325,000 to \$4,450,000. The FY 2024/25 Capital Improvement Fund includes funding sources of \$6.90 million for capital projects.

| Funding Source | FY 2024/25 Allocation |
|-----------------------|------------------------------|
| CIP Fund | \$5,830,000 |
| Gas Tax | \$360,000 |
| Measure M | \$75,000 |
| Atherton Channel Fund | \$125,000 |
| Measure A | \$370,000 |
| Measure W | \$145,000 |
| Total | \$6,905,000 |

Expenditures in FY 2024/25 for the CIP are \$7.35 million. The following are project/program expenditures:

| Project | FY 2024/25 Funding |
|-----------------------------------|---------------------------|
| Traffic Safety Improvements | \$600,000 |
| Accessibility Improvements | \$10,000 |
| Streets/Roads Maintenance | \$1,455,000 |
| Park Improvement Program Projects | \$2,050,000 |
| Drainage Improvement Projects | \$2,790,000 |
| Bike/Ped Master Plan Program | \$275,000 |
| Town Facilities | \$150,000 |
| Neighborhood Traffic Management | \$0 |
| Traffic Control Devices | \$15,000 |
| Upper Channel Monitoring | \$10,000 |
| Total* | \$7,355,000 |

OVERALL SUMMARY

For FY 2024/25 the Town's General Fund Revenues are projected at \$23,001,022 against \$20,774,676 in expenditures. This will result in a single year-end positive balance of \$2,226,346 and a total projected year ending positive Fund Balance of \$11,564,345.

FY 2024/25 includes below the line items of \$2,500,000 for ERAF, budgeted debt service payment of \$861,871, Transfer Out to CIP Fund 401 for capital projects of \$4,450,000. There will be a single-year projected change in fund balance by negative \$2,811,871. The negative change reflects the drawdown of unallocated reserves Fund Balance of \$4.450 million for capital projects.

RESERVES

With Council direction, the unallocated reserve balance can be appropriated towards operational use, capital projects or to pay down liabilities. During its review of the Town Financial Planning model during the fiscal year 2024/25 budget process, the Council considered using the unallocated funds towards various priorities. For FY 2024/25, there is an allocation of \$4.450 million for various set aside buckets for capital projects in the Town CIP.

The beginning FY 2024/25 General Fund Balance was \$12,149,869. With the inclusion of debt service, there is a total General Fund projected FY 2024/25 year-end fund balance of \$11,564,345. The table below reflects all the changes noted above.

| | |
|--|---------------------|
| FY 2024/25 Beginning Fund Balance | \$12,149,869 |
| FY 2024/25 Projected Revenues (inclusive of ERAF) | \$25,501,022 |
| Total Available Funds | \$37,650,891 |
| | |
| COP Debt Service for FY 2023/24 | (\$861,871) |
| | |
| FY 2024/25 Expenditures (Projected Budget) | (\$20,774,676) |
| FY 2024/25 Transfer Out CIP 401 Fund -Financial Planning | (\$4,450,000) |
| | |
| Projected FY 2024/25 Ending Fund Balance | \$11,564,345 |

As shown below, the Town will meet its 30% reserve requirements total of \$6,232,403 in FY 2024/25 and projects an unallocated reserve that is 26% of projected expenditures.

Unallocated Fund Balance

Any remaining fund balance not reserved or committed is designated as Unallocated Fund Balance. The projected unallocated available fund balance for FY 2024/25 is \$5,331,942. This Unallocated Fund Balance represents funds that have not yet been assigned. With Council

direction, the unallocated reserve balance can be appropriated towards operational use, capital projects or to pay down liabilities.

| | |
|--|---------------------|
| FY 2024/25 Expenditures | \$20,774,676 |
| Projected FY 2024/25 Ending Fund Balance | \$11,564,345 |
| 15% Emergency Reserve | \$3,116,201 |
| 15% Budget Stabilization Reserve | \$3,116,201 |
| TOTAL RESERVE REQUIREMENT | \$6,232,403 |
| <i>Less Above Reserve Requirement = Unallocated Reserves</i> | <i>\$5,331,942</i> |

GANN LIMIT CALCULATION

The Finance Director calculated the FY 2024/25 GANN limit using the percentage change in population and the cost of living provided by the State Department of Finance. The GANN limit for 2024/25 is \$17,183,782. The Town is in compliance with the GANN limit requirement for FY 2024/25.

MASTER FEE SCHEDULE CPI ADJUSTMENT

As part of the Fiscal Year 2024/25 Budget, staff is presenting a fee resolution for amending various fees and charges to the Town Master Fee Schedule. The Town completed its Master Fee Study in 2024. The Study recommended the Town also consider a regular escalator based on a local Consumer Price Index in the periods between adoption of the new fee resolution and until the next comprehensive fee review. The Council directed that such adjustments be done each year contiguous with the budget adoption. The attached Resolution adjusts fees in the Master Fee Schedule by CPI of 2.4% for FY2024/25. The Master Fee Schedule sets the fees for Planning, Building, Engineering, Public Works, Administrative, Police, and Parks and Facility Rentals. All fees except for State mandated fees have been adjusted by CPI escalator. Fees for *at market rental* of public spaces may also be adjusted independent of the CPI. Fees are rounded to the nearest “0” or “5”. With the recruitment of Park Events Management provider, staff recommends that the Park and Recreation Committee review market rate fees once the new provider is in place and conduct a study of comparable park and recreation facilities of other agencies for Town pricing metrics.

CONCLUSION

This budget presents a roadmap for accomplishing the goals and objectives of the City Council within existing resources and core strategy of financial stability. We continue to be fiscally prudent with our resources but are mindful of operational and infrastructure needs. The Town has many long-term infrastructure needs as priorities focus on the various CIP Master Plan projects.

POLICY FOCUS

The City Council adopts a fiscal year budget that addresses any policies and or priorities of the Council while addressing the needs of the community. At the forefront of the Town operations budget is that it provides the appropriate level of service to the community while also providing the resources needed for the Town Center campus. The Town's Operating and Capital Improvement Budget represents one of the most significant Policy Documents approved by the City Council. Staff has crafted the attached Budget based on specific policy objectives of the City Council

FISCAL IMPACT

None.

GOAL ALIGNMENT

This Report and its contents are in alignment with the following Council Policy Goals:

- Goal A – Maintain Fiscal Transparency
- Goal F – Be Forward-Thinking, Well-Managed and Well-Planned

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

The Town maintains a Fiscal Transparency web portal and includes all budget information on its website. Links to these various areas are below:

Fiscal Transparency Web Page:

<http://www.ci.atherton.ca.us/index.aspx?NID=269>

Archive of Town Budgets:

<http://www.ci.atherton.ca.us/index.aspx?nid=273>

Financial Data Portal (OpenGov):

<http://www.ci.atherton.ca.us/index.aspx?nid=361>

Financial Audit Archive:

<http://www.ci.atherton.ca.us/Archive.aspx?AMID=39&Type=&ADID=>

Actuarial Valuations Archive:

<http://www.ci.atherton.ca.us/Archive.aspx?AMID=61&Type=&ADID=>

Labor Contracts, Agreements, and Salary/Benefit Information:

<http://www.ci.atherton.ca.us/index.aspx?nid=192>

ATTACHMENTS

FY 2024/25 General Fund Revenue and Expenditure details by department, Internal and Special Funds, CIP, and accompanying resolutions