



## Item No. 12 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 21, 2023**

**SUBJECT: ADOPT THE ATTACHED RESOLUTIONS ADOPTING THE FY 2023/24 OPERATIONS AND CAPITAL BUDGET, SALARY & BENEFIT RESOLUTION FOR UNREPRESENTED STAFF, MEMORANDUM OF UNDERSTANDING FOR THE ATHERTON POLICE OFFICERS ASSOCIATION; 2023/24 SALARY AND CLASSIFICATION SCHEDULE, GANN LIMIT APPROPRIATIONS, AND ARPA FUNDING**

### **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 2023-2024 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 2023-2024 Salary Schedules and Classifications;
4. Resolution of the City Council of the Town of Atherton Establishing the Appropriations Limit for Fiscal Year 2023-2024 Pursuant to Article XIII B of the California Constitution;
5. Resolution of the City Council of the Town of Atherton ratifying the Memorandum of Understanding between the Town and the Atherton Police Officers Association for the period commencing July 1, 2023 through June 30, 2027;
6. Resolution of the City Council of the Town of Atherton regarding the receipt and use of Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act of 2021.

## **EXECUTIVE SUMMARY**

Staff is pleased to present the City Council with a balanced Annual Operating Budget for FY 2023/24. The Council held four (4) public sessions in review of the Town Operational and Capital Budgets. The FY 2023/24 Operating Budget reflects a positive outlook. With the completion of the Town Center, focus is shifting to other capital projects needs in the Town. The Holbrook

Palmer Park Circulation plan construction is set to begin in the coming months and other Park areas are new priorities along with Traffic Safety Improvement projects. The General Fund will provide new capacity in the next several years for project priorities within the CIP Master plans and operational needs. Such priorities include working on projects in the Bicycle Pedestrian Master plan, Drainage improvement plans and Green Infrastructure within Road and Maintenance projects.

Staff incorporated all City Council feedback from the FY 2023/24 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.

CIP projects continue to be identified from the various master plans and residual funding remaining from the Town Parcel Tax is being used. 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. The Town Financial Planning Model contained set aside buckets that correlated with funding toward various Bike|Ped, Drainage, Park master plans and other capital projects. *In 2023/24 fiscal year budget, \$5.89 million is allocated from General Fund Reserves to various set aside buckets as funding to various Council priorities. During the June 7<sup>th</sup> study session, the Council directed staff to remove the Hybrid Beacon study and project from the CIP. This reduced the allocation by \$100,000 to \$5.89 million.*

For FY 2023/24, General Fund revenues are projected at \$21,466,475 and General Fund expenditures are projected at \$19,250,260. This reflects a single year surplus of \$2,216,215 before the addition below the line of ERAF and transfers in/out for CIP. is a projected year-end positive fund balance in the General Fund of \$11.49 million. Staff seeks to ensure that the Town's fiscal position remains positive while continuing current programs, policies, and services.

## REVENUE HIGHLIGHTS

FY 2023/24 Total General Fund revenues are projected at \$21,466,475. Grants and contributions are only budgeted if they have been authorized and approved by the granting agency. A Cal-Recycle grant of \$5,000 and a Community Oriented Policing Grant of \$155,000 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 Estimate-	Recommended
Category	FY 2021/22	FY 2022/23	FY 2022/23	FY 2023/24
<i>Secured Property Tax</i>	<i>\$10,480,500</i>	<i>\$11,107,730</i>	<i>\$11,500,000</i>	<i>\$12,082,630</i>
<i>Other</i>	<i>\$2,751,975</i>	<i>\$3,171,428</i>	<i>\$3,022,162</i>	<i>\$3,043,966</i>

FY 2023/24 Town Operations Budget

June 21, 2023

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	Actual	Orig. Budget	Adjusted Estimate-	Recommended
Category	FY 2021/22	FY 2022/23	FY 2022/23	FY 2023/24
<b>Subtotal Property Tax</b>	<b>\$13,232,475</b>	<b>\$14,279,158</b>	<b>\$14,522,162</b>	<b>\$15,126,596</b>
<b>Sales Taxes</b>	<b>\$305,011</b>	<b>\$295,000</b>	<b>\$304,000</b>	<b>\$321,100</b>
<b>Franchise Fees</b>	<b>\$969,422</b>	<b>\$1,005,000</b>	<b>\$1,028,997</b>	<b>\$1,056,000</b>
<b>Intergovernmental</b>	<b>\$41,996</b>	<b>\$43,000</b>	<b>\$39,600</b>	<b>\$40,700</b>
<b>Business License Tax</b>	<b>\$253,779</b>	<b>\$268,000</b>	<b>\$258,000</b>	<b>\$283,600</b>
<b>Planning Fees</b>	<b>\$289,279</b>	<b>\$225,300</b>	<b>\$290,300</b>	<b>\$298,300</b>
<b>Building Fees</b>	<b>\$1,680,961</b>	<b>\$1,817,000</b>	<b>\$1,562,291</b>	<b>\$1,677,000</b>
<b>Policing Fees</b>	<b>\$131,110</b>	<b>\$294,890</b>	<b>\$203,814</b>	<b>\$285,690</b>
<b>Public Works Fees</b>	<b>\$626,910</b>	<b>\$658,700</b>	<b>\$520,700</b>	<b>\$635,700</b>
<b>Park Program Fees</b>				
<i>Social Fees</i>	<i>\$89,026</i>	<i>\$90,100</i>	<i>\$90,000</i>	<i>\$95,000</i>
<i>Meeting Fees</i>	<i>\$0</i>	<i>\$10,000</i>	<i>\$0</i>	<i>\$0</i>
<i>Class Fees</i>	<i>7,260</i>	<i>\$15,000</i>	<i>\$8,278</i>	<i>\$15,000</i>
<i>Weddings</i>	<i>\$19,499</i>	<i>\$40,000</i>	<i>\$31,000</i>	<i>\$40,000</i>
<i>Day Use Fees</i>	<i>\$16,327</i>	<i>\$16,500</i>	<i>\$11,000</i>	<i>\$16,500</i>
<i>Catering Service Fee</i>	<i>\$7,139</i>	<i>\$5,200</i>	<i>\$31,000</i>	<i>\$41,000</i>
<i>Admin Fees</i>	<i>\$25,141</i>	<i>\$0</i>		
<b>Subtotal</b>	<b>\$164,392</b>	<b>\$176,800</b>	<b>\$171,278</b>	<b>\$207,500</b>
<b>Misc. Revenues</b>				
<i>Admin Citations</i>	<i>\$10,300</i>	<i>\$32,000</i>	<i>\$106,400</i>	<i>\$85,000</i>
<i>Cell Lease(s)</i>	<i>\$67,896</i>	<i>\$70,775</i>	<i>\$70,775</i>	<i>\$73,606</i>
<i>Interest Income</i>	<i>(\$518,658)</i>	<i>\$132,000</i>	<i>\$150,000</i>	<i>\$175,000</i>
<i>Knox Playschool</i>	<i>\$67,154</i>	<i>\$89,533</i>	<i>\$85,000</i>	<i>\$89,533</i>
<i>C&amp;D Forfeiture</i>	<i>\$655,900</i>	<i>\$65,000</i>	<i>\$874,200</i>	<i>\$1,000,000</i>
<i>Other</i>	<i>\$249,271</i>	<i>\$131,150</i>	<i>\$109,976</i>	<i>\$111,150</i>
<i>ARPA Fiscal Recovery</i>	<i>\$1,707,322</i>			
<i>Bayfront Canal Leaseback Funds</i>	<i>\$1,350,000</i>			
<b>Subtotal</b>	<b>\$3,589,185</b>	<b>\$520,458</b>	<b>\$1,396,351</b>	<b>\$1,534,289</b>
<b>Total General Fund</b>	<b>\$21,284,518</b>	<b>\$19,583,306</b>	<b>\$20,297,493</b>	<b>\$21,466,475</b>
<i>Excess ERAF</i>	<i>\$2,488,713</i>	<i>\$2,316,000</i>	<i>\$2,339,064</i>	<i>\$2,300,000</i>

	Actual	Orig. Budget	Adjusted Estimate-	Recommended
Category	FY 2021/22	FY 2022/23	FY 2022/23	FY 2023/24
Total Revenues	\$23,773,231	\$21,899,306	\$22,636,547	\$23,766,475

- Note – table includes ERAF.

#### Educational Revenue Augmentation Fund (ERAF)

The Town's ERAF revenue for FY 2022/23 was \$2,339,064. This is an increase of \$23,064 over the budget of \$2,316,000. Even though the Town has seen increases in ERAF recently, this 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 \$2.3 million for FY 2023/24

#### Revenue Assumptions

In FY 2022/23, **Property Taxes** represent approximately 72% of the Town General Fund Revenues. The total projected revenue from property taxes is \$15,526,595, approximately 5.3% or \$611,000 over the FY 2022/23 actuals estimate. Atherton's 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 223% - roughly 7.5% per year. However, while some years are higher and some years are lower, the overall trend is a decrease in growth. The property tax projection is 4.1% for FY 2022/23 property tax revenues.

The Property Tax in Lieu VLF was projected as \$1,856,000 during our April 5<sup>th</sup> Study Session. With the new VLF shortfall of \$70 million the Town now has a \$425,037 shortfall for FY 2022/23 revenue. Staff estimates that with the recent shortfall in VLF funds it is prudent to adjust the VLF amount for FY 2023/24. The Property Tax in lieu VLF revenue was adjusted to \$1,556,000.

Other General Fund revenues for FY 2023/24 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. These revenues are based on the current trend of building activity for residential improvements and new construction. Franchise fee revenues are projected at 2 to 4.3 percent (%) and based on the current year 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 \$19.25 million. Expenditures continue to be 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 CalPERS pension costs for employees 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, in addition to the preceding rates, employees pay an additional 1% (local miscellaneous) and 3% (public safety) of the employer retirement cost.

The employer cost for CalPERS pension costs for Miscellaneous employees is 12.63%. This represents an increase of 1.57% from the prior year. With the above cost sharing agreement, the actual cost is reduced to 11.63%. The Public Safety employee cost is 29.09% (an increase of 3.45%). Through the cost-sharing agreement, the Town's actual cost is 26.09%.

Listed below are the Unfunded Accrued Liabilities (UAL) dollar amounts the Town has paid for FY 2016/17 through FY 2022/23. The FY 2023/24 total UAL payment is \$1,259,579 and is a decrease of \$6,283. These expenses are incorporated into respective department budgets.

CalPERS Employer Payment of Unfunded Liability	UAL FY 2016/17	UAL FY 2017/18	UAL FY 2018/19	UAL FY 2019/20	UAL FY 2020/21	UAL FY 2021/22	UAL FY 2022/23
Miscellaneous Employees	\$146,085	\$183,648	\$230,536	\$288,470	\$333,762	\$393,774	\$452,652
Public Safety Employees	\$402,865	\$498,416	\$607,679	\$750,799	\$860,123	\$6,007,045	\$813,210
<b>Total Contribution</b>	<b>\$548,950</b>	<b>\$682,064</b>	<b>\$838,215</b>	<b>\$1,039,269</b>	<b>\$1,193,885</b>	<b>\$6,400,819</b>	<b>\$1,265,862</b>

### *OPEB & Workers' Compensation*

Town retiree health expenses are now being paid through the PARS Trust. This is an operational cost savings expense to all General Fund operation departments in the amount of (\$495,032). The OPEB Liability is \$7.73 million and there is currently \$7.82 million in the Trust. This results in an estimated Net OPEB Liability *asset* of \$93,344.

The Town will continue to make only the Actuarial Determined Contribution (ADC) towards the OPEB trust to satisfy the future normal cost (cost of new service) and amortized unfunded liability

(cost of past service). This amount is \$138,301 for FY 2023/24. These costs are included and charged to the respective departments and allocated to the Employee Benefits Fund.

Each department is responsible for an allocated cost for **Workers' Compensation**. Such 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 was reduced from 7% to 1% of salary costs and other departments charges reduced from 3% to 1% for total cost of \$64,909. This reduction in Workers' Compensation charges produces a total savings of approximately \$245,322 in the General Fund operating departments.

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 12 open claims (down from 17) that incur a *reserve* claims cost of approximately \$551,832 in the current year. This is a decrease of \$112,064 in reserve claims for 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 \$197,115, an increase of \$77,257. The current year assessment is \$212,350 and is expected to decrease to \$141,568 in FY 2023/24. The decrease is due to the Town equity reserve share is at \$151,007 and does not need a replenishment to maintain its reserve requirement.

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## BUDGETS BY DEPARTMENT

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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.

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### CITY COUNCIL OPERATIONS OVERALL NET INCREASE OF \$7,502

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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 2023/24 includes an increase of \$500 for advertising/publishing for council meeting postcard notifications and business meetings & meals increased \$2,900 meeting meals, snacks, and refreshments. There was an increase of \$1,000 in training and workshops for Council related community workshops and team building. There is an increase in contribution to HIP Housing to \$15,000 for grant participation in the Town's first home sharing program. There was a decrease in municipal election budget line item of \$12,000 as no election costs are anticipated in the fiscal year.

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**ADMINISTRATION DEPARTMENT  
OVERALL NET INCREASE OF \$66,978**

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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 II, and Office Specialist), 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 \$185,023. Majority of the increase is salary and benefits \$172,000 due to the hiring of Management Analyst II in the department for existing increased role for Town administration department for emergency preparedness, community outreach, environmental programs committee, sustainability programs, and information technology. Additional increase of approximately \$7,000 for salary adjustment of 4%. Workers' Compensation allocations decreased (\$5,964) due to program allocation being reduced from 3% to 1%. There were reductions for retiree health insurance costs (\$10,177) due to the reduction in OPEB retiree health expense as the PARS Trust is paying all retiree health costs. There is still an actuarial annual required contribution for future services. The CalPERS UAL payment decreased by \$3,722. The CalPERS normal cost expense increased by \$16,552. There was an additional reduction in dental insurance expense of (\$1,145) in the department.

Operations

There was a decrease in operations expense in the amount of (\$116,900). The majority of the reduction is due to the contract human resources (\$110,000) reduction in need for legal human resources assistance litigation support. This was a non-recurring expenditure. Other equipment repair and maintenance had an increase of \$2,400 as this for copier lease and increased printing of materials. Slight increase in advertising-notices of \$2,000 for town mailers. There was an increase in recruitment costs to the amount of \$3,500 for recruitment consultant. Training and Workshops increased \$1,000 for food pantry for staff and conferences increased \$300 for municipal management analyst conference. There was a decrease in other contract services in the amount of \$35,000 as we adjusted services for newsletter, website and communication support. Environmental Programs committee expense decreased \$6,500 as the AZGA event was a current year additional appropriation only. Special events and awards increased \$1,000 for quarterly staff team building luncheons hosted by Town departments. Other contract services budget is \$115,000 but the amount allows the Town to refocus efforts on areas that have been neglected. These includes the expansion of sustainability programs and outreach such as public outreach on the Town's Climate Action Plan, SB 1383 Compliance efforts, home energy audits, energy demonstration programs, battery loaner program, and a number of other programs and outreach efforts. There was an increase in other contract service expense as the Council approved a rebate program for \$25,000 for a one-time, individual rebate of up to \$250 toward eligible zero-emission equipment (batteries, equipment, etc.). This will provide \$250 to 100 residents. Residents could use the rebate to purchase equipment for themselves and their personal use; equipment for their

landscapers; and/or equipment for the landscapers to use on their property only (such as batteries, etc.).

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

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The City Attorney's Office budget consists of the legal retainer for the City Attorney and other associated legal services. The Town has a new City Attorney and adjusted retainer amount. The budget also includes a line item for Additional Services as needed.

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**FINANCE DEPARTMENT**  
**OVERALL NET DECREASE OF \$31,044**

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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 decreased by \$4,484. This was attributed to a reduction in Workers' Compensation and retiree health expenses. There was a decrease in Workers' Compensation of (\$8,858) as the allocation percentage was reduced from 3% to 1% in the budget. Salaries and benefits had an increase of \$18,884 due to salary place holder adjustment of 4%. The allocations for retiree and active employee health insurance costs decreased by \$19,008 as OPEB retiree health expense is now being paid exclusively from the PARS Trust. The CalPERS normal cost contribution increased by \$5,714 and the UAL payment decreased by (\$2,230). There was an additional reduction in dental insurance expense of (\$921) in the department.

Operations

Operation expenses for the Department decreased by (\$25,639). Most of the decrease is in Other Contract Services due for the Cost Allocation Study which is anticipated to complete in June 2023. There were slight increases in various expense accounts audit and financial, technical services, business meeting and meals for a total of \$7,876. Business license processing fee had an increase of \$8,000 and reduction of \$1,000 in COVID-19 emergency expense.

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**PLANNING DEPARTMENT**  
**OVERALL NET INCREASE OF \$887,748**

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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 Planning Department continues to reflect more significant adjustments due to a new Town planning services consultant and one-time programmatic expenditures related to the various General Plan Updates (Safety Element, Housing Element, etc.) and associated Zoning Code



updates. These include preparation of the required environmental reviews for CEQA (~\$325k); creation of expanded objective design standards (~\$150k); General Plan Safety Element Update (~\$65k); preparation of the In-Lieu Inclusionary Fee Nexus Study and the Financial Feasibility Analysis Report (~\$100k); Evolving state mandates are requiring the Town to make modifications to the ADU Ordinance and implementation of an expanded ADU Program; and the implementation of the SB 9 Urban Lot Split Program. There are necessary Planning staff hours and counter review for day-to-day processing of basic applications that also see an increase in expense due to a change in contract planning service providers. Contract rates for Good City Company were approximately 20%-30% below market. Upon their departure, there was a determination that the processing and review being conducted were not sufficient. The cost of daily services can be largely offset through the pending fee study and fee adjustments, the one-time project costs for Housing elements cannot.

The anticipated increase in the planning department operation budget includes \$426,165 increase for Contract Planner hours and \$456,000 increase (one-time costs) for the above Housing Element updates.

### Operations

Total operating Planning budget increased \$887,748 to \$1,649,819. The current planning contract is estimated to increase \$426,165 to \$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. Costs related to updates to the Housing Element, environmental reviews for CEQA, objective design standards, general plan safety update, modifications to ADU ordinance and implementation program, and preparation of the In-Lieu Inclusionary Fee Nexus Study and financial feasibility analysis report an increase of \$410,099 for a total of \$693,109. There is an increase in advertising/noticing expense of \$8,500 and increase in other contract services of \$37,440 for a shared housing planner. There is an increase in miscellaneous computer equipment of \$3,000 and computer equipment software increase of \$2,040 for two additional licenses for CRW Trakit software.

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## **BUILDING DEPARTMENT OVERALL NET DECREASE OF \$161,205**

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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, Senior Engineer/Maintenance Manager, 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 \$24,405. There were minor adjustments in Salaries, Employee Benefits Earned, PERS Retiree Contribution, and Unemployment Insurance allocations. Allocations for retiree employee health insurance costs decreased by \$22,408 due to the expense now being paid by the PARS Trust. Workers' Compensation decreased by (\$3,581) due to allocation cost reduced to 1%. The CalPERS UAL payment decreased by \$5,075.

Operations

The majority of the decrease is due to a corresponding Building and Life Safety Contract Services decrease – (\$139,700) This is based on the revenue assumption for the department for the upcoming fiscal year. Technical services increased \$10,000 for CRW software maintenance fee. There were slight increases in advertising and publishing, office supplies, subscriptions, safety supplies & materials of \$2,900.

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**INTERDEPARTMENTAL  
OVERALL NET INCREASE OF \$31,031**

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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

There is a decrease in IT support by (\$47,004) for year cost of services contract compensation adjustment. General liability, employment practice, and property insurance costs increased \$73,035 to maintain the Town's cost for insurance and self-insured retention. There is an increase of \$5,000 in county tax administration cost. IT support amount remained static and provides three (3) days of onsite support and also will provide support scope of work with needed network upgrades, phone system replacement, and other application maintenance for Town Center needs.

IT Infrastructure expense includes needs and upgrades identified with Town Center. The FY 2023/24 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.

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**PUBLIC WORKS DEPARTMENT  
OVERALL NET INCREASE OF \$152,364**

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The Public Works Department budget consists of 5 distinct areas of focus: Engineering, Streets, Park Maintenance, Park Programs, and Building Maintenance. The department recently went through a restructuring to include the hiring of a Public Works Director and the new classifications of Associate Civil Engineer to Senior Engineer/Maintenance Manager, and addition of Parks Manager to Town Arborist. The salaries and benefits of all or portions of four full-time employees (Public Works Director, Senior Engineer/Maintenance Manager, Town Arborist/Parks Manager, and Office Specialist) are included in the budget. 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 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.

The budget includes the expenditures for change in the department's operations largely related to existing and new contract services: MCE Contract Services, New Town Landscaping services, facility maintenance services, Park Event Services, and custodial services. Many of these items were refined during the fiscal year with no major increase. The new equipment and facility servicing needs for Town are incorporated to include systems maintenance and monitoring, landscaping, custodial, and utilities for these new facilities. The Public Works Department also reflects one of the more significant adjustments due to costs for the Facilities Manager, new maintenance contracts and building system costs this position will oversee. 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.), expanded landscape services, and overall utility costs.

### Personnel and Benefits

Overall, the salaries and benefits category increased \$121,086. This includes net adjustments of savings from OPEB retiree health expense, worker's compensation, and UAL. The majority of the increase in salaries and benefits category is due to the addition of the Maintenance Manager position and 4% salary adjustments estimation \$171,000. There was an adjustment decrease in Workers' Compensation of (\$7,103) due to the reduction in the allocation charge to 1%. There was decrease in retiree health OPEB insurance cost of (\$73,546) due to no more "pay as you go" retiree health as the PARS Trust is now use for retiree health. The CalPERS normal cost had an increase of \$17,089 mainly due to a new maintenance manager and CalPERS UAL payment decreased by \$7,602. There was an additional reduction in dental insurance expense of (\$1,271) in the department.

### Operations

During fiscal year 2022/23 there were adjustments in the operations budget related to maintenance manager addition, contract professional engineering town service needs, existing contract for facilities maintenance services, repair and maintenance. There is a reduction in contract engineering services of (\$27,000) for contract professional services as anticipation for the hiring of a senior engineer in the new year. The Town has entered into service contracts with various vendors for the needs and services for the Town Center facility maintenance. There is an increase in the Equipment Repair and Maintenance budget by \$97,500 for service contracts with the vendors for inspections and servicing of new equipment and systems of new facilities. These include servicing contracts for elevator \$3K, BMS monitor system \$32K, Fire Alarm \$12K, generator \$4k, HVAC \$16K, heat pump \$7K, water treatment \$1K, Power wash \$6K and allowance of \$89k for repairs if needed for equipment and systems. The Facility Repairs and Maintenance expense increased by \$25,000 for anticipated minor facility repairs at park facilities, HVAC, water heater at Pavilion, roof, Gilmore house, playground equipment, painting, and other repairs. There was an increase in utilities of \$9,500. Utility costs are estimated at \$266,000 with 64% for the Town Center and the remaining 36% to the Library. These costs have been distributed across the respective departments and the Public Works budget increased \$3,500. The total current contract DPW maintenance service budget is estimated at \$910,000. This does include funding for a contractual adjustment in the MCE contract for CPI, as staff expects to have the adjustment at the next reiteration review of the operations budget. The budget included the new Landscape

Services for Town Center and Park facilities. With some additional enhancements for the park and town center campus. These potential adjustments and enhancement absorb the portion of the Facilities Manager allocation expense. This includes as follows:

- Contract maintenance for streets, building maintenance, and park events - \$530,000;
- New Landscape maintenance - Town Center Campus and Holbrook Palmer Park -\$325,000; includes park enhancements of \$55,000.

There are minor areas of adjustment in rent machinery & equipment, membership dues, office supplies, construction materials and computer equipment software for a total of \$7,600. Building Improvements expense budget decreased \$40,000 for carryover budget of the renovation of the Carriage House bathrooms, and painting of Little League building at the Park. COVID expense decreased \$10,000. Contract Park Event services decreased as the contract is on exclusive catering for events.

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**POLICE DEPARTMENT**  
**OVERALL NET DECREASE OF \$241,039**

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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.

There is a continuing recruitment effort seeking lateral as well as recent academy graduates. Vacancies often result in increased overtime offset by overall salary savings at the end of the year. The Department experienced some retirements and lateral promotions from officers to sergeant supervisor positions as this provides opportunity for advancement and growth with the department.

Personnel and Benefits

Overall, the salary and benefits category decreased \$361,098. This is largely due to decreases in OPEB retiree health and Worker's Compensations expenditures in the department. There is an estimated annual salary adjustment of 4% place holder in the budget. The Memorandum of Understanding (MOU) with the Atherton Police Officer's Association expires in FY 2022/23. The results in a salary adjustment of \$168,132 for FY 2023/24. This is for personnel represented by the APOA only. Overtime expense is expected to increase \$185,000 over the adopted FY 2022/23 budget. This is due to new augmented categories for built in 4 hours OT pay for dispatchers; OT for backfill staffing-court, training, investigations, court; special operations OT, and holiday OT.

There is a decrease in retiree and active health insurance of (\$375,893). This is decrease is due to the Town now using the PARS OPEB Trust to pay all retiree health. With the Council recent direction to start paying the retiree health expense via the PARS Trust there is a realized decrease in operation expense for OPEB costs. This reduced OPEB operational expenditure for the

department and also opens up the ability to allocate the savings as discussed earlier to one-time expenses or Council priorities in the General Fund. As discussed earlier, with the increase in adequate reserves in the Worker's Compensation fund, staff felt there was an opportunity to reduce the expense allocation for the department from 7% to 1% for sworn personnel and 4% to 1% for non-sworn personnel. This decreased Workers' Compensation expense by (\$219,843). Staff will continue to monitor this expense and may need to increase the allocation in future years to maintain adequate reserves. The normal cost for CalPERS contribution increased by \$71,343 as the contribution increased 3.45% to 29.09% in FY 2023/24. There was a minor increase in EE Benefits Earned/Medicare Tax and Unemployment/Insurance. The CalPERS UAL payment decreased by (\$29,353), mainly due to the ADP of \$5 million and the 21.3% return in FY 2020/21. There was an additional reduction in dental insurance expense of (\$9,365) in the department.

### Operations

Overall, the Operations expenditure budget for the Police Department increased by \$129,424. The majority of this was due to an increase in the equipment replacement fund expense of \$31,463, technical services of \$33,880 and disaster/emergency expense for \$20,000.

The Department is purchasing some supplemental budget items within its equipment replacement fund. These items include a weapons rack \$7,732, Narcan life-saving medication \$3,000, Aardvark door breaching tool that allows entry into home or school to assist in active shooter or other crime. \$18,566, Red dot pistols are new technology that will improve accuracy and prevent the misuse of a firearm \$28,865, and LED portable emergency light \$2,500. 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 \$175,000 each year. With the increase in radio equipment for vehicles this has increased to \$185,000. These are two new replacement vehicles for the patrol fleet. that These purchases will be from the Equipment Replacement Fund. There was an increase in disaster/emergency expense of \$20,000 for ADAPT's request to purchase emergency equipment cache boxes with tools, emergency equipment, and information for ADAPT members.

In addition to the preceding adjustments, technical services increased \$33,880 due to contract maintenance agreement for Town security cameras and door key cards. There was an increase in equipment maintenance-other for \$2,000. The electricity utility increased by \$13,000. Printing expenses decreased by \$2,000 as police resident handbooks are completed. There was an increase in Post Training of \$10,000 due to sending new hires and staff to more training. There is an increase adjustment of \$18,187 for Other Contract Service expenses with the recent increase for Department of Emergency Management and National Night Out expenses. Increase in K-9 expenses of \$12,000 as the department is adding a new K-9 unit. There was an increase in Computer Equipment/Software of \$18,897 due to an adjustment for new package installation of new surveillance cameras system at HP Park. There were decrease adjustments made across animal control services, other supplies and materials, machinery and equipment.

## **GENERAL FUND SUMMARY**

For FY 2023/24 the Town's General Fund Revenues are projected at \$21,466,475 against \$19,250,260 in expenditures. This will result in a single year-end positive balance of \$2,216,215 and a total ending Fund Balance of \$11,496,029.

FY 2023/24 includes below the line items of \$2,300,000 for ERAF, budgeted debt service payment of \$861,000, Transfer Out to CIP Fund 401 for capital projects of \$5,890,000 as there was a reduction of \$100,000 in HAWK beacon study. There will be a single-year projected change in fund balance by negative \$2,235,656. The negative change reflects the drawdown of unallocated reserves Fund Balance of \$5.890 million for capital projects.

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## **LIBRARY FUND**

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### **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. Upon 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 anticipated FY 2022/23/22 ending balance for the Library Fund is \$1,375,239. 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. The Town will not receive excess funds from the JPA until the advancement of funds are paid back. It is estimated that it will take approximately 3.5 to 4 years for reimbursement of the advancement of Library JPA funds. This could occur sooner depending upon property tax revenues. The estimated ending fund balance for FY 2023/24 Library Trust funds is \$1,391,239.

### **EXPENDITURES**

The FY 2023/24 projected expenditures for the Library are \$637,102 for operations, utilities, maintenance costs and development of spaces. There is an increase in utilities costs of \$55,000 for electricity and water. Maintenance costs for facility contracts for Library increased \$14,000 for systems maintenance on new facilities. These amounts are based on the new 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 which includes 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 building replacement fund.

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## **OTHER RESTRICTED FUNDS**

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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.

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### **EQUIPMENT REPLACEMENT FUND**

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The Equipment Replacement Fund is an internal depreciation fund for the replacement of large assets. The Fund is essentially 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 remains sufficient funds in the fund to accommodate emergency replacement needs as well as planned needs.

The FY 2023/24, departmental allocations (revenues) total \$313,763 and the expenditures total \$290,663. The largest allocation charge is \$277,500 in the Police Department for FY 2023/24. This allocation reflects the purchase of 2 vehicles each year as part of the regular maintenance and replacement schedule for vehicles. There was an increase in the vehicle and accessory expense account in the amount of \$92,500 for the purchase of an additional Tahoe patrol vehicle. The equipment replacement budget was amended due to an Explorer vehicle being involved in an accident and not repairable. There is an increase of \$92,500 expense from the fund for the purchase of an additional third Tahoe patrol vehicle to the fleet for a total amount of \$277,500. The Department is anticipating the purchase of 2 Tahoe patrol vehicles as part of its regular equipment replacement schedule. In FY 2023/24 there will be 3 vehicles purchased are replacement vehicles to the patrol fleet. It allows the Town to use the State and Federal Multiple-Award Schedule pricing to purchase vehicles from the Equipment Replacement Fund. In FY 2023/24 the Police Department will also purchase \$60,663 in other miscellaneous small equipment assets. These were noted in the General Fund Budget presentation. Public Works will also be replacing an older vehicle in the fleet and is looking at a hybrid vehicle alternative.

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### **WORKERS’ COMPENSATION FUND**

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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. Within this Fund are 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 agency 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 twelve (12) open claims (down from 17) that incur a *reserve* claims cost of approximately \$551,832 in the current year. This is a decrease of \$112,064 in reserve claims for 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 Workers' Compensation Fund tracks expenditures for related expenses across the various departments. Each department is charged an allocation of the expense based on the number and type of personnel within each department. Departmental costs are different not only due to the number of employees within the department but also the type of employee – public works, administrative, public safety, etc. directly related to the type of risk exposure. For the FY 2023/24 budget staff recommends adjusting the Workers' Compensation charge to the Police Department was reduced from 7% to 1% of salary costs and other departments charges reduced from 3% to 1% for total cost of \$64,909. This reduction in Workers' Compensation charges produces a total savings of approximately \$245,322 in the General Fund operating departments allocation reductions.

The Town maintains an equity reserve designed to keep overall operational rates low. If the equity reserve is maintained, annual operational rates are subject to increase due to a “special assessment” imposed by the Cities Group JPA. The current year assessment is \$212,350 and is expected to decrease to \$141,568 in FY 2023/24. The decrease is due to the Town equity reserve share is at \$151,007 and does not need replenishment to maintain its reserve requirement. Currently, there are enough reserves in the Town's Worker's Compensation Fund for future allocations of two years for equity replenishment and approximately two and a half years of reserve claims. The FY 2023/24 expense is \$148,186 in the fund.

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## GENERAL LIABILITY FUND

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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 2023/24 are estimated at \$536,295. The total FY 2023/24 projected expenditures for this fund are \$636,295. 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 1.5 per year.

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## EMPLOYEE BENEFITS FUND

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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 2023/24 is \$448,824. Expenditures for FY 2023/24 are \$388,301. The expenditures include the \$138,301 for OPEB actuarial determined contribution (ADC) and employee benefits earned expense \$235,000. 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 \$239,994. 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 \$966,718. 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. As noted, these funds are accounted for as part of the Town’s annual audit.

Included within this fund are also unemployment insurance charges if there are any future claims charges to the Town. Any claims would be paid out of this fund. The total budgeted charge is \$66,029. During the General Fund Operations presentation, staff recommended the Town make only the ADC amount of \$138,301 towards the OPEB Trust to satisfy the normal cost (cost of new service) and amortized unfunded liability (cost of past service). These costs are included and charged to the respective departments based on retiree health costs and allocated to the Employee Benefits Fund.

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## **TENNIS FUND**

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The Tennis Fund projected revenues are \$58,900. The majority of this revenue comes through the facility management services contract with Player Capital. This contract provides additional yearly revenue of \$40,000 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 tries to resurface and maintain the courts. 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 Tennis Fund had accumulated reserves over the years of approximately \$200,000 for comprehensive repairs. In FY 2021/22, the Town did an overlay of the three (3) rear courts at the facility. The current fiscal year budget included urgent needs rehabilitation of the remaining two tennis courts and clay court maintenance for completion of comprehensive repairs at the facility.

The FY 2023/24 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 2023/24, 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 \$40,000 and \$5,000 for building security court gates upkeep.

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## COPS - CITIZEN'S OPTION FOR PUBLIC SAFETY

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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 \$160,000 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.

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## CAPITAL IMPROVEMENT FUND

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The five-year CIP proposes projects to analyze, repair or improve Town infrastructure, and the funding for those projects. The ten (10) 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 1<sup>st</sup> year (FY 2023/24) 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 24 meeting. The Commission will send their comments in writing to the City Council prior to the Council's June 21 meeting at which the Council is scheduled to adopt the budget, inclusive of the CIP.

The 5-year CIP is presented to City Council tonight in the Study Session workshop format to allow for questions and discussion of individual projects, general discussion about broader objectives to be considered for future proposed projects and priorities for allocating funds. In broad areas of the five largest CIP expenditures, this year's CIP recommends:

- \$1.9 million for the Traffic Safety Improvements Program;
- \$1.3 million for Bicycle & Pedestrian Program;
- \$1.6 million for the Road Maintenance Program;
- \$3.3 million for Drainage Improvements Program; and
- \$0.3 million for Park Improvements;

The total allocation for the 5-year period from FY 2023/24 through FY 2027/28 totals nearly \$26.7 million – the largest expenditures attributable to the Holbrook-Palmer Park Access and Circulation Project.

The Special Parcel Tax provided funding to maintain police emergency response services, street repair and maintenance, drainage facility repair and maintenance, and other capital improvements. The Special Parcel Tax generated approximately \$1.86 million annually and was divided 20% to Police Services and 80% to capital projects. The sunset of the Special Parcel Tax required the discontinuation of certain programs and projects. Allocation of the remaining balance of Special Parcel funds is proposed in the FY 2023/24 budget.

During the most recent workshop, staff implemented changes directed by the Council and were minor changes and/or updates to the Park, Drainage and Bike Pedestrian projects based on that Council direction. Below are the changes to the CIP program:

Park Master Plan Implementation Program #56063 – Page 27 of the CIP Program Booklet- was updated to include:

- Park Playground Improvements: increased FY 24/25 look ahead budget from \$500,000 to \$1,000,000 in the Capital Improvement Fund

Drainage Improvement Program #56034 pg. 21 of the CIP Program Booklet- was updated to include:

- El Camino Real Long-Term Solutions: project was advanced by one fiscal year – initiate study/design in FY 2023/24 (\$250,000). Capital Improvement fund increased to \$2,825,000 in FY 2023/24 with project implementation to follow in FY 2024/25 (\$2,275,000) instead of FY 2025/26. Funded through Capital Improvement Fund.

The FY 2023/24 Capital Improvement Fund includes funding sources of \$8.87 million for capital projects.

<b>Funding Source</b>	<b>FY 2023/24 Allocation</b>
CIP Fund	\$7,715,000
Gas Tax	\$375,000
Measure M	\$75,000
Atherton Channel Fund	\$127,000
Measure A	\$430,000

Funding Source	FY 2023/24 Allocation
Measure W	\$145,000
<b>Total</b>	<b>\$8,867,000</b>

Expenditures in FY 2023/24 for the CIP are \$8.57 million. The following are project/program expenditures:

Project	FY 2023/24 Funding
Traffic Safety Improvements	\$1,890,000
Accessibility Improvements	\$10,000
Streets/Roads Maintenance	\$1,580,000
Park Improvement Program Projects	\$300,000
Drainage Improvement Projects	\$3,300,000
Bike/Ped Master Plan Program	\$1,275,000
Town Facilities	\$150,000
Neighborhood Traffic Management	\$40,000
Traffic Control Devices	\$15,000
Upper Channel Monitoring	\$10,000
<b>Total*</b>	<b>\$8,570,000</b>

## **OVERALL SUMMARY**

For FY 2023/24 the Town's General Fund Revenues are projected at \$21,466,475 against \$19,250,260 in expenditures. This will result in a single year-end positive balance of \$2,216,215 and a total projected year ending positive Fund Balance of \$11,496,029.

FY 2023/24 includes below the line items of \$2,300,000 for ERAF, budgeted debt service payment of \$861,871, Transfer Out to CIP Fund 401 for capital projects of \$5,890,000. There will be a single-year projected change in fund balance by negative \$2,235,656. The negative change reflects the drawdown of unallocated reserves Fund Balance of \$5.89 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 2023/24 budget process, the Council considered uses for the unallocated funds towards various priorities. For FY 2023/24, there is an allocation of \$5.890 million for various set aside buckets for capital projects in the Town CIP.

The beginning FY 2022/23 General Fund Balance was \$13,585,333. With the inclusion of debt service, there is a total General Fund projected FY 2023/24 year-end fund balance of \$11,496,029. The table below reflects all the changes noted above.

<b>FY 2023/24 Beginning Fund Balance</b>	<b>\$13,731,684</b>
FY 2023/24 Projected Revenues (inclusive of ERAF)	\$23,766,475
<b>Total Available Funds</b>	<b>\$37,498,159</b>
COP Debt Service for FY 2023/24	(\$861,871)
FY 2023/24 Expenditures (Projected Budget)	(\$19,250,260)
FY 2023/24 Transfer Out CIP 401 Fund -Financial Planning	(\$5,890,000)
<b>Projected FY 2023/24 Ending Fund Balance</b>	<b>\$11,496,029</b>

As shown below, the Town will meet its new 30% reserve requirements total of \$5,775,078 in FY 2023/24 and projects an unallocated reserve that is 21% 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 2023/24 is \$4,013,951. 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 2023/24 Expenditures	\$19,250,260
<b>Projected FY 2023/24 Ending Fund Balance</b>	<b>\$11,496,029</b>
15% Emergency Reserve	\$2,887,539
15% Budget Stabilization Reserve	\$2,887,539
<b>TOTAL RESERVE REQUIREMENT</b>	<b>\$5,775,078</b>
<b><i>Reserved for ARPA</i></b>	<b><i>\$1,707,000</i></b>
<b><i>Less Above Reserve Requirement = Unallocated Reserves</i></b>	<b><i>\$4,013,951</i></b>

## GANN LIMIT CALCULATION

The Finance Director calculated the FY 2023/24 GANN limit using the percentage change in population and the cost of living provided by the State Department of Finance. The GANN limit for 2023/24 is \$16,667,794. The Town is in compliance with the GANN limit requirement for FY 2023/24.

## MASTER FEE SCHEDULE CPI ADJUSTMENT

*The Town is currently conducting a User Fee Study that is a detailed review that includes a cost allocation plan, hourly rate calculation, and user fee study. The Master Fee Study will entail all fees charged by all Town Departments and a detailed cost analysis of user fees. The objectives are*

to ensure that the Town is using comprehensive overhead rates and to accurately account for the true cost of providing Town's various services. Staff recommended the Town consider a regular escalator based on a local Consumer Price Index in the periods between adoption of the fee resolution and the next comprehensive fee review. The fee schedule includes the fully loaded hourly rate for staff. The escalator is based on labor cost adjustments and have been adjusted since the last Master Fee Study. During the FY 2022/23 budget, the fees on the Master Fee Schedule that have a labor component were increased by 6.9% and there was an adjustment of 6.9% to Planning fees. No changes have been made to valuation-driven fees until a fee study is complete. Since the Town is currently in the User Fee Study stages, it recommended that no escalator be instituted at this time. *The Master Fee Schedule will remain as is until the new study is completed in the next couple of months.*

## ARPA FUNDING

The Town received \$1.707 million from the American Rescue Plan. These funds may be used to respond to the public health emergency with respect to COVID-19; but are also fairly broad in their application. **Funds must be obligated by December 31, 2024, and must be spent by the end of calendar year 2026.** Current regulations allow local governments to utilize funds for expenditures in response to COVID-19 or to recoup negative economic impacts, such as revenue loss. There are also special categories of uses for the funds that the Town can take advantage of for special projects.

Staff have segregated these funds within the Town's General Fund and they will be allocated as part of the FY 2023/24 Budget to eligible expenses (past and present). Below is recommendation of projects and expenditures to apply and adopt through resolution for ARPA reimbursement to General Fund for allocations of expenditures.

1. Town Center Project Construction COVID related delays: \$925,000 (**Capital Expenditures related to response**)
2. Police Technology: The Town's Axon Agreements for tasers, incorporating new integrated and transparency technologies for body cameras, interview cameras, and fleet vehicles. This will be part of a multi-year agreement that includes licensing, storage, and technology upgrades. The multi-year, integrated system agreement will represent overall long-term savings to the Town and will vastly improve staff efficiency and data transparency- 1-year worth of cost - \$96,000. (**Government Services-Police and Public Health Safety**)
3. Town administrative Offices & Park facilities Generator: \$200,000 (**Government Services-Police and Public Health Safety**)
4. Drainage projects necessary to assist in heavy storm mitigation: \$486,000 (**Government Services-Police and Public Health Safety**)

**ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures** (i.e., one-time purchases or infrastructure).

**Authorized Uses of ARPA Funds:**

1. Replace lost public sector revenue;
2. Government services, such as roadway construction and maintenance, as well as other infrastructure related to government administration, staff, and administrative facilities; provision of police and other public safety services;
3. Responses to Public Health and Economic Impacts of COVID-19, including Public Communication efforts, Emergency Operations Centers & response equipment;
4. Public Sector Capacity Enhancements - Public Safety, Public Health, and Human Services;
5. Capital Expenditures related to response to public health and negative economic impacts;
6. Premium Pay to eligible workers performing essential work during the pandemic; and
7. Water & Sewer Infrastructure necessary investments in water and sewer infrastructure.

## 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 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**

1. Resolution No. 23 – XX Budget Adoption FY 2023/24
2. Resolution No. 23 – XX Salaries and Benefits Unrepresented
3. Resolution No. 23 – XX Salary Schedules CalPERS
4. Resolution No. 23 – XX Appropriations GANN Limit Schedule 2024
5. Resolution No. 23 – XX APOA MOU
6. Resolution No. 23 – XX ARPA
7. General Fund Revenue and Expenditure details by department,
8. Internal and Special Funds Summaries
9. Draft Atherton CIP 2024 – 2028
10. Draft Atherton 2023-24 CIP Spreadsheet