



## Item No. 2 Town of Atherton

### **CITY COUNCIL STAFF REPORT – STUDY SESSION**

**TO: HONORABLE MAYOR AND CITY COUNCIL**

**FROM: GEORGE RODERICKS, CITY MANAGER  
ROBERT BARRON III, FINANCE DIRECTOR**

**DATE: APRIL 1, 2015**

**SUBJECT: FY 2015/16 BUDGET KICK-OFF AND ORIENTATION**

#### **RECOMMENDATION**

Review and Discuss.

#### **BACKGROUND**

Tonight's meeting is the kick-off and orientation meeting for the FY 2015/16 Budget. Discussion focuses on the assumptions and forecasts as we prepare for another fiscal year as well as a budget overview and calendar.

As we go through the budget, we will discuss various forecasts and fiscal dependencies that will impact revenues and expenditures over time. As the Council is aware, the most significant funding source for the Town is our property tax revenue. Because of the Town's dependency on property tax revenue, accurately projecting property tax receipts into the future is a critical component of the Town's 5-Year Fiscal Outlook. Other forecasts that will be highlighted include labor costs, operational costs, and potential expenditure increases within those categories – such as CalPERS rates. Future budget discussion will focus on the Town's capital improvement projects that support the long-term goals established by the City Council.

Financial stability is at the forefront of policy decisions made by the Town. As we review the Town's budget it will be important to ensure that we maintain a positive budget position such that we are able to generate sufficient revenue to meet all expenditure needs – without incurring unnecessary future costs. A structural deficit will occur when our recurring revenue stream no longer meets the requirements of our recurring expenditures. The Town has faced this issue before and made course corrections over time to address the deficiencies. It is important to keep that line on the right side of zero.

The overall objective of the budget as a policy document is to identify the needs and priorities of the community, identify the resources needed to meet those needs and priorities, and translate that into service delivery over time.

This Staff Report will provide the City Council with:

- An overview of the FY 2014/15 Year-End Projected Fiscal Condition
- An overview of the Town's Major Revenue Sources and 5-Year Forecasts
- An overview of the Town's Major Expenditure Categories and 5-Year Forecasts
- An overview of the Budget Document and Format (Funds, Accounts, Line-Items)
- An overview of the Budget Process and Policy Discussions
- An overview of the Budget Calendar

**ANALYSIS**

**FY 2014/15 Year-End Projected Fiscal Condition**

The Town continues to be dependent on its two major revenue sources – property taxes and the parcel tax. With historic budgets, the Town also had a dependency on Excess ERAF. Recent budgets have removed Excess ERAF from dependency status to one-time revenue status. While the Town is not dependent upon Excess ERAF for its operational budget, Excess ERAF does support the reduction of long-term liabilities and the funding of one-time capital project needs.

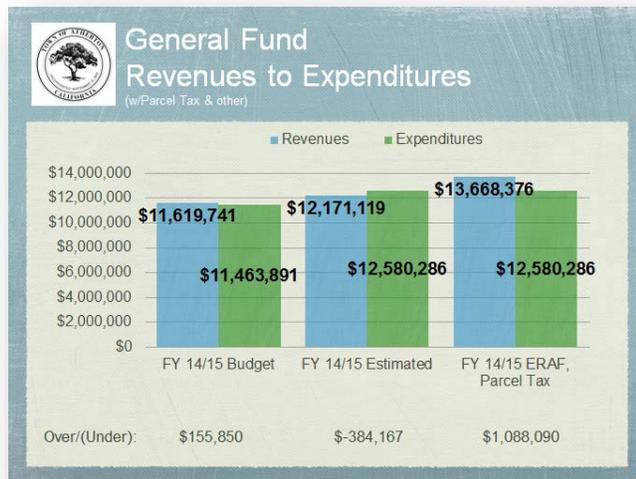
Beginning in FY 2014/15, the parcel tax allocation was adjusted to a 20/80 split between the General Fund and Capital Project fund, respectively. This allocation is revisited annually as we evaluate operational and infrastructure needs.

At the conclusion of FY 2013/14, the Town's General Fund reflected a net increase in the fund balance of \$2.1m. We anticipate that for FY 2014/15, the Town's General Fund will be further increased by \$1.2m (see table below).

<b>Town of Atherton, CA - Revenue &amp; Expense</b>							
<b>Type</b>							
<b>Funds Filter: General Funds</b>							
<b>Export generated on 02/09/2015</b>							
	<b>2009-10 Actual</b>	<b>2010-11 Actual</b>	<b>2011-12 Actual</b>	<b>2012-13 Actual</b>	<b>2013-14 Annual Budget</b>	<b>2013-14 Actual</b>	<b>2014-15 Final Budget</b>
<b>Revenues</b>	\$ 10,640,369	\$ 11,419,291	\$ 11,729,803	\$ 12,794,714	\$ 13,277,130	\$ 13,937,965	\$ 12,699,991
<b>Expenses</b>	11,224,668	11,831,869	11,743,489	10,639,180	13,002,973	11,882,237	11,474,592
<b>Revenues Less Expenses</b>	\$ -584,299	\$ -412,578	\$ -13,686	\$ 2,155,534	\$ 274,157	\$ 2,055,728	\$ 1,225,399

It is clear that the Town's net fiscal position has improved over the past couple of years; however, it remains a priority to maintain that momentum. In developing a baseline operational budget, staff seeks to ensure that the Town's fiscal position remains positive while still continuing current programs, policies, and services.

At mid-year, staff provided the Council with a summary of the Town's fiscal condition and expectation for the rest of the fiscal year. The adopted FY 2014/15 Town's General Fund, projected revenues at \$11.6M and \$11.5M in General Fund expenditures. The FY 2014/15 budget included discussions of revenue enhancement alternatives, paying down long term liabilities, increased capital project allocations, minimum mandatory reserves and continued enhancement of maintenance and operations throughout the Town. During mid-year, staff projected an increase in revenues of \$551,378 and a total revenue projection of \$12,171,119. Expenditures increased to \$12,580,286 and they included \$1,020,000 in OPEB contribution, a netted increase in building department expenditures of \$38,935 due to Town Arborist, code enforcement, and building services. There was an appropriation increase of \$50,000 in Public works for improvements at the park pavilion. With the revenue and expenditure adjustments, the Town projected a net change in fund balance for FY 2014/15 of \$1,088,090.



Coupled with the beginning FY 2014/15 General Fund Balance of \$10,413,977, the projected year-end fund balance is \$11,502,067. The Town projects to meet its reserve requirements at FY 2014/15 and also projects an unallocated reserve that is 52% of adjusted expenditures.

<b>FY 2014/15 Expenditures (Adjusted)</b>	<b>\$12,580,286</b>
<b>Projected FY 2014/15 Ending Fund Balance</b>	<b>\$11,502,067</b>
15% Emergency Reserve	\$1,887,042
20% Contingency Reserve (Stabilization)	\$2,516,057
Building Operating Reserve	\$505,000
<b>TOTAL RESERVE REQUIREMENT</b>	<b>\$4,908,099</b>
<b><i>Less Above Reserve Requirement=Unallocated Reserves</i></b>	<b><i>\$6,593,968</i></b>

Major Revenue Sources and 5-Year Forecasts

The Town's major revenue sources include Property Tax, Building Fees, Parcel Tax, and excess ERAF. *Property taxes* comprise of 67% of the Town General Fund revenues. In prior budgets the Town included ERAF in the property tax category and when included, property taxes were 73% of the General Fund Budget. Over the past several years, the Town's Assessed Valuation has increased. Since FY 2011/12 to FY 2014/15 the assessed value has increased 26.5%

Tax Year	Assessed Property Value	Growth Year over Year
2011/12	\$6,373,832,577	
2012/13	\$6,949,217,818	9.03%
2013/14	\$7,575,935,532	9.02%
2014/15	\$8,068,565,397	6.50%

The majority of this increase is due to Proposition 8 Recapture allowances imposed by the County Tax Assessor. These Proposition 8 Recapture amounts have led to a significant increase in the Town’s base property tax revenues. However, based on a property tax analysis provided by HDL under contract with the Town, property tax revenue is not anticipated to continue its history of significant increase. *Instead, property tax revenue is anticipated to level out at between 3.5 to 4.6%.*

Building fees are another major revenue source for the Town. The Town receives these fees as a result of building and construction of homes within the Town limits. The total fees include the building permit fee for construction, which is calculated on a valuation base per square foot. There are other various flat fees for plumbing, mechanical and electrical permits, grading and drainage permits and plan check fees for the building plans. *The Town continues to see steady construction; the anticipated projection for building fees is 3% annually.*

The Parcel Tax is another major funding source to the Town General Fund. The residents approved Ordinance No. 581 assessing a special parcel tax to provide funding for police and emergency services, and for repair and maintenance of streets and storm drains. The ordinance called for the City Council to determine the total amount of expenditures necessary to provide adequate levels of the identified services. This is a flat tax that is levied on each parcel. The parcel rates vary from \$225 to \$960, depending on the size of the parcel. The total amount of parcel tax revenue the Town receives a year is \$1,860,000. In prior years, Council policy allocated 60% of parcel tax fund for police services and 40% to capital improvement program (CIP). Staff allocated \$1,116,000 to police services and \$744,000 to the CIP. The Parcel Tax allocation in FY 2014/15 budget was adjusted to a 20/80 split between the General Fund and capital project funding respectively. This resulted in an allocation of \$372,000 to police services and \$1,488,000 to capital project funding. This allocation will be revisited as we evaluate operational and infrastructure needs for the FY 2015/16 budget. *The Parcel Tax is a vital revenue source for maintaining current levels in public safety and current funding levels in much needed capital projects. The amount of \$1,860,000 allocation may vary as Council determines the amount of funding to police services and CIP.*

ERAF is the Education Revenue Augmentation Fund. The State established this fund in the 1990’s and it was used to augment its General Fund revenues by shifting property tax revenues from local agencies to the State in order for the State meet minimum funding levels for schools. By taking revenue from local governments instead of the State’s general fund, the State’s freed up its own General Fund for other obligations. When school districts receive enough revenue from property taxes to meet the State’s required minimum funding level, the excess property taxes are returned to local agencies as *Excess ERAF*. San Mateo County is one of 3 counties in the State that receives “excess ERAF.” There continues to be discussion at the State level of

adjustments to school funding levels and just as the State did in the 90's, they will do again. This could result in the significant reduction and/or elimination of excess ERAF. In any given year, the Town could receive between \$0 to \$1,100,000 million. In FY 2013/14 the Town received \$1,020,000 and in the current FY 2014/15 the Town received \$1,125,000. *Beginning with FY 2014/15, the Town removed Excess ERAF revenue from the Town's Operational Budget as a revenue source. Excess ERAF received by the Town is treated as "one-time" revenue and is allocated toward reduction of long-term liabilities (such as OPEB or pension obligations) or is allocated toward capital infrastructure. ERAF will still be budgeted below the line and considered one time revenue sources. Over the past several years staff has budgeted ERAF conservatively at \$700,000.*

Below is a table of current major revenue sources and their estimated 5-year projections

Major Revenues	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Property Taxes	\$8,475,862	\$8,865,751	\$9,273,576	\$9,700,160	\$10,146,368
Building Fees	\$1,660,830	\$1,710,655	\$1,761,974	\$1,814,833	\$1,869,278
Parcel Tax*	\$1,860,000	\$1,860,000	\$1,860,000	\$1,860,000	\$1,860,000
Excess ERAF	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
<b>Total Revenues</b>	<b>\$12,696,692</b>	<b>\$13,136,406</b>	<b>\$13,595,550</b>	<b>\$14,074,993</b>	<b>\$14,575,646</b>

\*Parcel Tax allocation is 20%/80% to General Fund and CIP respectively

As part of the budget process staff reviews and projects other significant revenues to ensure there is adequate funding to meet operation service levels. *These revenues are projected at 2% in the 5-year forecast.*

Other Significant Revenues	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Sales & Use Tax	\$295,172	\$301,075	\$307,097	\$313,239	\$319,503
Franchise Fees	\$837,796	\$854,552	\$871,643	\$889,076	\$906,858
Business License	\$219,514	\$223,904	\$228,382	\$232,950	\$237,609
Planning Revenue	\$245,106	\$250,008	\$255,008	\$260,108	\$265,311
DPW Revenue	\$268,010	\$273,370	\$278,838	\$284,414	\$290,103
<b>Park Program Revenue</b>	<b>\$138,802</b>	<b>\$141,578</b>	<b>\$144,409</b>	<b>\$147,297</b>	<b>\$150,243</b>
<b>Total Significant Revenues</b>	<b>\$2,004,400</b>	<b>\$2,044,487</b>	<b>\$2,085,377</b>	<b>\$2,127,084</b>	<b>\$2,169,627</b>

Major Expenditure Categories and 5-Year Forecasts

Over the past several years, the Town has taken strides to reduce its operational costs. The Town eliminated the employer payment for employee retirement costs by transferring that responsibility back to the employee. The Town implemented a cafeteria health plan to place limits on the Town's contribution amounts and eliminate retiree healthcare. The Town has taken steps to reduce long-term liabilities by making payments toward the Other Post Employment

Benefit (OPEB) trust. These measures have had a direct impact on the Town’s current and future year operational costs. Town labor costs are one of the major expenditure categories. Within labor costs are health premiums, and retirement contributions.

- *Labor cost forecast - 3.5%*
- *FY 2015/16 CalPERS Miscellaneous Contribution Rate - 8.8%*
- *FY 2015/16 CalPERS Public Safety Contribution Rate - 20.23%*
- *OPEB Contribution – Unknown contribution*
- *Operation expense - 3.5%*
- *CalPERS Unfunded Actuarial Liabilities – Unknown contribution*

Salaries & Benefits	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>Administration</b>	\$553,201	\$572,563	\$592,603	\$613,344	\$634,811
<b>Finance</b>	\$459,094	\$475,162	\$491,793	\$509,006	\$526,821
<b>Building</b>	\$259,064	\$268,131	\$277,516	\$287,229	\$297,282
<b>Inter-OPEB</b>	\$684,000				
<b>Police</b>	\$5,216,446	\$5,399,022	\$5,587,987	\$5,783,567	\$5,985,992
<b>DPW</b>	\$231,099	\$239,187	\$247,559	\$256,224	\$265,191
<b>Total Salaries &amp; Benefits</b>	<b>\$7,402,904</b>	<b>\$6,954,065</b>	<b>\$7,197,458</b>	<b>\$7,449,370</b>	<b>\$7,710,097</b>

Major expenditure categories within the department operations budgets are *Professional Services* that include the following:

*Building Department –*

Contract Life & Safety FY 2015/16 - \$943,456

*Public Works –*

Contract DPW Maintenance Services FY 2015/16 estimated - \$574,540

Contract Public Works Director - \$174,000

Contract Park Event Services - \$74,000

*Planning Department –*

Contract planning department - \$190,000

*City Attorney –*

Retainer - \$154,000

*Other Major Categories – Workers’ Compensation Insurance*

FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>\$290,775</b>	\$387,701	\$516,935	\$689,246	\$459,493

This increase in Worker’s Compensation is due to the negative equity reserve of (\$551,244) General Liability Insurance for the Town is projected at \$320,641 and is included in the Interdepartmental budget. Since the Town is “self-insured” the negative equity reserve is an

existing liability. Staff made a recent recommendation to the Finance Committee to consider using the Excess ERAF to reduce or eliminate this negative equity reserve. This will be presented as an option to the City Council as part of the budget process. Eliminating the negative equity reserve will reduce operational costs by approximately \$100,000 per year.

Below is the Projected Operations Budget by department for the General Operations with assumptions of 3 to 5% increase in costs. Operational expenditures are items such as professional services (MCE, Interwest, Planning, Legal, etc.), advertising, utilities, equipment repair, copier leases, phone service, training, technology, computers, postage, etc. – everything net of salaries and benefits. The below do not represent actual budgeted expectations year over year. These are compounded increases based on basic assumptions. Actual requirements will be different as we go through the budget process.

<b>Operational Expenditures</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>
<b>Council</b>	118,961	124,909	131,154	137,712	144,598
<b>Administration</b>	114,694	120,428	126,450	132,772	139,411
<b>Attorney</b>	214,305	225,020	236,271	248,085	260,489
<b>Finance</b>	195,421	205,192	215,451	226,224	237,535
<b>Planning</b>	286,227	294,814	303,658	312,768	322,151
<b>Building</b>	1,235,166	1,296,925	1,361,771	1,429,860	1,501,353
<b>Inter-department</b>	587,935	617,332	648,198	680,608	714,639
<b>Police</b>	711,538	747,115	784,470	823,694	864,879
<b>DPW</b>	1,537,036	1,613,888	1,694,582	1,779,312	1,868,277
<b>Total Amount</b>	<b>\$5,001,283</b>	<b>\$5,245,623</b>	<b>\$5,502,005</b>	<b>\$5,771,035</b>	<b>\$6,053,332</b>

*Unfunded Pension Liabilities*

Recent CalPERS Actuarials include forecasts for rate adjustments for local miscellaneous and public safety based on the rate smoothing and amortization policy that CalPERS implemented to fund agency plan liabilities. Based on the most recent CalPERS actuarial valuations, the Town's Unfunded Actuarial Liability (UAL) payments look as follows:

	<b>Unfunded Accrued Liability</b>				
Plans	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Miscellaneous	\$120,606	\$144,539	\$169,798	\$196,422	224,533
Public Safety	\$337,907	\$403,279	\$472,268	\$545,033	\$621,729
<b>Total</b>	<b>\$458,513</b>	<b>\$547,818</b>	<b>\$642,066</b>	<b>\$741,455</b>	<b>\$846,262</b>

The above UAL's are invoiced to the Town at the beginning of each fiscal year. For FY 2015/16, the Town's UAL payment to CalPERS will be \$458,513.

The Town's total unfunded liability as of June 30, 2014 CalPERS actuarial reports is \$9,927,020 (public safety and local miscellaneous). The above UAL's are based on the CalPERS discount rate of return of 7.50%. With the new reports, CalPERS provides a rate sensitivity analysis that

highlights what happens in future years if the investment rate of return (7.5%) is not realized. Below is a look at the rate sensitivity analysis based on FY 2015/16 employer contributions and CalPERS assumptions and the long-term risk it imposes on contributions and total unfunded accrued liability.

*Miscellaneous Employees Discount Rate Sensitivity*

<b>2015-16 Employer Contribution</b>			
<b>As of June 30, 2013</b>	<b>6.50% Discount Rate (-1%)</b>	<b>7.50% Discount Rate (assumed rate)</b>	<b>8.50% Discount Rate (+1%)</b>
Plan's Employer Normal Cost	12.5%	8.8%	6.0%
Accrued Liability	\$ 16,358,148	\$ 14,539,412	\$ 13,037,327
Unfunded Accrued Liability	\$ 4,542,027	\$ 2,723,291	\$ 1,221,206

*Public Safety Discount Rate Sensitivity*

<b>2015-16 Employer Contribution</b>			
<b>As of June 30, 2013</b>	<b>6.50% Discount Rate (-1%)</b>	<b>7.50% Discount Rate (assumed rate)</b>	<b>8.50% Discount Rate (+1%)</b>
Plan's Employer Normal Cost	27.6%	20.2%	14.6%
Accrued Liability	\$ 36,476,395	\$ 32,050,359	\$ 28,436,220
Unfunded Accrued Liability	\$ 11,629,765	\$ 7,203,729	\$ 3,589,590

Town presented this analysis to the Finance Committee and one option to consider was the continued use of ERAF funds to pay down these unfunded liabilities. The Town can now use these actuarial tools to help understand and determine options to reduce liabilities.

*Capital Projects* will be addressed in detail in another budget meeting. However, it is important to note here that as the Town completes its various master plan programs, there will be identified expenditure priorities that the Council will have discuss. These will flow into the Town's 5-Year Capital Improvement Budget and will put pressure on the Town's Reserves and Unallocated General Fund balance.

*Funding sources for capital projects are the following:*

<b>General Fund</b>	<b>Library Funds</b>
<b>Parcel Tax</b>	<b>Channel Funds</b>
<b>Measure A &amp; Measure M</b>	<b>Surface Transportation Funds</b>
<b>Gas Tax</b>	<b>Donations (Civic Center)</b>
<b>Road Impact Fee</b>	

Budget Document and Format (Funds, Accounts, Line-Items)

The Town Operates on a "Fund" Basis & Basic Fiscal Accounting Entity in Governmental Accounting. A "Fund" is a grouping of related accounts that is used to maintain control over

resources that have been segregated for specific activities. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The Town operates under two classifications of funds called governmental funds and proprietary funds. The primary funds of the Town are “governmental funds” and consist of:

- General Fund
- Special Revenue Funds
- Capital Project Funds

The *General Fund* is the primary operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contract to other funds are accounted for here, Expenditures from the General Fund are most commonly general operating expenses and capital improvement costs that are not paid through other funds Expenditures include planning, building, public works, public safety, and administration. *Special Revenue Funds* are used to account for revenues derived from specific sources. Revenues to these funds are usually required by law or administrative regulation to be accounted for in a separate fund. Examples include the Library Fund, the Special Tax (Parcel Tax Fund), Measure A, Measure M. *Capital Project Funds* are used to account for financial resources for the acquisition of construction of major capital projects or facilities

The Town of Atherton maintains one type of *proprietary fund*. Internal service funds are an accounting devise used to accumulate and allocate costs internally among the Town’s various functions. The Town uses internal service funds to account for its fleet of vehicles and equipment, worker’s compensation liability, general and employment liabilities, and employee benefits including compensated absences and other post-employment benefits other than pension.

Each Fund will have within in it a *chart of accounts*. A chart of accounts is a uniform system of account numbers used to categorize the Town’s revenues, expenditures, assets, liabilities, and fund balance. As we delve into the budget these accounts are used for tracking expenditures and revenues by type. They are a set of numbers that include a description of the name of the account. These accounts help provide the framework to capture transactions, organize data logically, while providing a basis for reporting on operations. We have a uniform chart of accounts across funds and departments. They establish accounting control and accountability for reporting a Town’s financial status and operations. The chart of accounts is then setup in buckets or categories to provide summarized reporting.

Here is an example of a chart of account – *101-40-50001-040*.

<b>101-</b>	<b>40-</b>	<b>50001-</b>	<b>040</b>
Fund – in this case, General Fund	Department – in this case, Police	Item Code - Regular Salaries – in this case Police	Object Code – allows staff to “drill down” to further detail if need (rarely done)

Changing it to 101-40-50003-040 changes it to Dispatcher Salaries. Fund, Departments, and Item Codes will be consistent across the various departments within the General Fund. Changing it to 213-30-52031-000 changes it to the Library Fund, Contract Maintenance Services.

### Reserve Balances

The net of revenue over expenditures should produce a balance, whether it is positive, negative or zero. These balances called equity or “Fund Balances.” When agencies have net positive balance within their funds at the end the fiscal year, these balances get rolled up into the total Fund Balance of the fund. Within these fund balances most agencies set up reserve fund balances for emergencies, operating reserves, capital reserves, unallocated reserves or other contingencies.

The Town currently has a General Fund Committed Fund Balance *reserve for Emergency Disaster*. The Town Council has committed to set aside 15 percent of the actual annual General Fund operating expenditures specifically for emergency contingencies defined as a state of Federal and/or State of Emergency or declaration of a local emergency as defined in Atherton’s Municipal Code Section 2.44.010. The 15% is set aside from the total fund balance.

The Town also has a *General Fund unassigned Operating Reserve* that sets aside 20% of the actual annual General Fund operating expenditures for an operating reserve.

The Town also has a building reserve contingency fund balance. Any remaining fund balance not reserved or committed is designated as *Unallocated Fund Balance*. 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. Budget amendments are generally done during the year to allocate unallocated general fund reserves as priorities and needs are adjusted.

### Budget Process and Policy Discussions

The budget process is done in stages to allow the City Council to review the General Fund Operations Budget, the Capital Improvement Budget, Special Revenues and Internal Service Funds. In some instances the Town doesn’t have enough revenue to meet the needs of a particular project priority in given fiscal year. At that point, the budget allocates funds in future years as a “save then spend” philosophy instead of borrowing through bond measures for larger projects. The budget process provides staff the opportunity to examine programs, propose changes in current services, outline operational needs and recommend capital outlay items to City Council. The process includes confirming that recurring revenues meet recurring expenses; and that the Town is able to deliver services over time and respond to changing needs of the community. It will also provide an opportunity to review if policies are being met or the need for revisions or the creation of new policies.

*Parcel Tax Policy*

At the end of every fiscal year the City Council adopts a resolution to assess the Special Tax for municipal services. The Council approves the Parcel Tax levy by category. During the budget process the Council will determine the amount of parcel tax revenue and the percentage allocation to municipal services. The allocation in the current fiscal year is \$372,000 (20%) towards police services and \$1,488,000 (80%) towards capital projects. The Council can revisit these allocations as part of the special tax confirmation process.

*Budget Goals*

As we prepare the budget, the Council and staff will set goals that continue to maintain or enhance the level of service throughout the community, while ensuring that the Town maintains its fiscal stability. Focus should be on the ability to pay future costs and to provide needed or desired services. Flexibility should also be a goal as we want to ensure the Town is in a position to respond to changes in the economy or new service level demands.

Budget Calendar

April 1, 2015	First Budget Study Session #1
April 15, 2015	Operations Budget Meeting #2
May 6, 2015	Capital Projects Budget Meeting #3
June 6, 2015	Final Budget Study Session (Other Funds) #4
June 17, 2015	Budget Adoption #5

**POLICY FOCUS**

As the Council is aware, the Policy Focus section is a relatively new section in Staff Reports. The section is designed to provide focus for the policy discussion at the Council meeting. In this section, staff will list items or areas that the City Council should focus on for the policy discussion. This item is an orientation and kick-off of the budget process; however, the item does discuss budget revenue and expenditure assumptions, the use of excess ERAF, reserve policies, and a policy focus on the reduction of long-term liabilities. These are policy areas for Council discussion and direction.

**FISCAL IMPACT**

None.

**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 provides (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**

None.