



## Item No. 5 Town of Atherton

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

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

**FROM: ROBERT BARRON III, FINANCE DIRECTOR**

**DATE: FEBRUARY 3, 2021**

**SUBJECT: RECEIVE AND FILE THE MID-YEAR BUDGET REPORT FOR FY  
2020/21**

#### **RECOMMENDATION**

Receive and file the Mid-Year Budget Review for the General Fund for FY 2020/21.

#### **BACKGROUND**

The FY 2020/21 Budget reflects a positive outlook, despite potential short- and long-term impacts of COVID-19. The Town is weathering the short-term impact of COVID-19 but is also experiencing a recovery period with resumed ramp up of Town residential construction and the continued construction of the Town Center project. City Council priorities remain in the forefront with a focus on reducing long-term liabilities, addressing capital project needs, and ensuring that operational needs are met. Construction of the new Town Center and Library will complete in Fall 2021. The Town's General Fund Operating Budget relies on continued fiscal prudence, while also considering the need to adjust resources in order to meet any rising demands for Town services, capital improvements, and priorities.

In June 2020, for cash flow purposes, the Town participated in a bond issuance lease agreement through Certificates of Participations (COPs) in the amount of \$7,680,000 dedicated to the Town Center Project. Part of the Town's prudent fiscal management over the years includes policy direction to direct surplus revenues toward long term liabilities and one-time capital project needs. Most recently, the Town's Excess ERAF funds were used as a source of funds for the Town Center Project. It is noted that each year's allocation of ERAF funding is still a separate and distinct action by the Council.

The Town continues its heavy reliance on property taxes as the major revenue source for the Town's General Fund. Certain revenues, such as Park revenues, continue to be impacted due to COVID-19 protocols and social distancing mandates. Other revenues have continued at an anticipated rate. Town staff work to efficiently and creatively maximize available revenues by seeking outside grants and forging community and regional partnerships. With the commitment

of the General Fund Unallocated Fund Reserves to the Town Center Project, certain Capital Improvement Project (CIP) Master Plan projects are on hold until additional funding is identified and/or when the Town Center Project is completed.

FY 2020/21 budget discussions allocated General Fund surplus revenues over expenditures during the next couple fiscal years, together with the use of unallocated reserves toward the Town Center Project. The FY 2020/21 Budget also included the payment of \$837,930 in Debt Service from the General Fund to the COP. The COP has a 10-year financing plan with a 5-year call option. The Town aims to meet the 5-year call option on the COP.

Basic maintenance CIP projects continue to be selected from the Town's various master plans and residual funding remaining from the Town Parcel Tax is being used on priority street and drainage projects. The principal focus of the CIP is the Town Center Project. Funding for the Town Center Project is the Town's General Fund, Fund Reserves, Capital Improvement Funds, Library Fund, Future Excess Funds, and Atherton Now donations. While the Town focuses on the Town Center Project, the Town has entered a "save mode" for other significant capital projects. The General Fund is the only funding source for a CIP project that does not have a specific outside funding source, such as Gas Tax, Measure A, Measure M, Measure W, or grants. The FY 2020/21 CIP allocated \$2,679,250 toward various projects, excluding the Town Center Project. These were based on priority and available funding.

An additional major project in the CIP, is the Bayfront Canal Project. The Town is partnering with San Mateo County and other agencies on this project. This is set to begin in Fall 2021. For the Town's participation in the construction phase, an agreement was brokered with the County for debt financing of the Town's contribution amount of \$1.3 million. The project helps mitigate downstream drainage flooding issues. The Town is also working on completing its Green Infrastructure plan mandates and anticipates implementing some minor projects over the next few years. The Town evaluation and siting of the Water Capture Facility was unsuccessful and the cooperative implementation agreement with Caltrans is no longer in effect.

## **FINDINGS | ANALYSIS**

*This Mid-Year Report is a high-level view of revenues and expenditures at the half-way point of the fiscal year. It updates the City Council on the Town's financial position for the current fiscal year and makes a recommendation for any adjustments needed based on changed needs or priorities. It does not involve a discussion of line-item expenditures and revenues.*

The Mid-Year Report is focused on the Town's General Fund as the main operating fund for the Town. Staff reviewed and made internal adjustments as necessary to account for changing needs and priorities within each department, considering anticipated expenditures for the remainder of the year within each respective line-item. Adjustments at the Department level are approved by the City Manager. *Any adjustments beyond the department level budget or transfers between departments or funds must be approved by the City Council.*

For the FY 2020/21 Budget, there is only one area that necessitates an adjustment and requires Council level approval – Building Department Contract expenditures due to revenue adjustments. This will be discussed in detail later in this Staff Report.

Revenues are expected to exceed projections for the fiscal year by \$1,051,656 (inclusive of ERAF). Budget amendments are not necessary to reflect increases in revenues.

**REVENUES**

*Property Tax Revenues*

The FY 2020/21 Budget projected property tax revenue was \$12,048,750. This revenue expectation represented a 5% increase over FY 2019/20’s Adjusted Budget of \$11,474,508. The anticipated revenues for FY 2020/21 will fall short of that projection by \$17,674 for a total property tax revenue of \$12,031,076 (0.14% decrease). This represents a 4.8% increase over the prior year adjusted budget.

Source	FY 2020/21 Budget	Projected Change	Anticipated Revenue	% Change
Secured Property Tax	\$9,611,026	\$217,255	\$9,828,281	2.30%
Unsecured Property Taxes	\$479,795	\$7,200	\$486,995	1.50%
SB813 Redemption	\$285,000	\$0	\$285,000	0.00%
Property Tax in Lieu of VLF	\$1,251,929	-\$343,606	\$908,323	-27.00%
Property Transfer Tax	\$421,000	\$101,477	\$522,477	24.00%
<b>TOTAL</b>	<b>\$12,048,750</b>	<b>-\$17,674</b>	<b>\$12,031,076</b>	<b>-0.14%</b>

Property taxes comprise approximately 72% of the total General Fund revenue stream. The assessed property value change from FY 2019/20 to FY 2020/21 is \$711,528,715 and equates to a net taxable increase of 6.1%. From FY 2011/12 to FY 2020/21, Atherton has seen a growth of assessed property value by approximately 94 percent. The Town is the 8<sup>th</sup> highest in the County for property tax net value change of year-to-year growth for FY 2020/21. HdL Companies suggests that the Town use a projection of a 3 to 4 percent increase in property tax revenues next fiscal year. With respect to the COVID-19 impact, there is the expectation that property value increases will be below the maximum 2% CPI, however, the high value home prices in the Town could continue the increase in property tax revenue in the coming years.

*Property Tax in Lieu of VLF*

The majority of the total property tax shortfall is attributed to reduction in Property Tax in Lieu VLF. There is a shortfall in FY 2020/21 in lieu VLF Countywide in the amount of \$69 million. The Town is estimated to receive \$908,323.

Since 2004, the two Sources of funding for Vehicle License Fees (VLF) are ERAF funds, and if needed, the property tax revenues of non-basic aid school districts. If ERAF funds are insufficient to fund VLF, then VLF is funded from property taxes of *non*-basic aid school districts. Monies

taken from non-basic aid school districts are then backfilled by the State. VLF funds cannot come from *basic aid school districts*. Insufficient VLF funds is resultant from school districts in the County having insufficient funding and having converted to basic aid districts. In FY 2020/21 there were only six non-basic aid school districts in the County as compared to seven in the prior year. Of the \$69 million County shortfall, Atherton’s portion is \$414,459.

Currently, there is no statutory mechanism (equivalent to Proposition 1A) to fully reimburse cities and counties for shortages. In FYs 2011 through 2014 there were VLF shortfalls. During those years, San Mateo County sought special appropriations from the State which were included in State budgets and those appropriations were approved. In FY 2019/20 there ended up being a \$10 million shortfall in VLF funds. Of this amount, Atherton’s portion was \$60,590. In its January 2021 State Budget release, the State 2022 budget includes the \$10.1M shortfall due to San Mateo County cities. The County will be making a similar request to the State that FY 2020/21 VLF shortfall amounts be appropriated in the State’s FY 2022/23 budget. Staff and other municipal agencies along with the County are working with delegation members, counties, and city managers to assist with messaging on VLF funding for the future with the idea of getting to a long-term fix. Agencies did not see this shortfall for a number of years and do not want to have to go back to the State every year to get the VLF funded. It is important to note that VLF and ERAF are protected monies that local agencies and counties are entitled to receive.

*ERAF Revenues*

The Town has a policy to treat ERAF as “one time” revenue for specific projects or priorities such as capital projects and contributions toward long-term liabilities and remove it as an operational revenue.

Illustrated below are the past uses of ERAF funds. From FY 2013/14 to FY 2015/16, the Town allocated a total of \$3,211,958 of ERAF funds toward identified Council priorities.

Fiscal Year	Budget Amount	Actual Amount	Use of Funds
<b>FY 2013/14</b>	\$700,000	\$1,020,000	OPEB Liabilities
<b>FY 2014/15</b>	\$700,000	\$1,125,000	\$680,684 – OPEB Liabilities \$444,316 – Workers’ Comp
<b>FY 2015/16</b>	\$1,200,000	\$1,066,958	\$112,998- WC Equity \$548,950- CalPERS UAL \$405,010- Additional CIP
<b>FY 2016/17</b>	\$1,033,000	\$1,103,185	Town Center
<b>FY 2017/18</b>	\$1,066,958	\$1,280,172	Town Center
<b>FY 2018/19</b>	\$1,025,000	\$1,691,772	Town Center
<b>FY 2019/20</b>	\$1,300,000	\$1,784,091	Town Center

The use of ERAF funds enabled the Town to contribute \$5,000,000 into the OPEB Trust, reducing its long-term retiree health liability for retired employees. Based on Council priorities, ERAF can be used to reduce unfunded pension liabilities or be used for other long-term debt. The Council will discuss later tonight a recommendation from the Audit and Finance Committee to make contributions toward pension liabilities at some point in the near future. ERAF revenues received from FY 2016/17 to FY 2019/20 were directed to the Town Center Project – a total thus far of \$5,859,220.

In June 2020, the Town issued COPs for the Town Center Project. It is anticipated that ERAF funds will be used as a source of revenue for debt service payments. ERAF represents potential “at risk” funds as the State continues to change its funding formulas under SB90 (School Funding) and most recently issued a report declaring calculation of Excess ERAF may have some flaws. Staff over the years continued to budget ERAF conservatively. The Town’s ERAF revenue for FY 2020/21 is \$1,863,658. This is an increase of \$551,158 over budget of \$1,312,500. **ERAF revenue has fluctuated the past several years from as low as \$1,020,000 to now as high as \$1,863,658. Since FY 2013/14 ERAF revenues increased 83%.**

ERAF remains under threat at the State level. In June 2020, the Legislative Analyst’s Office and the State Legislature issued an opinion asserting that the five ERAF counties have miscalculated the ERAF allocations and the State will pursue correction. The State Controller's Office (SCO) is working on guidelines that will be used to determine a school district's ERAF entitlement no later than December 2020. The guidelines will be effective for FY 2019/20 and thereafter. The County has not received the guidelines from the SCO. As such, the County has, and we will continue to maintain additional reserves beyond the 5% for FY 2019/20 until the SCO guidelines are issued. The impact of this correction is not yet fully known. For projection purposes, excess ERAF is estimated to be received in FY 2021/22 at \$1.1 million. Future years of ERAF are not projected for the purposes of Cash Flow as the full impact of the State takeaway is unknown. We may continue to receive Excess ERAF in future years but at the present time, there is no safe projection.

Excess ERAF funds from FY 2016/17 through FY 2021/22 are slated for the Town Center Project. However, as noted earlier, such allocation is a year-to-year decision by the City Council.

*Sales Tax*

There is a projected increase in Sales & Use Tax of \$20,000 for a total of \$305,000.

Source	FY 2020/2021 Budget	Projected Change	Anticipated Revenue
Sales & Use Tax	\$210,000	\$0	\$210,000
Prop 172 Sales Tax Police	\$75,000	\$20,000	\$95,000
<b>TOTAL</b>	<b>\$285,000</b>	<b>\$20,000</b>	<b>\$305,000</b>

***Other General Fund Revenues***

Other significant General Fund Revenues include:

- Franchise Fees
- Business Licenses
- Planning Revenues
- Police Revenue
- Park Revenue & Miscellaneous Revenue

The increase in Franchise Fee revenue is due to estimated slight increases in PG&E and Refuse Revenue. There is a slight increase in projected business license receipts for the fiscal year.

Building Revenue shows a projected increase in permit revenue of \$147,000 and as a result requires a budget amendment under contract for building life safety expenditures. The increase is due to the FY 2020/21 Budget being established with a COVID-19 impact in mind, and the impact was slightly less than anticipated.

Police Revenue is projecting a decrease of \$85,000 attributable to the cost sharing for the School Resources Officer (SRO) with local school districts and colleges. This provides funding for approximately half of the (SRO) Officer Position. Due to the COVID-19 pandemic and most schools in virtual learning, the cost sharing is on a temporary hold. Currently, the SRO officer position is on regular patrol staffing. Estimated cost sharing is \$80,000 and each agency is paying based on a formulaic calculation based on SRO needs. There is a slight decrease of POST reimbursement for State-approved police training.

Public Works Revenue shows a projected increase of revenue of \$212,000 attributable to increase of encroachment permit revenue of \$150,000 and increase of \$62,000 for penalties for work without a permit, tree inspection and administrative citation fees.

Park Program Revenue is projecting a decrease of rental revenue of \$115,500 for reservations for the remainder of fiscal year. Due to the COVID-19 impact and the social distancing guidelines, Park events are significantly restricted. Catering By Dana has had to close operations due to impacts from COVID-19 and the Town has shifted to Silver Linings Event Services for Park operations. Due to continuing COVID-19 restrictions, staff does not anticipate a return to normal Park operations for the remainder of the fiscal year.

There is an increase of Miscellaneous Revenue of \$298,672 at Mid-Year. This is mainly due to an increase in Construction Time Limit penalties of \$200,000 and COVID-19 relief funds of \$86,813 to the Town. All other Town revenues remain static.

Source	FY 2020/2021 Budget	Projected Change	Anticipated Revenue	% Change
Property Taxes	\$12,048,750	-\$17,674	\$12,031,076	-0.14%
Sales Taxes	\$285,000	\$20,000	\$305,000	7.00%
Franchise Fees	\$918,468	\$26,000	\$944,468	2.80%
Intergovernmental	\$40,733	\$0	\$40,733	0.00%
Business Licenses	\$239,431	\$15,000	\$254,431	6.20%

Source	FY 2020/2021 Budget	Projected Change	Anticipated Revenue	% Change
Planning Revenue	\$220,300	\$0	\$220,300	0.00%
Building Revenue	\$1,358,000	\$147,000	\$1,505,000	10.80%
Police Revenue	\$178,136	-\$85,000	\$93,136	-48.00%
DPW Revenue	\$550,482	\$212,000	\$762,482	38.50%
Park Program Revenue	\$166,740	-\$115,500	\$51,240	-69.00%
Miscellaneous Revenue	\$382,242	\$298,672	\$680,914	42.00%
<b>TOTAL</b>	<b>\$16,388,282</b>	<b>\$500,498</b>	<b>\$16,888,780</b>	<b>3.05%</b>

The basic revenue increase of \$500,498 and the ERAF increase of \$551,158 results in a total projected General Fund Revenue increase for FY 2020/21 of \$1,051,656.

**EXPENDITURES**

*Expenditures – Departmental Adjustments*

Staff reviewed and analyzed operational projections for each department for the remainder of the fiscal year. Any changes within department budgets were netted out among line-item expenses where feasible and do not require budget adjustments. Internal adjustments were made to account for changing needs and priorities taking into account anticipated expenditures for the remainder of the year within each respective line-item.

Expenditures are in line and currently with the current COVID-19 impact, expenses are at a minimum for operations, facility repairs and maintenance, and for other expenses such as conferences and trainings. It is likely that departments will report a lower operational expense at the conclusion of the Fiscal year; however, each department has incurred and continues to incur non-traditional COVID-19 related expenses beyond that which has been reimbursed at this time by the State. We are accounting for these costs even though they do not exceed our overall budget. We anticipate that at the conclusion of the COVID-19 declared emergency that we will submit for reimbursement through the State and Federal Emergency Management Agency (FEMA).

There is one adjustment needed to the operating budget and staff will return with the appropriate Budget Resolution at the February 17 Regular Meeting.

***Building Department – Budget Amendment of \$80,850***

- 1) Due to the projected growth in building revenue from \$1,358,000 to \$1,505,000, the line-item expenditure budget for the building services contract needs to be adjusted. Building services are provided via contract with Interwest Consulting Services receiving 58% of the first million in revenue and 55% for additional building revenues over \$1 million. The increase of revenue requires an additional expenditure adjustment of \$80,850.

***There are no other adjustments required within the FY 2020/21 Budget.***

**Expenditure Summary**

With the departmental adjustment for Building noted above, the FY 2020/21 Adjusted Budget by Department looks as follows:

<b>Department</b>	<b>FY 2020/2021 Adjusted Budget</b>	<b>NET Mid-Year Adjustments</b>	<b>FY 2020/2021 Adjusted Budget</b>
City Council	\$64,117		\$64,117
Administration	\$873,638		\$873,638
City Attorney	\$300,000		\$300,000
Finance	\$790,189		\$790,189
Planning	\$353,383		\$353,383
Building	\$1,145,950	\$80,850	\$1,226,800
Inter-department	\$887,994		\$887,994
Police	\$8,383,779		\$8,383,779
Public Works	\$2,441,964		\$2,441,964
<b>Total</b>	<b>\$15,241,014</b>	<b>\$80,850</b>	<b>\$15,321,864</b>

***Total Budget Summary***

Revenues, inclusive of ERAF, are \$18,752,438. This provides a net positive change in fund balance of \$3,430,574 at year-end and an anticipated ending fund balance of \$23,665,384 (inclusive of the mandatory reserves).

<b>Revenue</b>	<b>Amount</b>
General Fund	\$16,888,780
ERAF Revenues	\$1,863,658
<b>Total General Fund Revenue Sources</b>	<b>\$18,752,438</b>
<b>Expenditures</b>	
General Fund Expenditures	\$15,321,864
<b>Total General Fund Expenditures</b>	<b>\$15,321,864</b>
<b><i>Net Change in Fund Balance</i></b>	<b><i>\$3,430,574</i></b>

The FY 2020/21 beginning total fund balance was \$27,038,375 (inclusive of the mandatory reserves). At the conclusion of this fiscal year, after the transfer out for Debt Service the above-reflected departmental adjustments, and the remaining transfer of COP proceeds, the end of year fund balance projection is \$23,665,384 (this includes all mandatory reserves).

<b>FY 2020/21 Beginning Fund Balance</b>	<b>\$27,038,375</b>
FY 2020/21 Projected Revenues	\$18,752,438
<b>Total Available Funds</b>	<b>\$45,790,813</b>

Transfer out FY 2020/21 COP Debt Service	(\$837,930)
Net Mid-Year Adjustments	(\$80,850)
FY 2020/21 Expenditures (Original Budget)	(\$15,241,014)
<i>Transfer of COP Proceeds to Facility Fund 406</i>	<i>(\$5,965,635)</i>
<b>FY 2020/21 Projected Year End Balance</b>	<b>\$23,665,384</b>
15% Emergency Reserve Requirement	(\$2,298,280)
20% Contingency Reserve Requirement	(\$3,064,373)
Capital Facilities Replacement Reserve	(\$505,000)
<b>FY 2020/21 Projected Unallocated Fund Balance</b>	<b>\$17,797,731</b>

The Town expended all of its COP proceeds in November 2020. The COP proceeds of \$5,965,635 contributed to the Town portion of SJ Amoroso Payment Applications 12 through 15. The additional General Fund allocation toward the project in the fiscal year is \$3,797,376. In addition, the current remainder balance to finish the Town Center portion of the project is \$7,602,160.

FY 2020/21 GF Allocation to Town Center Construction Pay Applications	\$3,797,376
Estimated Remainder of Construction Town Center Portion	\$7,602,160
Contingency & FF&E	\$1,647,000
<b>TOTAL REMAINING CONSTRUCTION ESTIMATED AMOUNT</b>	<b>\$13,046,536</b>

In November, staff presented the Cash Flow update in relation to the COP proceeds, donations, operations, and contingency for the project. This is just a snapshot of the remainder of the project construction and the contributions from the General Fund toward the project completion. As noted above, there is a contingency amount of \$1,647,000 for the project. This amount includes additional contingency for calculations *only* and Furniture, Fixtures & Equipment (FF&E). Total estimated construction costs for the Town Center is \$13,046,536

<b>GF Unallocated Reserves Balance toward Project</b>	<b>Amount</b>
FY 2020/21 Projected Unallocated Fund Balance	\$17,797,731
Capital Facilities Replacement Fund	\$505,000
<i>Total Available Unallocated Toward the Project</i>	<i>\$18,302,731</i>
Total Remaining Construction Estimate	\$13,046,536
<b>FY 2020/21 Projected Remaining Unallocated Fund Balance</b>	<b>\$5,256,195</b>

As discussed, the majority of the Unallocated Fund Balance and the Capital Facilities Replacement Reserve will be used toward the Town Center Project. With the total remaining construction estimated costs, the resultant projected estimated FY 2020/21 Unallocated Fund balance is \$5,256,198. This remaining amount flows through for cash flow for operations of the General Fund. This \$5.25 Million unallocated balance is net of the Town required Emergency (15%) and Contingency (20%) reserves. Reminder that this is just a snapshot for Fiscal Year end 2020/21 Unallocated Fund Balance. The final completion of the project is estimated by early fall

2021. The \$7,602,160 includes the remaining balance to completion of construction into the new Fiscal Year 2021/22. The Cash Flow Spreadsheet reflects a projection of the Town’s revenues and expenditures over the next 5 years.

***Upcoming Capital Improvement Program (CIP) Projects***

In FY 2020/21, the CIP allocates \$2,679,250 in capital projects. The Town Center and Library Project are major parts of the CIP. Additional CIP projects in the FY were the Water Capture Facility and Bayfront Canal Project. The Water Capture Facility was unsuccessful and the funding agreement with Caltrans is no longer in effect. The CIP budget included \$900,000 of Caltrans’ funds for design of the Water Capture Facility. The Town has entered into a funding agreement with San Mateo County for the Bayfront Canal Project. The Town’s contribution is \$1,300,000 with payment set for FY 2021/22. With no additional special tax revenue for the Town major projects in the CIP, the Town follows the “save then spend” approach for capital projects over multiple years. The General Fund is the only funding source for a CIP project that does not have a specific outside funding source.

Street maintenance is a continued priority as the Town has yearly street maintenance program. The expenditures proposed in FY 2020/21 reflect two-inch grinding, dig-outs, and cape and slurry seal projects totaling \$875,000. Funds are budgeted for Bike & Pedestrian improvement opportunities and are mostly for support of grant applications for larger projects as a local match and/or for project grant applications. Current funding sources are portions of the remaining Parcel Tax, Measure A, Gas Tax, Measure W, and Measure M. The CIP includes \$149,250 for creation of a turnaround at the end of the Pavilion Parking lot (hammerhead).

Below are the budgeted cost estimates of anticipated or already undertaken projects in FY 2020/21:

<b>Capital Project</b>	<b>Status</b>	<b>Estimate/Costs</b>
<b>Road Maintenance – Street Patching</b>	Pending Contract Award	\$175,000
<b>Road Maintenance- Slurry Seal</b>	Pending Contract Award	\$200,000
<b>Bicycle &amp; Pedestrian</b>	Pending Review Staff Level	\$200,000
<b>Drainage – Bayfront Canal</b>	Pending Award by County	\$1,300,000
<b>Drainage – Green Infrastructure</b>	Pending Review Staff Level	\$75,000
<b>Park Capital Improvements</b>	Pending Review Staff Level	\$149,250
<b>Traffic Control Devices</b>	Ongoing	\$15,000
<b>Neighborhood Traffic Management Plan</b>	Ongoing	\$10,000
<b>Traffic Safety Improvements</b>	Ongoing	\$35,000
<b>Upper Channel monitoring</b>	Ongoing	\$10,000
<b>Accessibility Improvements</b>	Pending Review Staff Level	\$10,000
<b>Road Maintenance – Street Overlay</b>	Pending Award	\$500,000
<b>Town Center &amp; Library Project</b>	Award	\$47,077,000

Due to the construction of the Town Center, capital projects, other than street and drainage maintenance improvements and projects without a specific funding source, are in a “save then spend” mode. Staff continues to explore applications for grants to couple with other specific

funding sources such as Gas Tax, Measure A, Measure W, Measure M funds and General Fund. Residual funds from the Special Parcel Tax remain and will be used toward Drainage and Streets and Roads.

Until completion of the Town Center Project, staff recommends that only incremental and maintenance projects be undertaken. Final resolution of the Town Center Project and City Council policy direction on debt service will provide a clearer picture of the Town's Capital Project finances moving forward.

### **POLICY CONSIDERATIONS**

The Mid-Year Budget Report is an opportunity to make adjustments and operations corrections based on unanticipated changes and the goals and priorities of the City Council. If there are projects or priorities that the Council wishes to address at mid-year, this is the opportunity to do so. The Mid-Year Budget Report encompasses all changes to the budget thus far in the Fiscal Year. Staff will bring back a Budget Amendment Resolution to the February 17 Council meeting to reflect the noted adjustments.

### **FISCAL IMPACT**

Discussed above, the overall fiscal impact to the General Fund as a result of the mid-year expenditure adjustments is a General Fund expenditure increase of \$80,850 (0.53%) against a General Fund (plus ERAF) revenue increase of \$1,051,656 (5.9%).

### **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.

### **ATTACHMENT**

None.