



Item No. 5 Town of Atherton

CITY COUNCIL STAFF REPORT – STUDY SESSION

TO: THE HONORABLE MAYOR AND CITY COUNCIL

FROM: GEORGE RODERICKS, CITY MANAGER

DATE: MARCH 2, 2022

SUBJECT: REVIEW AND DISCUSS THE TOWN'S MASTER PLAN PROJECTS AND THE FINANCIAL PLANNING MODEL

RECOMMENDATION

Review and Discuss the Town's Master Plan Projects and Financial Planning Model.

BACKGROUND | ANALYSIS

As the Council is aware, staff created a Financial Planning Model to assist the Council in discussing the allocation of *Unallocated General Funds* over the next five (5) years to various identified Town priorities. These priorities are divided up amongst the Town's various Master Plan or Capital Improvement Program (CIP) "buckets" and the Town's Long-Term Liabilities (facilities, pension obligations, retiree healthcare, or debt service)

During the February 16 meeting, staff will present the Financial Model via a shared screen and assist the Council in walking through various scenarios based on Council direction, allocating funds to the various priority buckets. The objective is to use this Model to show the financial impact of CIP, Master Plan and Liability decision-making.

No actual funding or financial decisions will be made at this meeting; however, staff will use the feedback and direction from the Council as we complete work on the CIP and FY 2022/23 Budget.

Funding Sources for Capital Projects

The General Fund is the primary operating fund of the Town. The bulk of the revenue to the General Fund comes from Property Taxes (or some variant thereof – ERAF, Vehicle License Fee (VLF) in Lieu). The General Fund supports the Town's basic operations as well as makes significant contributions to the Town's Capital Improvement Fund in support of capital projects.

In addition to direct contributions from the Town's General Fund, the Capital Improvement Fund receives standalone annual revenues from:

- County Measure A (~\$370,000)
- State Gas Tax (~\$185,000)
- County Measure M (~\$75,000)
- County Measure W (~\$145,000)
- Atherton Channel Fund (~\$97,000)

These revenues are generally restricted to streets, bicycle/pedestrian, and drainage projects. The funds are allocated out to the various capital projects roughly at the following amounts –

- \$25,000 per year toward “basic need” bicycle and pedestrian projects;
- \$50,000 per year toward “basic need” drainage projects; and
- \$700,000 a year toward road projects.

Funds from the Town’s General Fund augment the above to allow the Town to complete larger projects each year. These revenues **are not included** on the Financial Model as the model addresses General Fund allocations only.

Absent specific project grants, matching funds and project set-asides come from the Town’s Unallocated General Fund balance. The Unallocated General Fund balance is the single most significant revenue source for the Town’s Capital Improvement Projects.

The Financial Model segregates, but includes one-time and at-risk revenues. These are the America Rescue Plan (\$1.7m), Excess ERAF and VLF In Lieu. ERAF and VLF In Lieu revenues together total, on average, \$3.5m per year.

CalPERS Pension UAL, OPEB, and the COP

The Council has also discussed the possibility of contributing an Additional Discretionary Payment (ADP) to CalPERS toward the Town’s Unfunded Actuarial Liability (UAL). As the Council is aware, the Town can contribute toward its own Section 115 Trust, *or* it could contribute directly to CalPERS. The contribution directly to CalPERS would reduce the Town’s UAL going forward, thereby reducing the Town’s operational budget. Contributions to the Town’s Section 115 Trust would not reduce the UAL until the Town remits the funds to CalPERS. Staff worked with CalPERS to run models for contributions at the \$3m, \$4m, and \$5m, range. Staff is prepared to discuss those models with the Council during the presentation.

Line 21 of the Model shows the “UAL – CalPERS Pension” amount for each year. This amount is the UAL payment required by CalPERS *above* the Normal Cost and is compiled from the UAL payments across all four pension systems (Classic Miscellaneous, Classic Safety, PEPRM Miscellaneous and PEPRM Safety). The required UAL payment goes toward the underlying the amortizations within the UAL for each retirement plan.

If the Town were to make a significant ADP to CalPERS, the UAL payment would reduce going forward. The table below reflects the hypothetical impact of a \$3m, \$4m, and \$5m ADP on the Town's Annual Combined UAL. These projections come from a CalPERS modeling tool and are estimates only. They do not represent actual, guaranteed reductions on behalf of CalPERS.

	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Current UAL Payment	\$1,654,309	\$1,778,400	\$1,905,700	\$1,989,000	\$2,058,600
\$3m Payment	\$1,444,309	\$1,438,400	\$1,455,700	\$1,419,000	\$1,368,600
\$4m Payment	\$1,374,309	\$1,368,400	\$1,375,700	\$1,339,000	\$1,288,600
\$5m Payment	\$1,304,309	\$1,298,400	\$1,305,700	\$1,269,000	\$1,208,600

Staff can show the impact of the above ADP contributions in the Financial Model.

Recommended Master Plan CIP

Staff reviewed the various Town Master Plans and identified two to three priority projects that are recommended for implementation over the next few years. Most, if not all, of the project cost estimates are outdated and will need to be updated as part of the design process. Staff is present to discuss any of the proposed priority projects. As always, there are other projects that the Town can undertake that could be deemed priorities as well. Staff is presenting the top recommended projects from each of the Master Plans to begin the conversation.

Bicycle and Pedestrian Master Plan

The Town adopted its Bicycle and Pedestrian Master Plan in 2014. The Plan outlined a variety of project recommendations, and the Town implemented several projects, including the installation of a Class III shared facility bikeway network and the Middlefield Road Class II Bike Lanes project. Several additional Class II bike lane projects were recommended, including:

ID	Description	Estimate (2014 \$'s)
GBG	Grand Boulevard Greenway – reduce one (1) lane in each direction on El Camino Real (ECR) to provide one-way Class IV Separated Bikeways and Pedestrian Facilities	\$5,840,000*
BL-3	Selby Lane Bike Lanes – Widen Roadway on Selby Lane between ECR and Selby Lane to provide Class II Bike Lanes	\$1,150,000
BL-5	Atherton Avenue Bike Lanes – Widen Roadway on Atherton Avenue between ECR and Alameda de las Pulgas to provide Class II Bike Lanes	\$2,250,000
Subtotal (2014 \$'s)		\$9,240,000

*The Grand Boulevard Greenway Project includes the installation of bicycle and pedestrian facilities along ECR. The estimate in the Bicycle and Pedestrian Master Plan (2014) appears to be extremely low, even for 2014. As ECR is a State Highway, significant coordination with Caltrans is required.

Each of the above projects will require widening of the roadways to accommodate the desired facilities, as well as public outreach during the design process. An additional project for consideration is the renovation of the intersection at Fair Oaks and Lloyd Drive to address the pedestrian crossings into the new Town Center. Depending on design, this renovation is estimated at \$200,000.

Weblink to Bicycle and Pedestrian Plan:

<https://www.ci.atherton.ca.us/DocumentCenter/View/1104/Atherton-Master-Project-List?bidId=>

Drainage Master Plan

The Drainage Master Plan was last updated in 2015. The Update focused on an inventory of the Town's current drainage system, an assessment of weaknesses (with community input), a prioritized plan for improvements (along with cost estimates), a review of the requirements of the 2009 Municipal Stormwater Permit, and an assessment of projects for regional stormwater retention. In total, the Drainage Master Plan identified approximately \$45.1m in projects at various Tiered priorities (1 through 5).

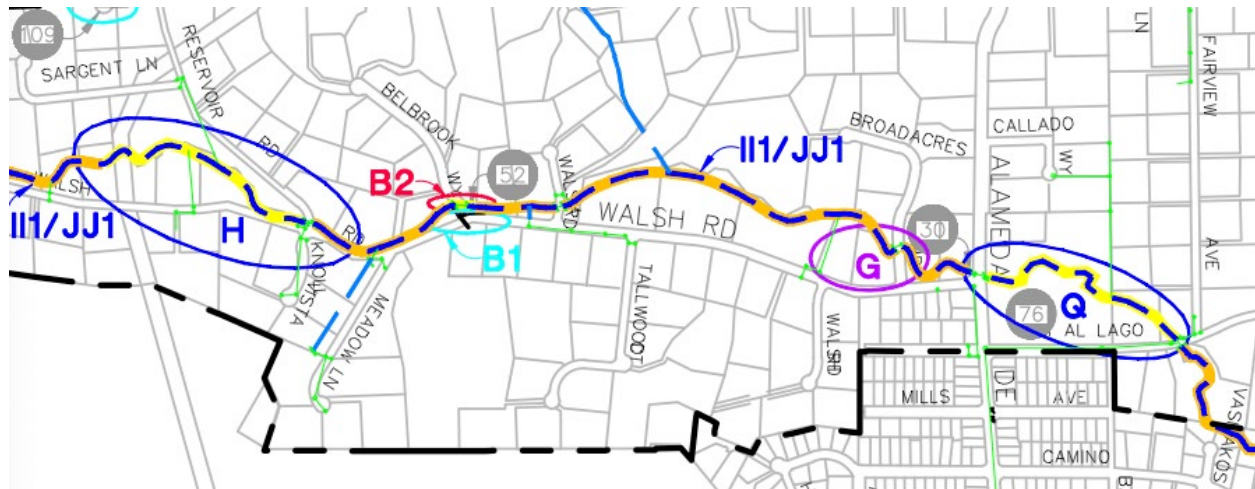
Tier 1 Projects are improvements that would mitigate flooding problems that can create significant life and safety issues (4 projects). Tier 2 Projects are improvements that are intended to avoid damage to private property caused by storm runoff from public areas (10 projects). Tier 3 Projects are projects on public property and not influenced by downstream drainage systems (8 projects). Tier 4 Projects are projects located on public property that *are influenced* by downstream under capacity (13 projects). Tier 5 Projects are projects where flooding has not been observed lately (8 projects). Tier 1 Projects are the highest priority projects where there is potential life and safety concerns should there be flooding.

Staff has reviewed the Drainage Master Plan and believes that the four (4) Tier I projects remain the highest priority projects. These projects will assist in the mitigation of immediate flooding issues that can potentially create significant life and safety issues. The four (4) projects are:

ID	Description	Estimate (2015 \$'s)
H	Channel @ Reservoir Road – Reline & Erosion Control	\$2,360,000
Q	Alameda de las Pulgas & Camino Al Lago Channel Improvements	\$1,467,000
II-1	Relining of Channel Slopes (upstream of Alameda de las Pulgas)	\$2,000,000
JJ-1	Relining of Channel Bottom (upstream of Alameda de las Pulgas)	\$310,000
Tier I Subtotal (2015 \$'s)		\$6,137,000

Staff's recommendation is that a condition assessment be done of Atherton Channel, upstream of Alameda de las Pulgas (Channel Slopes [II-1] and Bottoms [JJ-1]). Based on that assessment that design, environmental and permitting be done to complete the repairs. It is estimated that design,

environmental and permitting costs could be in the range of \$250k-\$350k. An updated engineer's estimate for project construction cost would be prepared with the condition assessment and project design.



Weblink to Drainage Master Plan:

https://www.ci.atherton.ca.us/DocumentCenter/View/2330/Atherton_Townwide-Drainage-Study-Update-April-2015?bidId=

Park Master Plan

The Holbrook-Palmer Park Master Plan was initially approved in 2015 and updated in 2019 to remove the proposed off-leash dog area. The Plan recommends a variety of improvements in the Park. Design of the Holbrook-Palmer Park Accessibility and Circulation Project is nearing completion and will be moving toward construction in late 2022. This project has been budgeted and is therefore not included here. Other priority projects for the Park include:

ID	Description	Estimate (2015 \$'s)
PC1	Construct/Repair Pathways – Construction and repair of various pathways and links in the Park to decomposed granite (DG) (~22,100sf)	\$203,740*
	**Safety Fencing – Installation of permanent safety fencing around Oak Tree near picnic area	\$25,000
	**Parking Lot Repairs/Resurfacing – Conduct pavement repairs, surface seal and restripe parking areas and repair/resurface drive aisles	\$TBD
	**Watkins Avenue Fencing – Replace chain link fencing along Watkins Avenue Pedestrian Pathway	\$150,000
	**EV Charging – Installation of EV Charging Stations	\$TBD
Subtotal (2015 \$'s)		\$378,740**

*There are approximately 1.3 miles of pedestrian walkways in the Park. These walkways consist mostly of asphalt. It is recommended that these walkways be replaced with decomposed granite. The estimate in the Master Plan comprises about 0.7 miles of that total.

**Though the Master Plan did not include Safety Fencing, Parking Lot Repairs, Watkins Fencing, and EV Charging, these items have been designated as priority needs and desires for the Park. Permanent safety fencing is necessary around the large Valley Oak near the old picnic table to keep the public at a safe distance from the tree due to its health issues. Parking lot repairs and resurfacing can be added to a Street Project. The estimated cost for the parking lot repairs is unknown at this time but could be upwards of \$500,000. EV Charging stations can be done in collaboration with Peninsula Clean Energy and/or the Bay Area Air Quality Management District; however, there will be associated Town costs related to infrastructure for their placement. These costs could be estimated at approximately \$10k-\$15k per station pair. Staff is evaluating the placement of 3 pairs of stations.

Weblink to Park Master Plan:

https://www.ci.atherton.ca.us/DocumentCenter/View/7716/May-2015-Holbrook-Palmer-Master-Plan-MP_2019_OffLeashArea_Removed_rfs

Road Improvement Plan

The Town is responsible for the maintenance of approximately 50 miles of streets. As previously noted, the current Capital Improvement Fund allocations from Gas Tax, SB1 and other sources provide approximately \$700,000 toward these efforts. This allows the Town to maintain the streets in a good overall condition. The Town reviews its streets every year using its Pavement Monitoring software. Each street is assigned a Pavement Condition Index (PCI) based on its physically inspected condition. Staff conducts physical inspections of all roadways as part of the pavement monitoring program. Streets with a low PCI are targeted for either an overlay or a slurry depending on the roadway's underlying age and condition. A slurry and overlay project will extend the life of a roadway until such time that a full street reconstruction becomes necessary. Staff prioritizes the streets for improvement projects based on the funding available. Additional funding means that more streets can be improved in any given year.

However, additional General Funds will also be needed as a local match to meet the requirements of SB1 for the required "Maintenance of Effort". If the Town fails to meet the local funding requirements, the State could reduce and/or eliminate roadway funding to the Town.

Green Infrastructure Plan

The Town's Green Infrastructure Plan was adopted in 2019. The purpose of the Plan is to guide in the identification, implementation and reporting of green infrastructure projects within the Town in accordance with the requirements of the Municipal Regional Stormwater Permit (MRP), Order No. R2-2015-0049. Because the Town's Water Capture Project was not successfully implemented, the Town is required to implement green infrastructure projects as part of a distributed drainage

network. This is often termed a “green streets” approach. These consist of stormwater capture infrastructure within the public right-of-way that captures only runoff from the street and adjacent land that drains into the street. The current MRP Order and subsequent Orders will require the Town to implement the distributed network as part of street improvement projects, which include bicycle and pedestrian improvements. Therefore, as the Town moves forward with the Bicycle and Pedestrian Master Plan and Road Improvement Master Plan, projects will necessarily include green infrastructure components. This will increase the cost of design and construction.

The Green Infrastructure Plan incorporated a list of *potential* Green Streets; but did not allocate costs to any particular project or improvement. Staff would estimate that improvements could add an additional 10%-15% to a project cost.

Weblink to the Green Infrastructure Plan:

<https://www.ci.atherton.ca.us/DocumentCenter/View/6813/Green-Infrastrurcture-Plan?bidId=>

Facility Replacement

The Facility Replacement Plan is a funding bucket that depreciates the cost of the Town’s facility replacement over its lifecycle. The account is intended to be used for all Town’s facilities – City Hall, Library, Corporation Yard(s), Pavilion, Main House, Carriage House, and Gilmore House.

If the Town places funds in the Facility Replacement Plan funding bucket, if/when the Town’s facility needs to be reconstructed or refurbished, funds may be available to do so. It is recommended that the Town consider a \$250k-\$500k annual allocation into the Facility Replacement bucket.

POLICY FOCUS

The Council discussion should focus the balancing of fiscal priorities for the Town over the next 5 years.

FISCAL IMPACT

There is no significant cost impact with this item.

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.

COMMISSION/COMMITTEE FEEDBACK/REFERRAL

This item ___ has or X has not been before a Town Committee or Commission.

- ___ Audit/Finance Committee (meets every other month)
- ___ Bicycle/Pedestrian Committee (meets as needed)
- ___ Civic Center Advisory Committee (meets as needed)
- ___ Environmental Programs Committee (meets every other month)
- ___ Park and Recreation Committee (meets each month)
- ___ Planning Commission (meets each month)
- ___ Rail Committee (meets every other month)
- ___ Transportation Committee (meets every other month)

ATTACHMENTS

Attachment 1 – Financial Planning Model

Out Year Financial Planning Tool

		A	B	C	D	E	F	G	H	
		FY 2020/21 (Actual)	FY 2021/22 Budget	FY 2022/23 Proj.	FY 2023/24 Proj.	FY 2024/25 Proj.	FY 2025/26 Proj.	FY 2026/27 Proj.	Average	
General Fund Revenue Projections										
Major Revenues										
1	4%	Basic Property Tax	\$ 11,298,258	\$ 12,058,791	\$ 12,541,143	\$ 13,042,788	\$ 13,564,500	\$ 14,107,080	\$ 14,671,363	\$ 13,040,560
2	2%	Sales Taxes	\$ 227,335	\$ 285,000	\$ 290,700	\$ 296,514	\$ 302,444	\$ 308,493	\$ 314,663	\$ 289,307
3	2%	Franchise Fees	\$ 908,381	\$ 959,000	\$ 978,180	\$ 997,744	\$ 1,017,698	\$ 1,038,052	\$ 1,058,813	\$ 993,981
4	2%	Business License	\$ 264,162	\$ 264,000	\$ 269,280	\$ 274,666	\$ 280,159	\$ 285,762	\$ 291,477	\$ 275,644
5	3%	Planning	\$ 231,710	\$ 220,300	\$ 226,909	\$ 233,716	\$ 240,728	\$ 247,950	\$ 255,388	\$ 236,672
6	3%	Building	\$ 1,797,832	\$ 1,752,000	\$ 1,804,560	\$ 1,858,697	\$ 1,914,458	\$ 1,971,891	\$ 2,031,048	\$ 1,875,784
7	2%	Police	\$ 67,934	\$ 209,550	\$ 213,741	\$ 218,016	\$ 222,376	\$ 226,824	\$ 231,360	\$ 198,543
8	3%	Public Works	\$ 690,692	\$ 640,700	\$ 659,921	\$ 679,719	\$ 700,110	\$ 721,113	\$ 742,747	\$ 690,715
9	2%	Park	\$ 55,603	\$ 166,050	\$ 169,371	\$ 172,758	\$ 176,214	\$ 179,738	\$ 183,333	\$ 157,581
10	2%	Other/Misc	\$ 706,231	\$ 668,799	\$ 682,175	\$ 695,818	\$ 709,735	\$ 723,930	\$ 738,408	\$ 703,585
11		Hypothetical GF Revenue Stream	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
At Risk/One-Time Revenue		\$ -								
12	4%	Excess ERAF	\$ 1,863,658	\$ 2,279,468	\$ 2,370,647	\$ 2,465,473	\$ 2,564,091	\$ 2,666,655	\$ 2,773,321	\$ 2,426,188
13	4%	VLF In Lieu	\$ 751,425	\$ 1,061,738	\$ 1,104,208	\$ 1,148,376	\$ 1,194,311	\$ 1,242,083	\$ 1,291,767	\$ 1,113,415
14		Rule 20A Swap	\$ 642,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 642,521
15		America Rescue Plan	\$ -	\$ 1,707,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,707,000
16		Total General Fund Revenues	\$ 19,505,743	\$ 22,272,396	\$ 21,310,834	\$ 22,084,284	\$ 22,886,824	\$ 23,719,572	\$ 24,583,689	\$ 22,337,620
General Fund Expenditure Projections										
Major Expenditures										
17	5%	Operational Expenditures	\$ (13,157,519)	\$ (15,047,558)	\$ (15,500,409)	\$ (16,234,036)	\$ (17,007,377)	\$ (17,869,731)	\$ (18,793,068)	\$ (16,229,957)
18		CIP - GF Allocations	\$ (14,889,826)	\$ (3,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,627,118)
19		COP Debt Service	\$ (837,930)	\$ (861,000)	\$ (861,871)	\$ (861,871)	\$ -	\$ -	\$ -	\$ (488,953)
20		ARC - OPEB	\$ (146,681)	\$ (182,425)	\$ (191,546)	\$ (201,124)	\$ (211,180)	\$ (221,739)	\$ (232,826)	\$ (198,217)
21		UAL - CalPERS Pension	\$ (1,193,885)	\$ (1,400,819)	\$ (1,654,309)	\$ (1,778,400)	\$ (1,905,700)	\$ (1,989,000)	\$ (2,058,600)	\$ (1,711,530)
22		Total General Fund Expenditures	\$ (30,225,840)	\$ (20,991,802)	\$ (18,208,136)	\$ (19,075,430)	\$ (19,124,257)	\$ (20,080,470)	\$ (21,084,494)	\$ (21,255,775)
23		Net	\$ (10,720,097)	\$ 1,280,594	\$ 3,102,698	\$ 3,008,854	\$ 3,762,567	\$ 3,639,102	\$ 3,499,195	\$ 1,081,845
24		Beginning General Fund Balance	\$ 27,038,376	\$ 16,318,279	\$ 16,498,873	\$ 18,501,571	\$ 20,410,425	\$ 22,300,893	\$ 25,939,994	\$ 21,001,202
25		Net Beginning General Fund Balance	\$ 16,318,279	\$ 17,598,873	\$ 19,601,571	\$ 21,510,425	\$ 24,172,992	\$ 25,939,994	\$ 29,439,190	\$ 22,083,046
Annual Reserve Requirements										
26		15% Emergency	\$ (2,174,713)	\$ (2,494,620)	\$ (2,601,940)	\$ (2,732,034)	\$ (2,868,639)	\$ (3,012,070)	\$ (3,162,674)	\$ (2,720,956)
27		20% Operational	\$ (2,899,617)	\$ (3,326,160)	\$ (3,469,253)	\$ (3,642,712)	\$ (3,824,851)	\$ (4,016,094)	\$ (4,216,899)	\$ (3,627,941)
28		Available Fund Balance	\$ 11,243,949	\$ 11,778,092	\$ 13,530,378	\$ 15,135,679	\$ 17,479,502	\$ 18,911,830	\$ 22,059,617	\$ 15,734,150
Set-Aside Buckets										Totals
29		Bike/Ped Master Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30		Drainage Master Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31		Park Master Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32		Federal Funding (Eschoo) Grant Match	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33		Road Improvement Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34		Long Term Liabilities (Pension UAL)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35		Long Term Liabilities (OPEB UAL)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36		COP/Debt Service	\$ -	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,872,100	\$ -	\$ -	\$ 5,172,100
37		Green Infrastructure Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38		Facility Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39		Totals	\$ -	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,872,100	\$ -	\$ -	\$ 5,172,100
40		Net Available Fund Balance (After Set-Asides)	\$ 11,243,949	\$ 10,678,092	\$ 12,430,378	\$ 14,035,679	\$ 15,607,403	\$ 18,911,830	\$ 22,059,617	
41		Rec'd Minimum Unallocated Fund Balance (5%)	\$ 724,904	\$ 831,540	\$ 867,313	\$ 910,678	\$ 956,213	\$ 1,004,023	\$ 1,054,225	
Long Term Liability										
42	PERS UAL	\$ 20,816,449	\$ 19,622,564	\$ 18,221,745	\$ 16,567,436	\$ 14,789,036	\$ 12,883,336	\$ 10,894,336	\$ 8,835,736	
43	OPEB UAL	\$ 3,105,300	\$ 2,958,619	\$ 2,776,194	\$ 2,584,648	\$ 2,383,524	\$ 2,172,344	\$ 1,950,606	\$ 1,717,780	
44	COP	\$ 8,594,772	\$ 7,756,842	\$ 5,795,842	\$ 3,833,971	\$ 1,872,100	\$ -	\$ -	\$ -	