Council Agenda # _____
Meeting of June 14, 2005

Staff Report

PUBLIC HEARING TO CONSIDER PROPOSED BUDGET FOR FISCAL YEAR 2006

Honorable Mayor and Council Members:

Summary

At the close of the public hearing, and after consideration of testimony given, it is recommended that the City Council approve the attached resolutions implementing the Fiscal Year 2006 Budget, Appropriations Limit, Master Fee Schedule, Sewer Service Rate Adjustment, Financial Policies and the Special Library Tax for the City of Belmont.

Background

On May 24th, in a joint study session with the Finance Commission, City Council received a report from staff introducing the FY 2006 Budget. After hearing testimony, the City Council gave direction to the Finance Commission and set June 14th as the public hearing to adopt the budget. On June 2nd, the Finance Commission held a session with staff to discuss the budget and consider direction from City Council.

Discussion

The purpose of the public hearing is to hear testimony regarding the FY 2006 Budget and consider any adjustments, if any, prior to adoption of the budget. A resolution for this purpose is shown as Attachment A.

- **Housecleaning**
  Since publication of the proposed budget, some housecleaning is necessary. Of greatest significance is the Permanent Staffing Plan that requires correction prior to adoption to reflect the position of Economic and Redevelopment Manager that was inadvertently removed. The net impact of this item is to increase to the budget by $127,960. The financial implications of these items have been reflected in the adopting resolution. Furthermore, assuming approval, the housecleaning items will be reflected in the published Adopted Budget document. A complete listing of housecleaning items is included with this report as Attachment B.

- **Gann Limit**
  Proposition 4, approved by California voters in 1979, requires cities to calculate and establish an appropriations limit every year. The limit is based on actual appropriations in the 1978-79 fiscal year and is allowed to increase each year to the extent of population

growth and inflation.

The City of Belmont's FY 2006 Appropriations Limit is $10,642,301. The FY 2006 budget is within the stated limit. The calculations are attached to the implementing resolution, which is Attachment C.

- **Master Fee Schedule**
  As part of the annual budget process, departments review their fee structure to ensure compliance with the City's fee policy that specifies, where possible, the fee recovers the full cost (direct and indirect) of providing the service.

  Consistent with policy, the Master Fee Schedule has been revised to reflect the following adjustments:

Type	Description	Amount
CPI	To reflect general increase in cost of service when not specifically based on level of effort.	1.6 %
Hourly Rate	To reflect increase or decrease in productive hourly rates for service provided	Various
Markup	To reflect increase or decrease in markup for staff time and related costs to manage consultant work	No change
Level of Effort	To reflect increase or decrease in level of effort to complete one unit of service	Various

  To facilitate City Council's review of the proposed changes, both the current and proposed fees are shown in the exhibit with Attachment D, the implementing resolution. Shading is used to denote the prior fee.

- **Sewer Service Charges**
  Several years ago, the City Council implemented usage based sewer service rates based on winter water use to address a long-term structural imbalance between revenues and expenses with the sewer and storm drain enterprises. Hilton Farnkopf & Hobson (HFH), experts in the area of municipal rate setting, updates the rate model annually with a five-year rate projection. The following briefly summarizes HFH's findings and recommendations of this year's analysis:

  The City should increase sewer rates by 16%, 9%, 9%, 9%, and 8%, respectively, for the next several years. This rate increase is recommended to meet projected operating and maintenance costs, additional debt service associated with issuing a $7.5 million bond expected in FY 2006 (second phase of a $15 million capital improvement plan) and

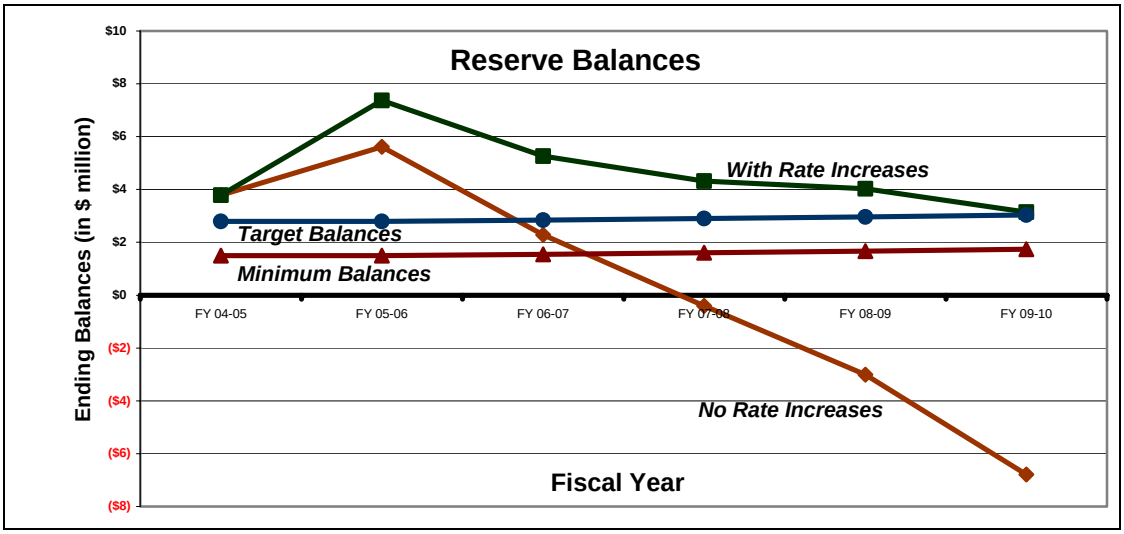
additional reserve requirements in the coming fiscal years.

Annual projected sewer rates for the next five years are as follows:

Average Customer Charges(a)	Current	Recommended				
	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 08-09
Rate Increase:	*16%*	*16%*	*9%*	*9%*	*9%*	*8%*
Low-Strength						
Residential	$432	$502	$547	$596	$650	$702
Retail/Commercial	$432	$502	$547	$596	$650	$702
Institutional/Public Authority	$9,436	$10,946	$11,931	$13,005	$14,176	$15,310
Industrial (w/ pretreatment)	$7,240	$8,399	$9,154	$9,978	$10,876	$11,747
High-Strength						
Restaurants (foods prepared on premises)	$4,954	$5,747	$6,264	$6,828	$7,443	$8,038
Supermarkets (w/ grinders)	$11,534	$13,379	$14,584	$15,896	$17,327	$18,713

a. Average annual charges based on sewer charges times average water use (in hundred cubic feet): Resid. = 114 HCF
Retail/Comm. = 114 HCF, Inst./Public = 2,488 HCF, Industrial = 1,909 HCF, Restaurants = 767 HCF, and Supermarkets = 1,785 HCF.

The ending sewer fund balances are adequate with the recommended rate increases but are severely deficient without these increases.



The full text of HFH's study can be seen following Attachment E to this report.

The County of San Mateo collects the sewer fees on the property tax bill. The County charges a $1.25 processing fee per charge. This fee is added to the sewer service charges. The County requires a resolution authorizing them to add the sewer service charges to the bill. The resolution included as Attachment E reflects the 16% rate increase and meets the County's requirements.

- **Financial Policies**

The City Council has approved a set of policies to be followed by staff in their application of the various disciplines involved in public finance. The financial policies fall into two levels: Level 1 and 2. Level 1 policies can only be added, modified or deleted by an act of City Council. Level 2 policies can be added, modified or deleted by staff. There are no substantive changes to the financial policies. Attachment F reflects the proposed changes in financial policies for FY 2006.

- **Special Tax for Community Facilities District No. 2000-1 (Library Project)**
  Annually the City Council is required to authorize the annual special tax for library (Community Facilities District No. 2000-1). The resolution shown as Attachment G accomplishes this requirement for fiscal year 2006 and requests that the County of San Mateo collect the special tax on the property tax rolls.

- **Finance Commission Budget Review**
  On June 2nd, the Finance Commission reviewed the FY 2006 Budget. By the conclusion of the meeting the Finance Commission took the following actions:
  1. Unanimously recommended adoption of the budget by the City Council with the addition of the Economic Development Manager position.
  2. Based on the direction of City Council and after hearing a report from the Community Development Director regarding staffing for the planning function, they make no recommendation. However, the matter has been agendized to a future commission meeting where the topic could be more fully explored. The Commission wants to limit their expertise to matters of finance in this regard.

  The Finance Commission will be represented at tonight's public hearing and it is expected to provide an oral report to Council on their recommendations.

- **Budget Adoption**
  1. Implementing Resolution
     Attached for the Council's review and approval are the following resolutions implementing the FY 2006 Budget:
     - Resolution establishing the base revenue, appropriation (expenditure) and capital improvement program budgets for the year, including the Revised Budget Correction Strategy (Attachment A).
     - Resolution approving Article XIIIB appropriations (Gann Limit) (Attachment C)
     - Resolution adopting Master Fee Schedule (Attachment D)
     - Resolution adopting Sewer/Storm Drain Rates (AttachmentE5)
     - Resolution Establishing the Special Tax for Community Facilities District No. 2000-1 (Library Project) (Attachment F).

     Further, this report includes a summary of housecleaning items (Attachment B).

2. Recommended Process
   To facilitate implementing the FY 2006 Budget, at the close of the public hearing and after hearing from the Finance Commission, staff recommends the following actions be taken:
   - Step 1 — Make motion to adopt FY 2006 Budget as proposed in the attached Resolution (Attachment A). Entertain a second to that motion.
   - Step 2 — Prior to voting on main motion, entertain motion(s) to amend main motion to reflect any individual amendments. Each proposed amendment would require a second and should be voted upon separately.
   - Step 3 — Take a vote on main motion, as amended, to adopt FY 2006 Budget.
   - Step 4 — Make motions and take vote on other resolutions.

Follow Up

1. Revise documents as directed.
2. Publish budget.
3. Update website.

Fiscal Impact

Establish the City of Belmont's Base revenue budget at $41,855,094, appropriation budget at $33,582,412 and Capital Improvement Program budget at $12,286,654 and permanent staffing at 126.65 full time equivalents for Fiscal Year 2006. The FY 2006 Budget contemplates the use of $4,013,972 in fund balance.

Public Contact

Public hearing was legally noticed. The Finance Commission has been informed of the meeting and the will be represented.

Recommendation

Adopt budget and related resolutions as proposed.

Alternatives

1. Amend the resolution(s) and adopt an alternative budget.
2. With direction, refer the budget back to staff for further consideration.

Attachments:

A. Budget Resolution
B. Housecleaning Items
C. Appropriations Limit Resolution
D. Master Fee Resolution

E. Sewer/Storm Drain Resolution
F. Financial Policies Resolution
G. Library CFD Resolution

Respectfully submitted,

Thomas Fil, Finance Director

Jack Crist, Interim City Manager

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RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT ADOPTING THE PROPOSED FY 2006 BASE BUDGET REVENUE, APPROPRIATIONS, CAPITAL IMPROVEMENT PROGRAM BUDGETS AND PERMANENT STAFFING PLAN FOR THE CITY OF BELMONT

WHEREAS, the City Council desires to have a fiscal and staffing plan for the City of Belmont in order to plan for anticipated revenues and control expenditures; and

WHEREAS, the fiscal year revenue, appropriation, capital improvement program and permanent staffing plan for the City of Belmont is expressed in the budget documents entitled "City of Belmont FY 2006 Budget"; and

WHEREAS, the City Council and the Finance Commission reviewed the proposed budgets for compliance with the goals and objectives of the community; and

WHEREAS, the City Council has held Public Hearings on the programs and fiscal policies to obtain public comments regarding the Proposed Budget document.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont that the Revenue, Appropriations and Capital Improvement Program (CIP) budgets for Fiscal Year 2006 shall be adopted as follows:

Fund	Fund Title	Revenue	Appropriation	Capital	Net Transfers
101	General Fund	$ 13,410,137	$ 12,872,168		$ (882,284)
205	Recreation Services	928,810	1,604,409		614,533
206	Library Maintenance & Operation	320,549	137,904		
208	City Tree Fund	510			
210	Development Services	1,427,805	1,527,605		99,800
223	Belmont Fire Protection District	5,302,612	5,025,469		
225	Public Safety Grants	1,086	31,409		
227	Supplemental Law Enforcement Services	100,000	119,694		19,694
229	Asset Seizures & Forfeitures	4,888	5,000		
231	Street Maintenance (Gas Tax)	987,477	1,164,115		(8,220)
234	Street Improvements (Measure A/Grants)	671,780	9,525	670,475	8,220
235	Traffic Mitigation	2,154			
238	COPSMORE 96	2,513			
240	Police Communications Consortium JPA	160			
305	City Hall Retrofit/Police Facility	55,322	17,450	808,342	770,470
306	Belmont Library	410,650	41,075	6,313,172	
308	General Facilities	10,765		60,000	
310	Unanticipated Infrastructure Repair	7,618			
337	Direct Access -Ralston/RT 101/Isl. Park	381			
341	Planned Park	36,134	1,733	312,500	

343	Open Space	56			
401	Debt Service	34	59,666		59,631
406	Library CFD Bond	673,058	664,479		
501	Sewer Enterprise-Operations	5,076,692	3,739,732		(1,241,310)
503	Sewer Enterprise-Capital	7,617,377	465,908	1,950,500	(1,842,133)
505	Sewer Enterprise-Treatment Plant Expansion	51,421	475,801		219,205
525	Storm Drainage Enterprise	434,039	1,323,691	2,021,665	2,864,238
601	Workers' Compensation	430,157	478,392		
605	Property & Casualty Risk	541,797	522,574		
607	Self Insured Vision	50,381	52,242		1,861
620	Fleet & Equipment Management	1,994,995	1,990,552	150,000	-
625	Facilities Management	841,339	988,496		86,765
704	Special Assessment Districts	6,518			
708	Benefit Stabilization	455,881	263,324		
	Totals	**$ 41,855,094**	**$ 33,582,412**	**$ 12,286,654**	**$ 770,740**

NOW, THEREFORE, BE IT FURTHER RESOLVED that the City Council of the City of Belmont establishes the permanent staffing plan at 126.65 full time equivalent positions.

* *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on June 14, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

_____

CLERK of the City of Belmont

APPROVED:

_____

MAYOR of the City of Belmont

FY 2006 PROPOSED BUDGET
HOUSECLEANING ITEMS

Debit:

Fund	Account #	Description	Reference	Amount
801	4631-8101	Redevelopment Administration: Salaries	1	$91,465
801	4631-8211+	Redevelopment Administration: Benefits	1	$36,495
841	4637-9326	Principal-Loans/Advances	1	$127,960
			TOTAL	$255,920

Credit:

Fund	Account #	Description	Reference	Amount
801	7502	Proceeds of Loan	1	$127,960
841	5299	Fund Balance	1	$127,960
			Total	$255,920

Other:

Description	Reference	Amount
Budget Brief – Delete General Fund Per Capita Graph and related text.	2	None
	Total	None

The following explanations are provided in support of the budget adjustments, and

Reference	Explanation
1	Adjustment to add position of Economic and Redevelopment Manager, which was inadvertently removed in budgeting process.
2	After considerable discussion with the Finance Commission, it is recommended that the General Fund Per Capita graph and the related text be dropped from the Budget Brief. The intent of the graph was to highlight Belmont's efficiency as a government based on it's limited resources. While staff maintains that premise to be accurate, additional facts would need to be presented to empirically show that was the case. To show this additional information could run counter to the objective of the Budget Brief, which is to be concise.

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT APPROVING THE ARTICLE XIIIB APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2006

WHEREAS, the voters of California on November 6, 1979 added Article XIIIB to the State Constitution placing various limitations on the appropriations of the State and local governments; and

WHEREAS, Proposition 111 adopted by the California voters on June 5, 1990, amended Article XIIIB to provide that the Appropriations Limit for each fiscal year be calculated by adjusting the base year appropriations of fiscal year 1986-87 for changes in the cost of living and populations; and

WHEREAS, Article XIIIB requires public entities in the State of California to set an annual appropriations limit; and

WHEREAS, the appropriations limit is based on factors which include the appropriations limit for the prior fiscal year; and

WHEREAS, the League of California Cities issued in March, 1991, uniform guidelines for the implementation of the provisions of Article XIIIB; and

WHEREAS, Article XIIIB requires the City Council to select the population and inflation factors for each year's appropriations limit calculation; and

WHEREAS, information for making this limit calculation for the City of Belmont has been available for public inspection in the City offices for the 15 days prior to the scheduled adoption of this resolution, in accordance with Government Code Section 7910 requirements; and

WHEREAS, the information necessary for making these adjustments is attached; and

WHEREAS, Exhibit 1 attached hereto is provided in support of the Gann Limit calculation.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont takes the following action:

Section 1. The Appropriations Limit for the City of Belmont for the FY 2006 shall be $10,642,301.

Section 2. The inflation factor being utilized to calculate the FY 2006 appropriations limit is the California per capita income.

Section 3. The population factor being utilized to calculate the FY 2006 appropriations limit is the County of San Mateo's population growth.

* *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on June 14, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

_____
CLERK of the City of Belmont

APPROVED:

_____
MAYOR of the City of Belmont

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT ADOPTING FY 2006 MASTER FEE SCHEDULE

WHEREAS, the City Council has determined the need to charge fees for general government, police, recreation, development, engineering, park in-lieu, sewer, storm drainage and other services; and

WHEREAS, DMG-Maximus completed a comprehensive study of the City's fee structure based on a full cost allocation model in FY 2002; and

WHEREAS, staff reviewed and updated the Master Fee Schedule to ensure that an appropriate fee is charged by reflecting one of the following adjustments:

Type	Description	Amount
CPI	To reflect general increase in cost of service	1.6%
Hourly Rate	To reflect increase or decrease in productive hourly rates for service provided	Various
Markup	To reflect increase or decrease in markup for staff time and related costs to manage consultant work	No change
Level of Effort	To reflect increase or decrease in level of effort to complete one unit of service	Various

WHEREAS, the City of Belmont desires to have all fees located in one document; and

WHEREAS, a public hearing was held and all objections or protests were heard on the proposed fees.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont adopts the attached Master Fee Schedule (Exhibit 1).

* *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on June 14, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

_____
CLERK of the City of Belmont

APPROVED:

_____

MAYOR of the City of Belmont

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT SETTING SEWER/STORM DRAIN RATES TO BE COLLECTED BY THE COUNTY OF SAN MATEO ON THE PROPERTY TAX ROLL – FY 2006

WHEREAS, the City Council has determined the need to charge fees for sewer and storm drainage services; and

WHEREAS, Hilton Farnkopf & Hobson has completed an update of the sewer revenue requirement for the next five years calling for an adjustment to sewer service charges (Exhibit A); and

WHEREAS, a public hearing was held and all objections or protests were heard on the proposed fees.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont takes the following action:

Section 1. The sewer usage charge for FY 2006, as established in Exhibit 1 shall be adopted and made part of the City's FY 2006 Master Fee Schedule.

Section 2. The County of San Mateo is hereby authorized to collect said sewer usage charges as part of the property tax billing process, and City staff are hereby directed to take all steps necessary to assist said collections.

* * * \

EXHIBIT 1

Customer Class	*Monthly Fee Per Unit*	*Minimum Annual Fee (1)*
Low Strength		
Residential – including, but not limited to: Single family dwelling, developable parcels, duplex and multiple family dwellings, apartments (per unit) and flats	$4.40	101.51 units X 50% $ 223.32
Retail/Commercial – including, but not limited to: Motels/Hotels, commercial houses, office buildings, car washes, Laundromats, restaurant (with food prepared off the premises), and food markets (with foods prepared off the premises)	$4.40	101.51 units X 50% $ 223.32
Institutional/Public Authorities – including, but not limited to: Nursing homes, retirement homes, sanitariums government institutions, and schools	$4.40	101.51 units X 50% $ 223.32
Industrial (with permitted pretreatment facilities)	$4.40	101.51 units X 50% $ 223.32
High Strength		
Restaurants (foods prepared on premises)	$7.49	767.59 Units X 50% $2,874.62
Supermarkets (with grinders)	$7.49	1,786.89 Units X 50% $6,691.90
Note (1): The minimum annual charge shall be set at fifty percent (50%) the average annual unit usage of the customer class multiplied by the per unit charge of the customer class.		
Additional Transaction Fee		
$1.25 per Parcel		

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT ADOPTING FINANCIAL POLICIES

WHEREAS, in 2001, the City Council adopted a comprehensive set of financial policies; and

WHEREAS, the policies are designed to provide staff with guidance on sound financial management practices; and

WHEREAS, the policies are intended to enhance techniques and provide effective strategies for staff; and

WHEREAS, the policies have been updated to include new and modified recommended practices; and

WHEREAS, the City desires to have one single policy regarding investments, the City's Investment Policy shall serve as the City's financial policy on investments; and

WHEREAS, the new and modified policies shown in Exhibit 1 were reviewed by the Finance Commission Chair; and

WHEREAS, the Finance Commission Chair recommends that the City Council adopt the policies; and

WHEREAS, the financial policies fall into two levels: Level 1 and 2, and Level 1 policies can only be added, modified or deleted by an act of City Council and Level 2 policies can be added, modified or deleted by staff, the Level 2 policies have been adopted; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont adopts the Level 1 Financial Policies as presented by staff on June 14, 2005:

* *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on June 14, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

_____
CLERK of the City of Belmont

APPROVED:

_____
MAYOR of the City of Belmont

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT ESTABLISHING THE ANNUAL SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2000-1 (LIBRARY PROJECT) FOR FISCAL YEAR 2006 AND REQUESTING THAT THE COUNTY OF SAN MATEO COLLECT THE SPECIAL TAX ON THE REAL ESTATE TAX ROLLS

WHEREAS, the City Council of the City of Belmont, California (hereinafter referred to as the "legislative body"), has initiated proceedings, held a public hearing, conducted an election and received a favorable vote from the qualified electors relating to the levy of a special tax in a community facilities district, as authorized pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act 1982," being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California. This Community Facilities District is designated as Community Facilities District No. 2000-1 (Library Project), hereinafter referred to as the "Community Facilities District"; and

WHEREAS, this legislative body, by Ordinance as authorized by Section 53340 of the Government code of the State of California, has authorized the levy of a special tax to pay for costs and expenses related to said Community Facilities District, and this legislative body is desirous to establish the specific rate of the special tax to be collected for the fiscal year.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Belmont of Belmont of the Community Facilities District No. 2000-1 (Library Project) as follows:

Section 1. That the above is true and correct and adopted as findings.

Section 2. That the specific rate and amount of the special tax for each Taxable Property (as such term is defined in the Rate and Method of Apportionment of Special Tax applicable to the Community Facilities District) is to be collected to pay for the costs and expenses for Fiscal Year 2006.

Section 3. That the rate as set forth in Section 2 above does not exceed the amount as previously authorized by Ordinance of this legislative body, and is not in excess of that as previously approved by the qualified electors of the Community Facilities District.

Section 4. That the proceeds of the special tax shall be used to pay, in whole or in part, the costs and expenses of authorized "library project"; construction of a new City library located in the City, the necessary equipment and facilities required to relocate the existing library to the new location, and improvements to the park area adjacent to the library.

Section 4. The special tax shall be collected in the same manner as ordinary ad

valorem property taxes are collected, and shall be subject to the same penalties and same procedure and sale in cases of any delinquency for ad valorem taxes, and the Tax Collector is hereby authorized to include reasonable administrative costs incurred in collected any said tax

.

* *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on June 14, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

_____

CLERK of the City of Belmont

APPROVED:

_____

MAYOR of the City of Belmont