



REGULAR MEETING MINUTES

Date: 6/24/2025
Time: 6:00 p.m.
Locations: Teleconference and
City Council Chambers
751 Laurel St., Menlo Park, CA 94025

Regular Session

A. Call To Order

Mayor Combs called the meeting to order at 6:02 p.m.

B. Roll Call

Present: Combs, Nash, Schmidt, Taylor (AB 2449 – Just Cause), Wise
Absent: None
Staff: City Manager Justin Murphy, City Attorney Nira Doherty, Assistant City Manager Stephen Stolte, Assistant to the City Manager/City Clerk Judi A. Herren

C. Agenda Review

Staff pulled item E2. and reordered regular business bringing item G2. before G1.

D. Public Comment

- Robert Hubble spoke in support of pool services and additional resources for the Belle Haven pool.
- Dashiell Leeds spoke in support of a streetlight conversion project.
- Galaxy spoke in support of pool and aquatics services/program advertisements.
- Kim Freitas spoke in support of additional resources and subsidies for the Belle Haven pool.
- Hanna Alia Galliger spoke in support of pool services and additional resources and subsidies for the Belle Haven pool.

E. Consent Calendar

Staff removed item E2. and returned on a future agenda.

E1. Accept the City Council meeting minutes for June 3, 2025 (Attachment)

~~E2. Award a construction contract to NAAC Construction, LLC and appropriate \$204,604 from the General Fund unassigned balance for fiscal year 2024-25 for the High Voltage Streetlight Conversion Project (Staff Report #25-095-CC)~~

E3. Authorize the city manager to execute an amendment to an agreement with Environmental Systems, Inc. for preventative maintenance services and repairs for heating, ventilation and air conditioning systems (Staff Report #25-096-CC)

- Brian Schmidt spoke in support of electrifying where there is opportunity when repairing and maintaining systems and equipment.

E4. Consider and adopt resolutions approving revisions to the amended and restated Water Supply Agreement between the City and County of San Francisco and Wholesale Customers and approving the updated Tier 2 Drought Response Implementation Plan (Staff Report #25-097-CC)

- Steve Merlone spoke on concerns related to the San Francisco Public Utility Commission (SFPUC) customer costs for capital improvements.

The City Council discussed SFPUC costs, options and electrification.

ACTION: Motion and second (Nash/ Wise), to approve the consent calendar with the exception of item E2., passed unanimously.

F. Public Hearing

F1. Consider and adopt a resolution overruling protests, ordering the improvements, confirming the diagram/area of assessment and ordering the levy and collection of assessments for Landscaping Assessment District for fiscal year 2025-26 (Staff Report #25-094-CC)

Management Analyst II Joanna Chen made the presentation (Attachment).

Mayor Combs opened the public hearing.

Mayor Combs closed the public hearing.

The City Council received clarification on activities/services funding pre-1982.

ACTION: Motion and second (Schmidt/ Wise), to adopt a resolution overruling protests, ordering the improvements, confirming the diagram/area of assessment, and ordering the levy and collection of assessments, passed unanimously.

G. Regular Business

Staff reordered the agenda bringing item G2. before G1.

G2. Consider and adopt resolutions for fiscal year 2025-26: adopting budget and capital improvement plan; establishing appropriations limit; amending salary schedule effective July 13, 2025; extending rate assistance program through June 2026; and accept award authority and bid requirements through June 2026 (Staff Report #25-101-CC)

Finance and Budget Manager Jared Hansen made the presentation (Attachment).

The City Council received clarification on the staffing budget compared to filled positions.

The City Council discussed the vehicle license fee (VLF) shortfall, Belle Haven pool subsidy or bridge program for the summer and a City Council subcommittee to review both pools services post-summer.

The City Council directed staff to allocate the \$250,000 to tree planting opposed to funding the Urban Forest Management Plan.

ACTION: Motion and second (Taylor/ Nash), to adopt a resolution adopting fiscal year 2025-26 budget and capital improvement plan; adopt a resolution establishing the appropriations limit; adopt a resolution amending the salary schedule effective July 13, 2025; adopt a resolution extending the solid waste and water rate assistance program through June 2026; and accept award memo for authority and bid requirements through June 2026, passed unanimously.

- G1. Consider and adopt a resolution to amend the fiscal year 2024-25 budget (Staff Report #25-100-CC)

Administrative Services Director Brittany Mello made the presentation (Attachment).

The City Council received clarification on potential State budget amendments related to VLF, unassigned fund balance options and the Strategic Pension Funding Reserve.

The City Council directed staff to reallocate \$0.77 million from the General Fund unassigned fund balance to the Strategic Pension Funding Reserve, authorize use of \$0.96 million from the Strategic Pension Funding Reserve for an additional unfunded accrued liability (UAL) payment and to cover the reduction in VLF reimbursement by the State of \$0.96 million and transfer the remaining balance of \$2.04 million from the General Fund to the General Capital Improvement Plan (CIP) Fund.

ACTION: Motion and second (Combs/ Wise), to adopt a resolution approving additional appropriations and amendments to the fiscal year 2024-25 adopted operating and capital budget with the following direction:

- Reallocate \$0.77 million from the General Fund unassigned fund balance to the Strategic Pension Funding Reserve
- Authorize use of \$0.96 million from the Strategic Pension Funding Reserve for an additional UAL payment
- Cover the reduction in VLF reimbursement by the State of \$0.96 million and transfer the remaining balance of \$2.04 million from the General Fund to the General CIP Fund

passed, 4-1 (Schmidt dissenting).

H. Informational Items

- H1. City Council agenda topics: July – August 2025 (Staff Report #25-099-CC)
- H2. Communitywide electrification program: Home Upgrade Services progress report (Staff Report #25-098-CC)

I. City Manager Report

City Manager Murphy reported out on the upcoming July 4 event.

J. City Councilmember Reports

- J1. Vice Mayor Nash report (Attachment)

Vice Mayor Nash reported out on a Hetch Hetchy tour.

Mayor Combs reported out on attending an Association of Bay Area Governments (ABAG) and upcoming San Francisquito Creek meetings.

City Councilmember Schmidt reported out on Assemblymember Marc Berman's Café Zoe event.

K. Adjournment

Mayor Combs adjourned the meeting at 8:23 p.m.

Assistant to the City Manager/ City Clerk Judi A. Herren

These minutes were approved at the City Council meeting August 12, 2025.



F1 - LANDSCAPING ASSESSMENT DISTRICT

Joanna Chen, Management Analyst II



Background

- 1982: Voters approved Measure N to form the Landscaping Assessment District (District)
- 1983: City established the District to provide proper street tree maintenance
- 1990: City added an assessment for the repair and maintenance of sidewalk, curb, gutter, and parking strips damaged by city tree roots
- 1998: Voters approved a ballot measure to increase the District fees





Services provided

- City street tree maintenance
 - Routine maintenance every five years
 - Inspections, trimming, planting, and removal requests
 - Funding: District and General Fund
- Street sweeping services
 - Funding: District and Measure M
- Sidewalk, curb, gutter, and parking strip repair and replacement program
 - Public right-of-way sidewalks damaged by city trees
 - Funding: District and General Fund





Fiscal year 25-26 fee proposal

- The amount increase per single family equivalent accounts for:
 - Additional tree care services to address pests and diseases
 - Increase in agreement costs for all three services
 - Annual sidewalk replacement needs and the current backlog
- Annual action is required by the City to continue the collection of assessments

Assessment	Fiscal year 24-25 rate	Increase	Fiscal year 25-26 rate
Tree	\$94.12	\$2.82 (3%)	\$96.94
Sidewalk	\$50.28	\$7.54 (15%)	\$57.82



THANK YOU



Fiscal Year 2025-26 Budget Adoption

June 24, 2025



Agenda

- City Council priorities
- Summary of budget changes
- Updated five-year General Fund forecast
- Resolutions and actions
- Final City Council direction and adoption





City Council Priorities



City Council Priorities

- During the annual priority-setting workshop on March 22, the City Council identified the following priorities:
 - Climate action - mitigation, adaptation and resilience
 - Downtown vibrancy (*new*)
 - Emergency and disaster preparedness
 - Housing
 - Safe routes





Proposed Fiscal Year 2025-26 Budget Changes



Changes Since June 10 Public Hearing

- Incorporates refined personnel costs
 - Adjusts vacancy and turnover factor to 14%
 - Increases medical premium budget to account for revised projections
- Fiscal year 2024-25 projections and General Fund five-year forecast includes City Council direction for a one-time transfer of \$3 million to General CIP Fund





Changes Since June 10 Public Hearing

- Property tax in-lieu of vehicle license fee (VLF) shortfall reimbursement for fiscal year 2023-24 was included in the State budget on June 24, but at a reduced amount
 - Expected to reduce the General Fund revenues by approximately \$1 million
 - Will make an adjustment to VLF revenues during the mid-year budget amendment; can use unassigned fund balance to cover the shortfall
 - Work with partners across the County regarding future VLF payments
 - Update the five-year forecast based on the latest information; as such, this change is *not* reflected in the projections or the five-year forecast



Proposed Fiscal Year 2025-26 Budget

- The City has over 55 funds with a proposed expenditure budget of \$216.1 million
 - General Fund: \$79.4 million
 - All other funds: \$50.1 million
 - Capital Improvement Plan (CIP):
 - \$19.5 million new funding
 - \$60.4 million in estimated carry-over funding
 - \$6.7 million in estimated carry-over funding for housing
 - Fund balance consists of previously committed and unassigned funds as the total balance, and does not include estimated carry-over expenditures from the prior year
- The proposed fiscal year 2025-26 budget includes General Fund expenditures of \$79.4 million and revenues of \$78.6 million, with a deficit of \$0.8 million
 - This deficit will grow to \$1.75 million when taking into account the reduced VLF reimbursement from the State





Proposed Fiscal Year 2025-26 Budget

Capital Improvement Program (CIP)

- Proposed fiscal year 2025-26 budget includes the direction from City Council at the May 13 study session:
 - \$4.9 million from the General Fund to the General CIP Fund
 - Allocate \$1.6 million from the Bayfront Mitigation Fund for the SAFER Bay project
 - Allocate \$0.25 million from the Environmental Justice Implementation Fund for the Urban Forest Management Plan





Fiscal year 2025-26 Operating Budget: Reserves

- Projected reserve levels
 - Strategic pension: \$0.13 million
 - Emergency Contingency Reserve: \$11.9 million at 15% (meets policy minimum)
 - Economic Stabilization Reserve: \$15.9 million at 20% (meets policy minimum)





Service Level Enhancements

- Service level enhancements are intended to restore and/or improve services provided to the community

- The proposed budget includes a total of \$0.38 million for:
 - 2.0 FTEs for two Parking Enforcement Officers
 - 1.0 FTE for a Police Records Specialist
 - 2 mobile closed-circuit television (CCTV) cameras
 - Partially supported by the Bayfront Mitigation Fund



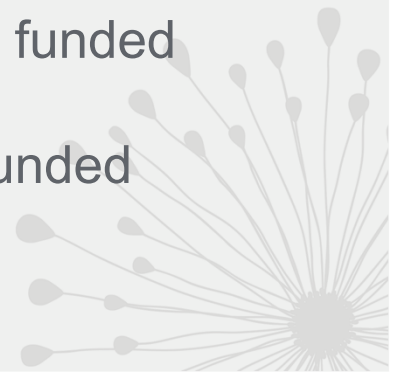


General Fund Five-Year Forecast



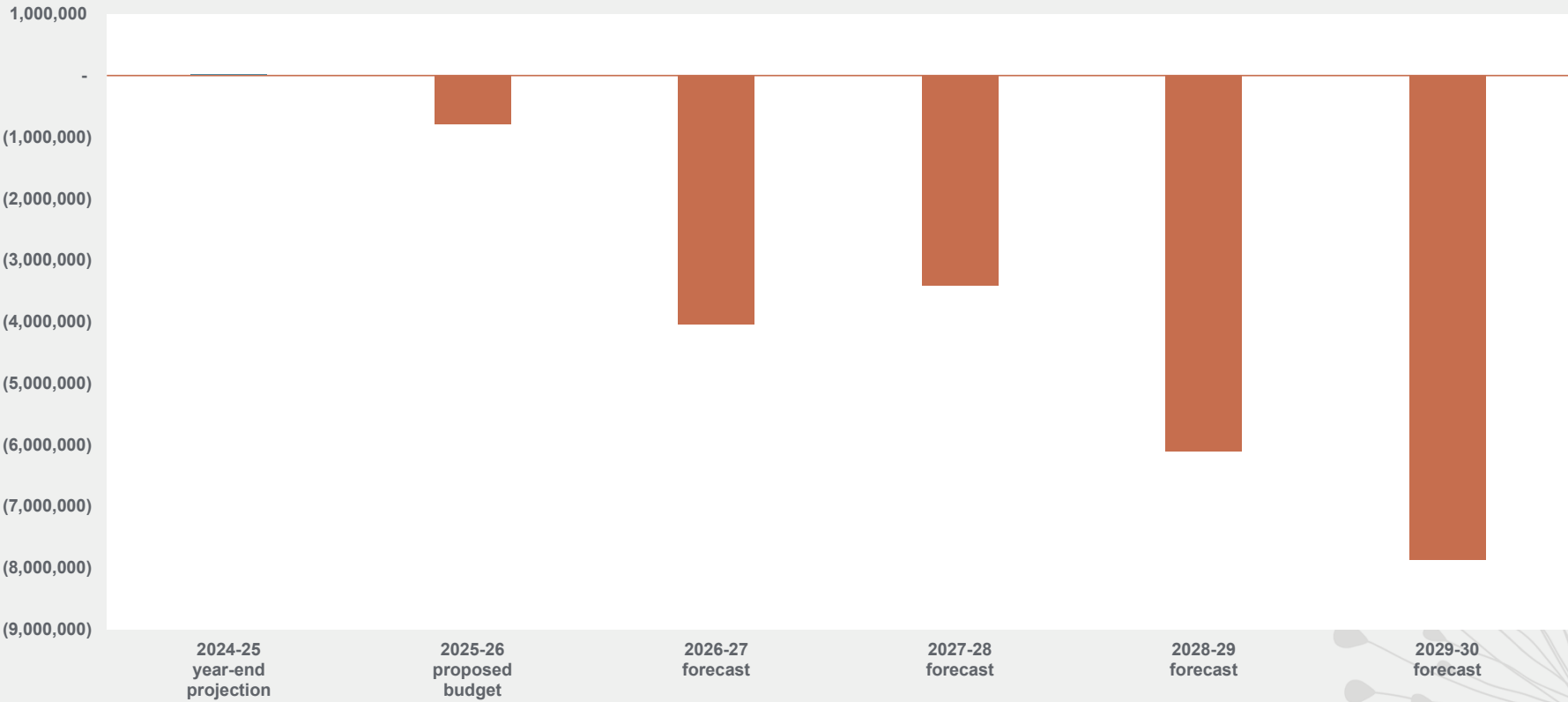
General Fund Five-Year Forecast

- Includes one-time transfer of \$3 million in fiscal year 2024-25 from the General Fund to the General CIP Fund
- Does not include any revised VLF shortfall reimbursement amounts
- Projected total fund balance would decrease from \$36.5 million to \$15.1 million over the five-year period
 - Strategic Pension Funding Reserve depleted in fiscal year 2026-27
 - Emergency Contingency Reserve would no longer be fully funded beginning in fiscal year 2027-28
 - Economic Stabilization Reserve would no longer be fully funded beginning in fiscal year 2029-30



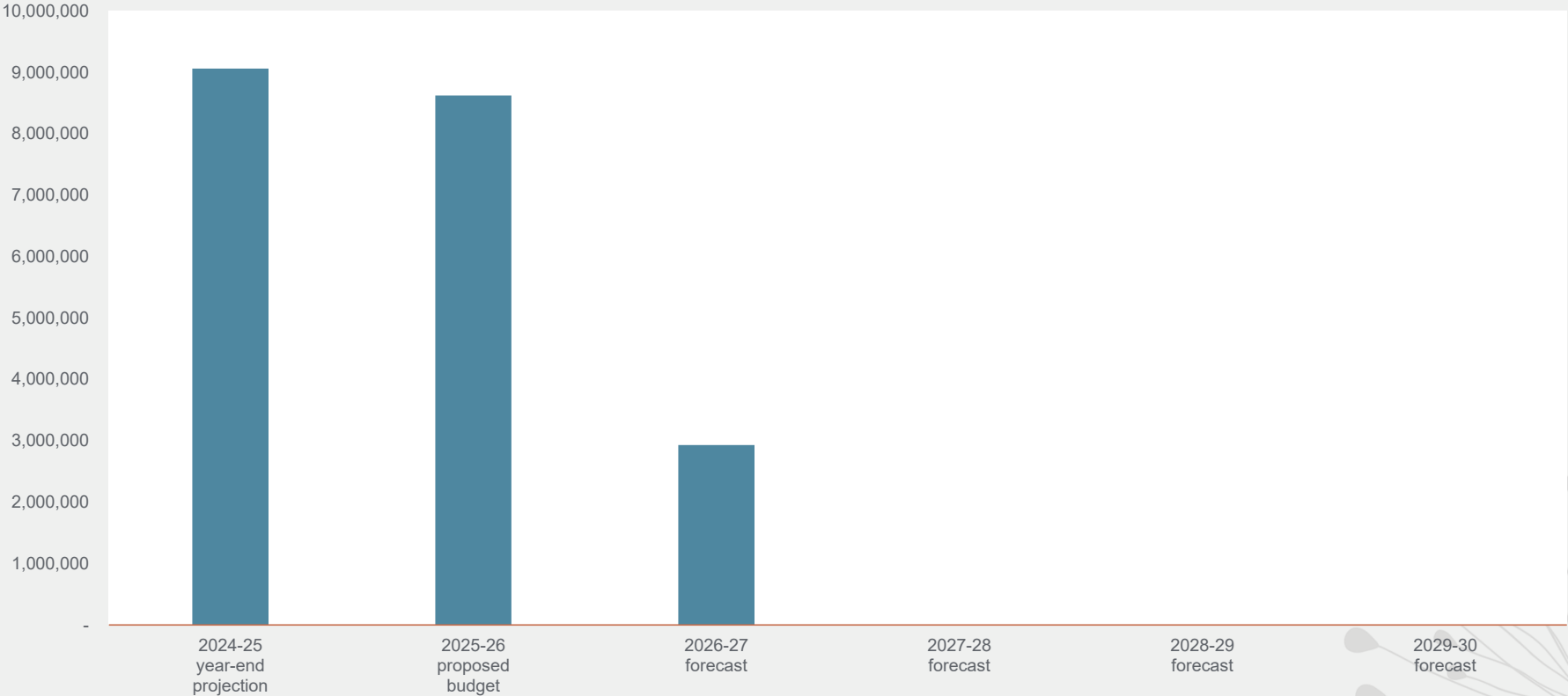


Operating Surplus/(Deficit)

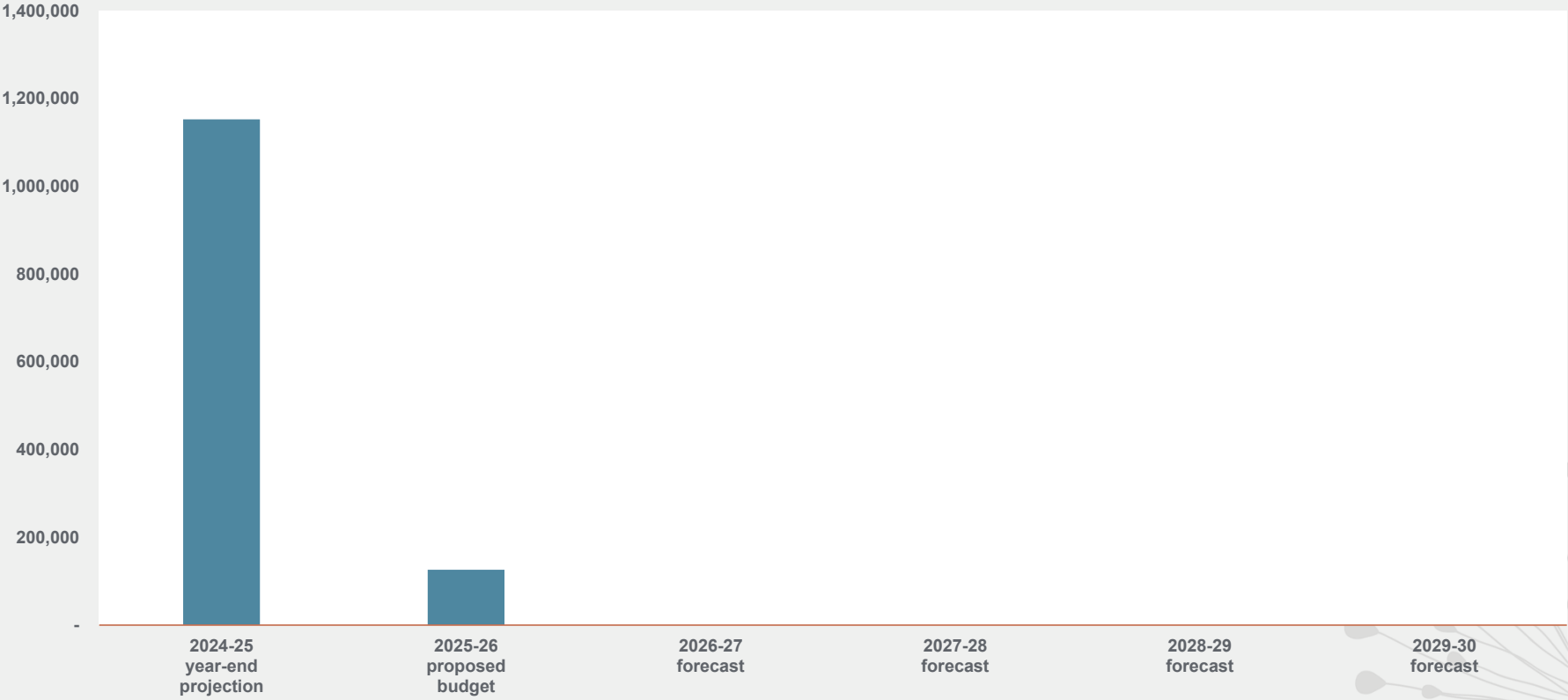




Unassigned Fund Balance

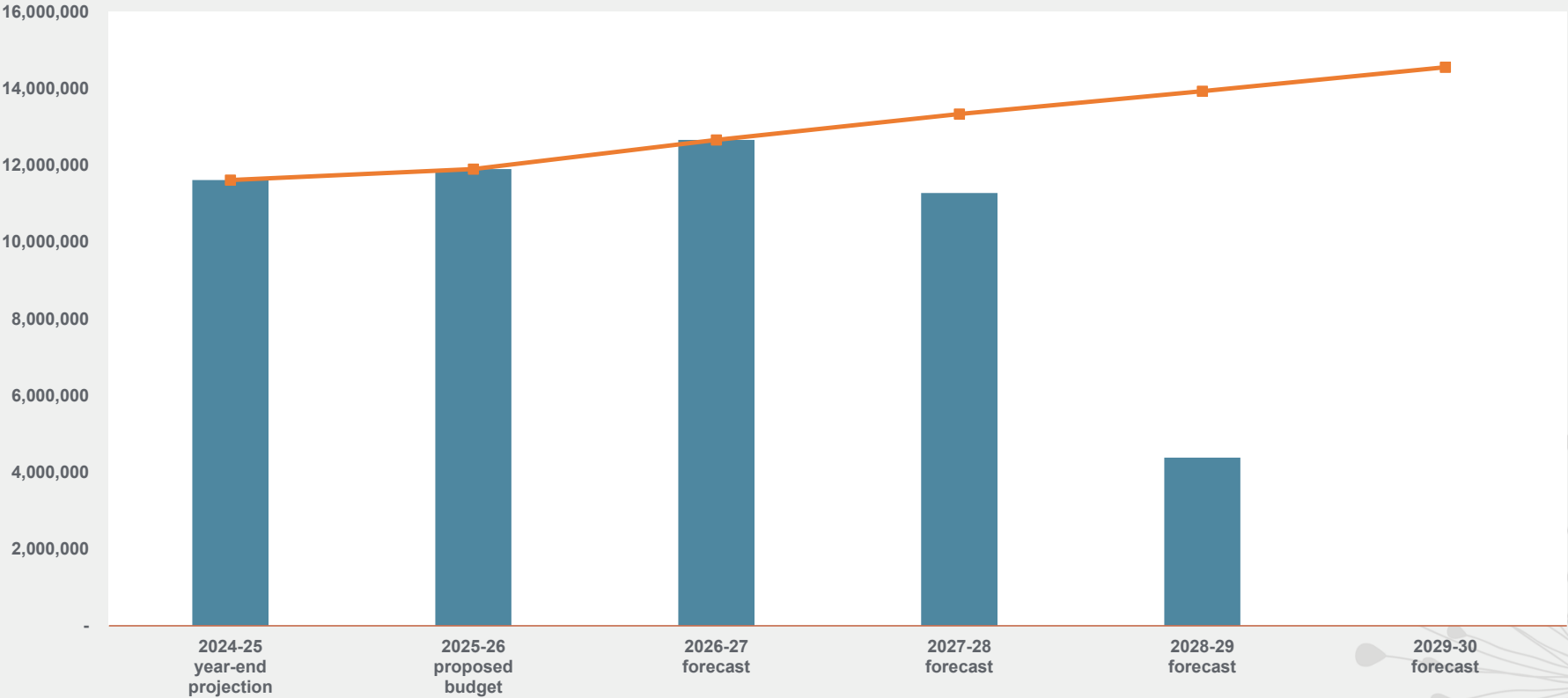


Strategic Pension Funding Reserve



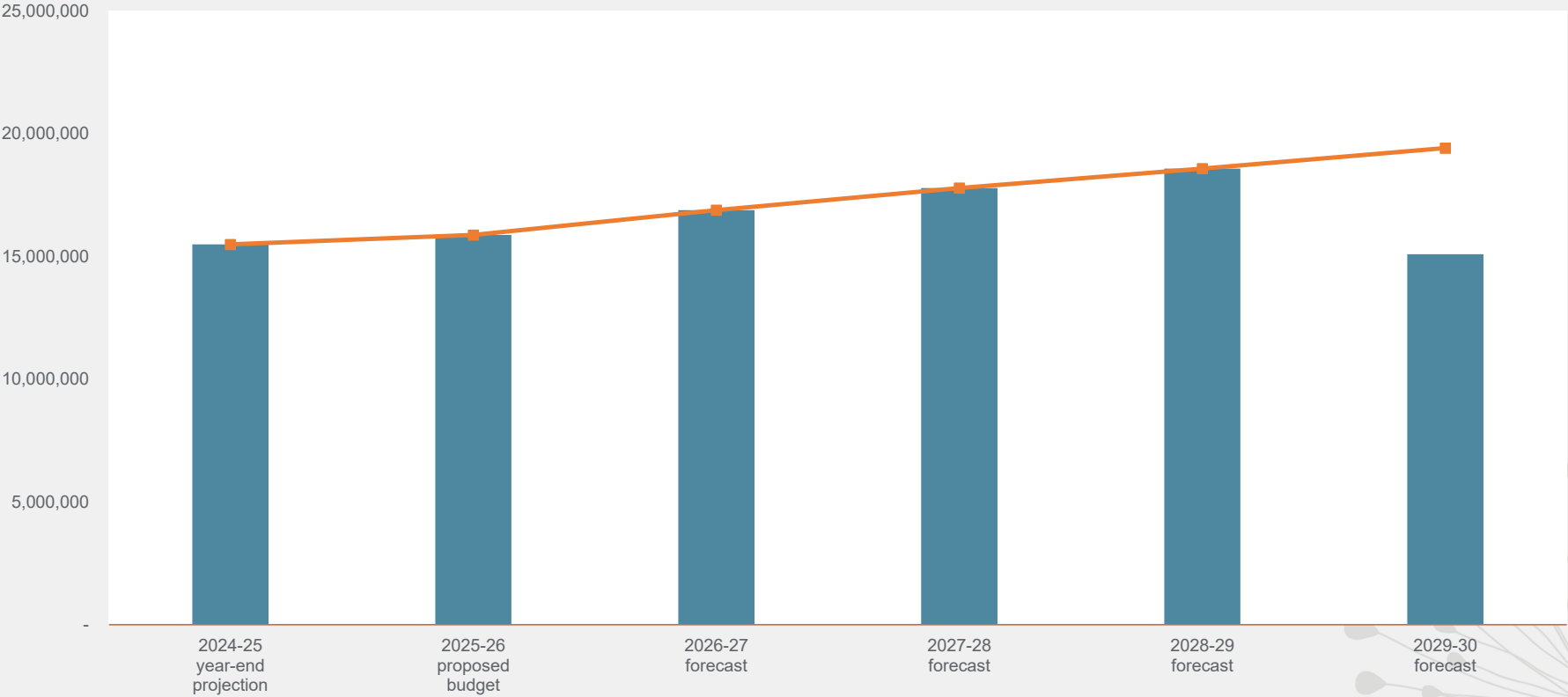


Emergency Contingency Reserve





Economic Stabilization Reserve





Resolutions



Resolutions

- Adoption of the fiscal year 2025-26 budget and capital improvement plan
 - Formally appropriates funds and expenditures during the fiscal year
 - Authorized payments up to the budget amount for certain items
- Establish the appropriations limit for fiscal year 2025-26
 - California Government Code sets a limit on appropriations based several factors, including the prior limit, population change and cost-of-living adjustment (COLA) changes
- Salary schedule amendments
 - Approves updates to salary schedule pursuant to memoranda of understanding
 - Effective first pay period following July 1





Resolutions

- Rate assistance program
 - Extends the rate assistance program for solid waste and water utilities through June 30, 2026
 - Promotes equity and helps low-income households cover basic living expenses
- Award authority
 - Establishes award authority, bid requirements and approving authority for fiscal year based on an annual inflationary factor
 - Overall limit remains the same
 - Public works project bid limit thresholds increased Jan 1, 2025, based on California Uniform Public Construction Cost Accounting Act





City Council Action

- Provide final direction on the proposed fiscal year 2025-26 budget
- Adopt resolutions





Questions



Amend the Fiscal Year 2024-25 Budget

June 24, 2025



Agenda

- Background
- Strategic Pension Funding Reserve
 - Fiscal year 2024-25 contribution options
 - Prior years' catch-up adjustments
- Use of projected year-end surplus
 - Revised fiscal year 2025-26 budget deficit
- City Council direction





Background



Background

- On June 10, staff presented a projected General Fund surplus of approximately \$3 million for fiscal year 2024-25
- The City Council provided direction to make a one-time transfer of \$3 million from the General Fund to the General Capital Improvement Projects (CIP) Fund to support future funding needs
- Staff is presenting additional information on the Strategic Pension Funding Reserve and the fiscal year 2025-26 proposed budget for consideration before finalizing the transfer





Strategic Pension Funding Reserve



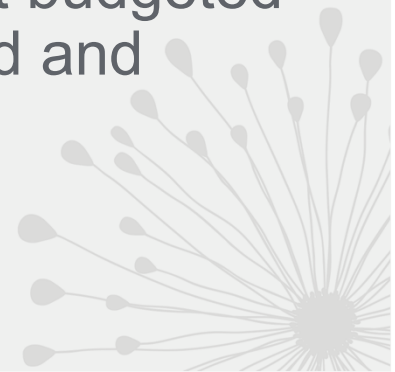
Strategic Pension Funding Reserve

- City Council established a fund balance policy for the General Fund in 2011, committing funds to be used for:
 - Emergency Contingency Reserve (ex. natural disasters, catastrophes)
 - Economic Stabilization Reserve (ex. severe deficits, econ. uncertainty)
- In 2014, City Council updated the policy to establish the Strategic Pension Funding Reserve to be used to:
 - Mitigate the impact of a significant increase in employer contribution rates due to poor investment returns or changes to actuarial assumptions in CalPERS, which administers the City's pension plan
 - Make additional payments to reduce the unfunded accrued liability (UAL) owed to CalPERS
 - States that 25% of the General Fund's final operating surplus, if applicable, will be added annually to this reserve upon completion of the Annual Comprehensive Financial Report (ACFR)



Strategic Pension Funding Reserve

- Contributions of 25% of the final operating surplus were made to the reserve following adoption in fiscal year 2013-14 through 2018-19
- No surpluses between fiscal years 2019-20 and 2021-22
- Contributions of the surplus were not made in fiscal years 2022-23 and 2023-24
- Separately, the additional \$0.96 million UAL payment budgeted in fiscal year 2023-24 was not made prior to year-end and requires reauthorization





Fiscal Year 2024-25 Strategic Pension Funding Reserve Contribution Options

1. City Council may proceed with the full \$3 million transfer to the General CIP Fund
 - Considered a mid-year budget amendment
 - The 25% contribution to the reserve will be calculated based on the final operating surplus when preparing the ACFR
2. City Council may choose to hold back 25% of the projected year-end surplus at this time as a placeholder to contribute to the reserve during ACFR preparation
 - Placeholder amount approximately \$0.75 million





Prior Years' Catch-up Adjustments to the Strategic Pension Funding Reserve

- Reallocate \$0.77 million from the General Fund unassigned fund balance to the Strategic Pension Funding Reserve
 - This is the amount of the final operating surpluses for fiscal year 2022-23 and 2023-24 that were mistakenly not contributed to the reserve
- Authorize use of \$0.96 million from the Strategic Pension Funding Reserve for an additional UAL payment
 - This was the amount budgeted for this purpose in fiscal year 2023-24 that was not made and would need to be reauthorized
 - Additional payment would provide future interest savings by reducing the UAL





Use of Projected Surplus



Fiscal Year 2025-26 Proposed Budget Deficit

- After incorporating changes following the public hearing held June 10, and anticipating an update to the fiscal year 2023-24 property tax in-lieu of vehicle license fee (VLF) shortfall in the State budget from June 24, the fiscal year 2025-26 proposed budget deficit would increase from \$0.8 million to \$1.75 million
- The City Council may consider reducing the amount of the CIP transfer for the money to be available in the unassigned fund balance to close the deficit and balance the proposed budget
- Projected year-end unassigned fund balance for fiscal year 2024-25 estimated to be \$9.06 million, excluding the projected surplus



General Fund Projected Surplus: Options for City Council Consideration

Description	Amount
<u>Option 1:</u> One-time transfer from the General Fund to the General CIP Fund	\$3.00 million
<u>Option 2:</u> 25% placeholder for Strategic Pension Funding Reserve Remaining balance transferred to the General CIP Fund	\$0.75 million \$2.25 million
<u>Option 3:</u> Close the projected fiscal year 2025-26 deficit 25% placeholder for Strategic Pension Funding Reserve Remaining balance transferred to the General CIP Fund	\$0.79 million \$0.55 million \$1.66 million
<u>Option 4:</u> Close the projected fiscal year 2025-26 deficit Remaining balance transferred to the General CIP Fund	\$0.79 million \$2.21 million
<u>Option 5:</u> Cover the reduction in VLF reimbursement by the State Remaining balance transferred to the General CIP Fund	\$0.96 million \$2.04 million



City Council Direction

City Council Direction

City Council direction needed on staff recommendations:

1. Reallocate \$0.77 million from the General Fund unassigned fund balance to the Strategic Pension Funding Reserve
2. Authorize use of \$0.96 million from the Strategic Pension Funding Reserve for an additional UAL payment
3. Cover the reduction in VLF reimbursement by the State and transfer the remaining balance of \$2.04 million from the General Fund to the General CIP Fund (Option 5)





Questions