



**BURLINGAME CITY COUNCIL**  
**Unapproved Minutes**  
**FY 2021-22 Budget Study Session on May 12, 2021**

**1. CALL TO ORDER**

A duly noticed meeting of the Burlingame City Council was held on the above date via Zoom Webinar at 6:30 p.m.

**2. PLEDGE OF ALLEGIANCE TO THE FLAG**

The pledge of allegiance was led by Councilmember Beach.

**3. ROLL CALL**

**MEMBERS PRESENT:** Beach, Brownrigg, Colson, O'Brien Keighran, Ortiz

**MEMBERS ABSENT:** None

**4. PUBLIC COMMENTS, NON AGENDA**

There were no public comments.

**5. STAFF REPORTS AND COMMUNICATIONS**

**a. STUDY SESSION DISCUSSION OF THE CITY'S FISCAL YEAR 2021-22 BUDGET; AND ADOPTION OF A RESOLUTION AMENDING THE FY 2020-21 OPERATING BUDGET**

Finance Director Augustine began by explaining that the City was in a better financial position than most municipalities when the COVID-19 pandemic began in spring 2020. She noted that the City hasn't been immune to the impacts the pandemic has had on global supplies, the rise of unemployment, changes in personal consumption, and decline in GDP.

Finance Director Augustine explained that staff developed a spending plan for the upcoming fiscal year that will require updates. She noted that these updates would be brought to Council.

Finance Director Augustine discussed the significant changes that were made in the FY 2020-21 Mid-Year Budget Review including the decrease in TOT.

Finance Director Augustine discussed the steps that the City took during the COVID-19 pandemic to preserve funds:

1. Utilize rainy day funds
2. Reduce capital spending
3. Use other funds to the extent possible and available

Finance Director Augustine stated that as the City comes to the end of FY 2020-21, staff believes it will be able to weather the storm. She noted that the \$5.8 million in American Relief Plan funds that the City will receive will be split between the current fiscal year and the next year. She added that the City's property taxes have remained strong.

Finance Director Augustine reviewed the General Fund challenges:

- Provide day-to-day operations and capital needs required to sustain high-quality services
- Fund long-term, legally obligated liabilities
- Provide for infrastructure needs
- Advance planning of longer-term priority initiatives, policies, and strategies

Finance Director Augustine discussed an overview of the proposed FY 2021-22 budget including:

- Assumes continued weakness in General Fund revenues, particularly in hotel taxes
- Maintains lower level of CIP funding
- Anticipates continued deficit spending
- Includes funding for Section 115 Pension Trust Fund (\$1.85 million from the General Fund and nearly \$2.3 million citywide)
- General Fund revenues are up 8.8% from the FY 2020-21 adopted budget (roughly \$5.4 million)
- Total General Fund operating expenditures are up .5% from the FY 2020-21 adopted budget
- Total General Fund balance to decrease \$1.7 million (in addition to the Section 115 Pension Trust Fund contribution)

Finance Director Augustine reviewed the City's top three revenues: TOT, Property Taxes, and Sales and Use Tax.

Finance Director first discussed the City's transient occupancy taxes ("TOT"). She displayed a bar chart that depicted the decreased TOT the City has received in FY 2020-21 as opposed to FY 2018-19, the last full fiscal year before the pandemic. She explained that the City is expecting a better TOT return for April through June 2021. She stated that Burlingame's hotels are largely geared towards business travelers, and this sector has not returned. She noted that the San Mateo County/Silicon Valley Convention and Visitors Bureau has projected that the large hotels in Burlingame will not see occupancy and room rate recovery until late FY 2024-25.

Finance Director Augustine next reviewed property taxes and noted that it was the only General Fund revenue source that didn't seem to have been significantly impacted by the pandemic. She explained that secured property taxes are expected to grow at a rate similar to the current fiscal year of 4%. She noted that

the County Assessor's Office made her aware that the numbers have been in flux, and therefore any changes will be brought to Council. She added that staff has lowered the upcoming fiscal year projections for property tax from the mid-year number due to concerns about the decline in property tax in-lieu of vehicle license fees ("VLF").

Finance Director Augustine explained that the property tax in-lieu of VLF are allocated from the State to make up for the loss of VLF. She noted that the State assumes that VLF will grow at the same rate as the Assessor's Roll; however this does not occur. Therefore, the County is required to make up the difference from non-basic aid school district property taxes in the Educational Revenue Augmentation Fund (ERAF). She noted that a permanent solution needs to resolve this issue.

Finance Director Augustine noted that the City received \$2.56 million in excess ERAF.

Finance Director Augustine next reviewed sales taxes for the City. She noted the following:

- Taxable sales for the second quarter of FY 2020-21 were down 14.2% compared to FY 2019-20
- The Automotive and Transportation Sector decreased 4.4%
- Restaurants and Hotels decreased 55.3%
- State and County Pool allocations increased 4.3%
- Different sectors are expected to recover at varying rates through the current fiscal year and FY 2021-22

Finance Director Augustine discussed the new revenue distribution in the General Fund:

- Property Tax is 37.1%
- Sales and Use Tax is 22.9%
- Transient Occupancy Tax is 20.2%
- Other Revenue is 19.8%

She noted that previously TOT was 36.5% of the General Fund's revenues.

Mayor O'Brien Keighran asked if the decrease in VLF is due to the increase in basic aid school districts in the County. Finance Director Augustine responded in the affirmative.

Finance Director Augustine reviewed the expenditure highlights for the proposed FY 2021-22 budget:

- General Fund expenditures are up 2.1% compared to current year revised budget
- Overall personnel expenditures increase by 3.2% due to normal wage and benefit cost increases
- Other operating cost increases are less than 1%

Finance Director Augustine explained that for the proposed FY 2021-22 budget, salaries and wages are projected to increase by 1.5%, and benefits are projected to increase by 5.8%. She noted that there are no changes to full-time equivalent positions for FY 2020-21.

Finance Director Augustine stated that staff projects a decrease in the General Fund balance of \$1.7 million for FY 2021-22. She explained that staff is projecting that revenues for next fiscal year will be \$66.9 million, and expenditures will be \$68.6 million.

Councilmember Brownrigg stated that the City has spent down the unassigned balance to cover losses seen during the pandemic. He noted that the Finance Director's recommendation was that the City invest less in potential projects to cover the loss. He asked if the City is allowed to utilize the Economic Stability Reserve funds for a future project. Finance Director Augustine replied in the affirmative. She explained that the Economic Stability Reserve was utilized during the pandemic, but it was immediately replenished. She stated that the General Fund Reserve policy requires a reimbursement plan if the Economic Stability Reserve is utilized.

Mayor O'Brien Keighran asked what the minimum dollar amount that the City needs to keep in the Economic Stability Reserve is. Finance Director Augustine stated that it is 24% of revenues.

Finance Director Augustine discussed the proposed Capital Improvement Program for FY 2021-22. She noted that this is the second straight year that staff's proposal includes a greatly reduced General Fund contribution. She explained that in FY 2018-19, the General Fund contribution was \$7.2 million, and in FY 2019-2020 it was close to \$8 million. However, staff is proposing a General Fund contribution of \$3.2 million for FY 2021-22.

Finance Director Augustine reviewed the five-year forecast assumptions:

- TOT fully recovers in FY 2025-26
- Continued increase in property taxes
- No additions to full-time employment
- Increasing pension contributions (per CalPERS)
- Transfers to Capital Projects catch-up in FY 2022-23
- Declining transfers to fund Section 115 Pension Trust

Finance Director Augustine noted that the five-year forecast does not include:

- One-time revenues
- New developments
- New debt
- Draw downs from the Section 115 Pension Trust

Finance Director Augustine discussed the Capital Investment Reserve and noted that its balance at the end of the current fiscal year would be the same as the end of fiscal year 2016-17. She explained that the five-year plan includes a draw down from the Capital Investment Reserve of \$15 million for the Broadway Grade Separation project and \$6 million for the undergrounding of utility lines on El Camino Real.

Finance Director Augustine stated that the Section 115 Pension Trust Fund has a balance of \$17.6 million. She noted that the safety plan will first reach the threshold rate in FY 2025-26, and the miscellaneous plan will pass its threshold rate in FY 2027-28.

Councilmember Brownrigg asked if he was correct that the funding that the City has been putting into the Section 115 Pension Trust Fund on an annual basis is equal to 20% of the total benefits line item. Finance Director Augustine replied in the affirmative. She added that the City would see the employer contribution to pensions continue to increase. She noted that the contributions to the Section 115 Pension Trust aren't included in expenditures.

Finance Director Augustine discussed the City's Water Fund. She noted that the last increase was January 1, 2019. She noted that these revenues didn't take the same hit as the Sewer Fund. She noted that the last increase in fees was January 2012 for sewers. She added that this means there are not a lot of funds available for Capital Improvement Programs for the sewer system.

Finance Director Augustine stated that the City would be reviewing the fees associated with both the Water and Sewer Funds.

Finance Director Augustine discussed the rising cost of garbage collection. She noted that there are fewer markets for recycled products and increased regulation around the State's efforts to reduce organic waste disposal. Therefore, she explained that the City would need to re-examine the solid waste rate structure in the near future.

Councilmember Colson asked about the creation of the Economic Stability Reserve. She explained that she thought the funding requirement should be tied to expenses as opposed to revenue. Finance Director Augustine stated that the General Fund Reserve Policy was established in 2015 with the assistance of GFOA. She noted that they discussed the variability of the City's revenues. She explained that the City's biggest revenues could easily fluctuate and therefore, they made the decision to base the reserves on revenues.

Councilmember Colson asked if she was correct that the reserve policy was meant to be a dynamic modelling situation where the reserve is increasing in good years and declining during bad years. Finance Director Augustine replied in the affirmative.

Councilmember Brownrigg asked if the City had created a fund for the housing impact fees. Finance Director Augustine replied in the affirmative. She stated that she would get back to Council on the exact number in that fund.

Councilmember Brownrigg stated that he would like to see a discussion in the future about how that housing impact fee fund is forecasted to grow. Finance Director Augustine stated that it would be a bit trickier than the other funds to forecast its growth because its growth is based on potential development projects.

Mayor O'Brien Keighran opened the item up for public comment. No one spoke.

Councilmember Beach made a motion to adopt Resolution Number 053-2021; seconded by Vice Mayor Ortiz. The motion passed unanimously by roll call vote, 5-0.

**b. CITY COUNCIL REVIEW OF DRAFT FY 2021-22 CAPITAL IMPROVEMENT PROGRAM**

Assistant DPW Art Morimoto stated that staff has made minimal changes to the proposed FY 2021-22 Capital Improvement Program (“CIP”) since the March Mid-Year Budget Study Session. Mr. Morimoto began with an overview of the proposed CIP projects for FY 2021-22:

<b>CIP Program Categories</b>	<b>Estimated Costs</b>
Bicycle, Pedestrian & Traffic Improvements	\$1.9 million
Parks & Recreation Improvements	\$810,000
Building Facilities Improvements	\$100,000
Street Resurfacing	\$2 million
Water Enterprise Fund Projects	\$3.5 million
Sewer System Enterprise Fund Projects	\$1.1 million
Storm Drainage System Projects	\$4.56 million
<b>Total</b>	<b>\$13.97 million</b>

Mr. Morimoto reviewed the proposed list of Bicycle, Pedestrian and Traffic Improvement projects for FY 2021-22:

<b>Project Description</b>	<b>Estimated Costs</b>
Sidewalk and ADA Improvements*	\$800,000
Oak Grove/Carolán Traffic Signal Improvements**	\$650,000
California Drive Bike Facility	\$200,000
Master Plan Pedestrian	\$150,000
Burlingame Station Pedestrian Improvements	\$100,000
<b>Total</b>	<b>\$1.9 million</b>

\*includes \$800,000 in Measure I Funds

\*\* includes \$650,000 in Measure A Funds

Mr. Morimoto noted that the proposed funding for the California Drive Bike Facility and the Burlingame Train Station Pedestrian Project supplements the \$1.4 million in grant funding that the San Mateo County Transportation Authority awarded the City.

Mr. Morimoto reviewed the proposed list of Parks and Recreation projects for FY 2021-22:

<b>Project Description</b>	<b>Estimated Costs</b>
BSD Synthetic Turf Replacement Fund	\$200,000
Murray Field Synthetic Turf Replacement Fund	\$150,000
Playground Replacement Fund	\$100,000

Bayside Park Parking Lot and Pathway ADA and EV charging improvements	\$85,000
Cuernavaca Field Renovations and ADA Improvements	\$70,000
Central Irrigation Controller	\$50,000
Playground Resilient Resurfacing/Treatment	\$50,000
Annual Tree Replacement	\$5,000
<b>Total</b>	<b>\$810,000</b>

Mr. Morimoto reviewed the list of Building Facilities Projects for FY 2021-22:

<b>Project Description</b>	<b>Estimated Costs</b>
Police Station Fuel Tank Removal and Replacement	\$100,000
Main Library HVAC and EMS Upgrades*	\$0
Public Works Corporation Yard HVAC and EMS Upgrades	\$0
Fire Station 35 Traffic Signal Upgrades	\$0
Roof Repair and Replacement Plans (Depot, Police Station, Corporation Yard, City Hall, Fire Stations 34 and 36)	\$0
Facilities CIP Program Management	\$0
<b>Total</b>	<b>\$100,000</b>

\*This project will be completed with existing Facilities CIP budget.

Mr. Morimoto reviewed the proposed list of streets for the Street Resurfacing Program that utilizes Gas Tax, SB1, Measure I, and Measure M funds:

<b>Street</b>	<b>From</b>	<b>To</b>
Anza Boulevard	Airport Boulevard	Freeway
Easton Drive	Vancouver Avenue	Alvarado Avenue
Escalante Way	Rivera Drive	End
Hillview Court	Burlingview Drive	End
Hunt Drive	Trousdale Drive	Rivera Drive
Laguna Drive	Lincoln Avenue	Broadway
Linden Avenue	Morrell Avenue	Larkspur Drive
Ray Drive	Quesada Way	Davis Drive
Summit Drive	Burlingview Drive	Belvedere Court
Summit Drive	El Prado Road	Burlingview Drive
Valdivia Way	Hayward Drive	Valdivia Court
Vancouver Avenue	Easton Drive	Broadway
Westmoor Road	Dufferin Avenue	Hamilton Lane
<b>Total Cost</b>	<b>\$2 million</b>	

Mr. Morimoto reviewed the proposed Drinking Water System CIP projects for FY 2021-22:

<b>Project Description</b>	<b>Estimated Costs</b>
Glenwood Park, Burlingame Heights and Burlingame Park Subdivision Water Main Replacement	\$2.075 million
North Burlingame Park and Burlingame Terrace Subdivision Water Main Replacement	\$400,000
El Camino Real at Adeline Water Main Replacement	\$400,000
Mills Storage Tank Study	\$100,000
Emergency Water Main Replacement	\$100,000
Sisters of Mercy Pump Station	\$100,000
Water Meter Replacements	\$100,000
Water Service Replacement Program	\$100,000
Regional Water Supply Studies and Coordination	\$75,000
SCADA System Upgrade	\$50,000
<b>Total</b>	<b>\$3.5 million</b>

Mr. Morimoto noted that most of the Drinking Water System CIP projects deal with water main replacements.

Councilmember Beach asked about the Water Service Replacement Program. Mr. Morimoto explained that there is a new state requirement that certain types of water services have to be replaced. He noted that some of the water services within the City are of unknown material. Therefore, because the City doesn't know what the material is, the City needs to replace those services.

Councilmember Beach asked if replacing services referred to the City replacing piping. Mr. Morimoto replied in the affirmative. He explained that it is piping that runs from the City main to the water meter.

Mr. Morimoto reviewed the proposed Sewer System CIP projects for FY 2021-22:

<b>Project Description</b>	<b>Estimated Costs</b>
Wastewater Treatment Plant Upgrades	\$1.05 million
SCADA System Upgrade	\$50,000
<b>Total Cost</b>	<b>\$1.1 million</b>

Mr. Morimoto noted that sewer revenue has been significantly impacted, and therefore staff is proposing a reduced CIP. He explained that the revenue was impacted by the closure of hotels and restaurants during the pandemic.



DPW Murtuza added that another impact on the reduced funding for Sewer System CIP projects is that the last time the City had sewer rate increases was over eight years ago. He noted that staff would be scheduling a Council study session on this matter.

Councilmember Brownrigg asked if there was an estimate of what the rate increase would be. DPW Murtuza stated that he would need to get back to Council with this information as there are multiple scenarios.

Mayor O'Brien Keighran asked if the last sewer rate increase was in 2012. DPW Murtuza replied that he believed it was in 2013.

Councilmember Brownrigg asked if staff could schedule the study session to discuss both water rates and sewer rates. DPW Murtuza replied in the affirmative.

Mr. Morimoto reviewed the proposed Storm Drain System CIP projects for FY 2021-22:

<b>Project Description</b>	<b>Estimated Costs</b>
Neighborhood Storm Drain #14	\$1.65 million
Large Diameter Storm Drain Sedimentation Removal	\$950,000
Creek Capacity Improvements	\$910,000
Culvert Crossing Repairs, Phase 2	\$500,000
Easton Creek Lining	\$500,000
Pump Stations – SCADA System Upgrade	\$50,000
<b>Total</b>	<b>\$4.56 million</b>

Mr. Morimoto reviewed the funding sources that would be used for the proposed Capital Improvement Program for FY 2021-22:

<b>Funding Source</b>	<b>Estimated Costs</b>
General Fund	\$1.36 million
Measure I Funds	\$1.8 million (\$800,000 for sidewalks and \$1 million for streets)
Gas Tax, Measure A, Measure M, and SB-1 Funds	\$1.65 million (\$650,000 for Oak Grove/Carolan traffic signal and \$1 million for streets)
Storm Drain Fees	\$4.56 million
<b>Total</b>	<b>\$13.97 million</b>

Mr. Morimoto noted that Public Works' numbers for General Fund funding for FY 2021-22 CIP are slightly different from what was presented by Finance Director Augustine. He explained that this is because Public Works separated out Measure I funds.

Councilmember Brownrigg stated that recently the City made improvements to sidewalks on his street at the same time that PG&E was undertaking some work. He suggested that the City should try to time the work with PG&E better.

Mayor O'Brien Keighran asked about the curbs on Bernal and Adeline where cement borders created a smaller apron opening. DPW Murtuza stated that these improvements were the result of the Bicycle and Pedestrian Master Plan. He explained that it creates channelized access and added that staff is looking into them.

Councilmember Colson stated that Redwood City utilizes recycled water and thought the City should start thinking about how it could use gray water.

Councilmember Beach discussed all the work that Public Works undertakes to keep the City running. She asked if some of the streets that will be resurfaced are ones where projects under the Bicycle Pedestrian Master Plan can also be undertaken. Mr. Morimoto stated that the streets that would require more study to assist the Bicycle Pedestrian Master Plan were pushed to FY 2022-23.

Councilmember Beach asked about the staging of the projects on El Camino Real in relation to Caltrans' project. Mr. Morimoto stated that this question comes up a lot about why the City is undertaking water and sewer projects now instead of timing it with the Caltrans' project. He discussed the timing and semantics of the different El Camino Real projects. He stated that by undertaking the water and sewer projects now, it allows the City to have better control over the project and the scope of work.

Mayor O'Brien Keighran opened the item up for public comment. No one spoke.

Councilmember Colson made a motion to approve the proposed FY 2021-22 Capital Improvement Program; seconded by Councilmember Brownrigg. The motion passed unanimously by roll call vote, 5-0.

**6. ADJOURNMENT**

Mayor O'Brien Keighran adjourned the meeting at 7:59 p.m.

Respectfully submitted,

Meaghan Hassel-Shearer  
City Clerk