



CITY OF BELVEDERE

FINANCE COMMITTEE AGENDA

August 30, 2023
3:00 p.m.

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This is a hybrid public meeting. Committee members and staff will meet in person at City Hall. Members of the public may attend the meeting on the Zoom platform:

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1. Approve minutes of [April 24, 2023](#) and [May 2, 2023](#), Finance Committee meetings.
 2. [Review Community Survey Results and Fire Tax Funding Options.](#)
 3. Other new business.
 4. Adjourn.

Date posted: 08/25/2023

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FINANCE COMMITTEE
April 24, 2023
10:30 a.m.
Belvedere City Hall – Council Chambers
And on Zoom remote platform (hybrid meeting)

MINUTES

COMMITTEE PRESENT: Bob McCaskill, David Walker, John Wilton,
Patrick Feder

COMMITTEE ABSENT: Will Lyon

OTHERS PRESENT: City Manager – Robert Zadnik
Director of Admin. Services – Helga Cotter
Director of Public Works – Antony Boyd
Sally Wilkinson - Councilmember
Peter Mark – Vice-Mayor

CALL TO ORDER OF REGULAR MEETING

The meeting was called to order at 10:30 a.m.

SCHEDULED ITEMS

1. Approve minutes of the March 7, 2023 meeting.

MOTION: Approve the minutes of the March 7, 2023 Finance Committee meeting.

Approval was unanimous.

2. FY2023-24 Preliminary Budget Review. The Committee Members discussed the Budget and staff responded to questions. The Committee Members unanimously supported the proposed budget and requested that staff prepare a report on pension payment deferrals and service costs for the Tiburon Fire Protection District before presenting the budget to the the City Council.
3. Discuss Audit Firm Interviews and make Audit Services Contract recommendation to City Council. The Committee Members discussed staff's proposal to retain the current auditors and staff responded to questions. The Committee unanimously agreed to recommend that the City Council approve the Audit Services Contract.

4. Discuss insurance coverage related to the City's levees. Helga Cotter confirmed that earthquake insurance is not included in general property coverage and that City Hall is the only property with earthquake insurance coverage. The Committee Members discussed insurance coverage and staff answered questions. Staff also confirmed the City's insurance broker would be invited to the next Finance Committee meeting to discuss the insurance policy.

ADJOURN

The meeting was adjourned at 12:20 p.m.

THE FOREGOING MINUTES were approved at a regular meeting of the Finance Committee on _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED

Bob McCaskill, Chair

ATTEST

Helga Cotter, Director of Admin. Services

FINANCE COMMITTEE
May 2, 2023
10:30 a.m.
Belvedere City Hall – Council Chambers
And on Zoom remote platform (hybrid meeting)

MINUTES

COMMITTEE PRESENT: Bob McCaskill, David Walker, John Wilton,
Patrick Feder, Will Lyon

COMMITTEE ABSENT: None

OTHERS PRESENT: City Manager – Robert Zadnik
Director of Admin. Services– Helga Cotter
Sally Wilkinson - Councilmember

CALL TO ORDER OF REGULAR MEETING

The meeting was called to order at 10:30 a.m.

SCHEDULED ITEMS

1. Presentation by City's Insurance Pool – California Intergovernmental Risk Authority (CIRA). General Manager Ken Ong and Assistant Manager Amy Northam of CIRA presented a report on the City's insurance coverage and answered questions from the Committee Members. Earthquake coverage for the levees will need a separate quote from the broker which staff is working on providing required documentation.
2. Discuss Fire Measure Renewal as it relates to the Draft FY2023-24 Budget. Councilmember Sally Wilkinson and the Committee Members discussed pension deferral contributions and contract costs with the Tiburon Fire Protection District. Ms. Wilkinson and staff answered questions from the Committee Members. (Committee Member John Wilton recused himself at 11:40 a.m.). The Committee Members agreed by unanimous vote to recommend that the City Council approves the formation of an ad-hoc subcommittee with members from the Finance Committee to explore funding options for the contract with the Tiburon Fire Protection District.
3. Any Other Business. Councilmember Wilkinson and the Committee Members discussed alternative banking options, which staff will explore for a future discussion.

ADJOURN

The meeting was adjourned at 12:25 p.m.

THE FOREGOING MINUTES were approved at a regular meeting of the Finance Committee on _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED _____

Bob McCaskill, Chair

ATTEST

Helga Cotter, Director of Admin. Services

FINANCE COMMITTEE
AUGUST 30, 2023

To: Finance Committee

From: Helga Cotter, Director of Administrative Services
Robert Zadnik, City Manager

Subject: Fire Tax Funding Options

Background

On April 24, 2023, the City of Belvedere's Finance Committee met to review the FY2023-24 Draft Budget. As part of the review, it noted the significant 7.5% increase in the cost of the Tiburon Fire Protection District's contract for fire and emergency medical response services. With continued large increases in the annual contract cost, the City of Belvedere's Fire Tax, which initially covered the full contract cost when it was established in 1980, is expected to cover just 51% of the \$2.1 million bill in FY2023-24, with the City's General Fund subsidizing this growing funding gap.

Based on this initial discussion, the Finance Committee met again on May 2, 2023, to discuss the Fire Tax in the context of the FY2023-24 Draft Budget. After discussion, it recommended to the City Council that an ad hoc subcommittee of the Finance Committee be formed to review the funding of the City's fire contract costs in more detail. The City Council approved the formation of this ad hoc subcommittee at its May 8, 2023, meeting.

Subcommittee Details

The Fire Tax Subcommittee comprised Finance Committee Members Patrick Feder and John Wilton, Council Representatives to the Finance Committee Sally Wilkinson and Peter Mark, and staff members Helga Cotter and Robert Zadnik. It met five times between May 2023 and August 2023. It first worked to understand better Belvedere's Fire Tax, the City's contract with Tiburon Fire Protection District (TFPD), and the strain on the City's General Fund caused by the Fire Tax's insufficiency, as described below.

Fire Tax

Until 1980, the City of Belvedere operated an all-volunteer fire department with a fire station in what is now Belvedere Community Center. To provide more reliable service, in 1981, the City began contracting with TFPD for fire protection and emergency medical response services, paid for by introducing a flat-rate parcel tax to cover the service cost, as approved by the Belvedere electorate in 1980. The tax has no sunset and is indexed annually based on local CPI and population changes. In 2000, the City received approval from the Belvedere electorate for a one-time step

increase in the Fire Tax above and beyond indexation (see later discussion). The FY2023-24 tax rates are shown in the table below.

Belvedere’s Fire Tax Rates FY2023-24

| | Tax Rate | Number of Units |
|--------------------|------------|-----------------|
| Residential Units | \$993.64 | 1,065 |
| Commercial Units | \$1,131.02 | 29 |
| Vacant Parcels | \$198.94 | 0 |
| Non-Taxable Units | - | |
| Total Units | - | 1,094 |

Source: City of Belvedere

Fire Measure

Although the Fire Tax itself has no sunset, the City of Belvedere is required to ask voters to approve a budget ceiling override every four years to allow it to spend the Fire Tax revenues it receives. This four-yearly vote is known as the Belvedere Fire Measure (distinct from the Fire Tax). It is necessitated by California Proposition 4 (1979), which restricts the amount of tax proceeds that can be appropriated in any fiscal year based on actual appropriations in FY1978-79 adjusted only for changes in population and cost of living. Spending of tax proceeds above this “Gann Limit” must be approved by a simple majority vote of the electorate at least every four years. Since the Fire Tax was not in place when Belvedere’s Gann Limit was established, an override vote is necessary to allow these proceeds to be spent. Although Proposition 111 (1990) reset the base year for appropriations to FY1986-87 when the Fire Tax did exist, the step increase in the Fire Tax approved by voters in 2000 means the City still needs to pass its Fire Measure every four years. The next renewal is due in March 2024. It has historically passed with ease. (Note that, amongst other things, Prop 111 also changed the cost-of-living growth factor from price inflation to per capita income growth.)

Recent Belvedere’s Fire Measure “Gann Limit Override” Ballot Results

| Date of Election | Measure Letter | Yes Vote |
|------------------|----------------|----------|
| April 11, 2000 | Measure A | 96.1% |
| March 2, 2004 | Measure C | 82.1% |
| June 3, 2008 | Measure C | 86.5% |
| June 5, 2012 | Measure B | 78.3% |
| June 7, 2016 | Measure C | 77.3% |
| March 30, 2020 | Measure E | 79.0% |

Source: County of Marin. Simple Majority Threshold.

TFPD Background

TFPD was formed in 1941 as an Independent Special District following a vote of the local electorate in response to significant fires on the peninsula. Its boundary includes most of the Town

of Tiburon and unincorporated land along the peninsula's eastern shore. Because the department existed as a Special District when Proposition 13 passed in 1978, which limited a property's basic tax rate to 1 percent, it receives a direct portion, on average 12%, of the 1 percent on properties within its district boundaries. For FY2023-24, direct property tax receipts are estimated to be \$8.2 million, or 71% of TFPD's budgeted revenues.

TFPD FY2023-24 Budgeted Revenues

| Revenue Source | US\$ | Share |
|------------------------------|------------|--------|
| Property Taxes | 8,222,900 | 70.8% |
| Intergovernmental | 572,039 | 4.9% |
| Interest | 273,000 | 2.4% |
| Belvedere Contract | 2,148,287 | 18.5% |
| SMEMPS | 285,000 | 2.5% |
| Fees | 66,950 | 0.6% |
| Reimbursements/Miscellaneous | 43,200 | 0.4% |
| Total | 11,611,376 | 100.0% |

Source: TFPD

Belvedere's Contract with TFPD

The City of Belvedere began contracting for service with TFPD in 1981. Contract terms were renegotiated in 1984, 1994, and 1999. The contract is now evergreen, with a two-year notice of termination required. The terms of service and governance rules have remained essentially unchanged over the forty-plus years of service. Belvedere residents are guaranteed the same level of service as Tiburon residents, including fire protection, suppression and prevention, and emergency medical response. Because the City is not a member of TFPD, Belvedere residents cannot be elected to its five-person governing board. Belvedere can send a representative to sit with the board during public meetings but does not currently do so.

The formula for calculating the cost of service has changed over the course of the four contracts, as follows:

- 1981: Fixed monthly fee, indexed for inflation and population changes.
- 1984: Increased fixed monthly fee, indexed for inflation.
- 1994: Fee for service based on TFPD's total expenditures less reimbursements, apportioned according to (the average of) the number of dwelling units, commercial units, assessed value improvements, and populations in the respective jurisdictions.
- 1999: Service fee based on TFPD's total expenditures, less reimbursements, apportioned according to the number of occupancies in the respective jurisdictions. Occupancy numbers come from the County Assessor and are reviewed every two years.

According to the County Assessor, there are currently 1,114 total occupancies in Belvedere and 4,026 in Tiburon, giving Belvedere a 21.7% share of TFPD net expenditures.

Contract Cost Considerations

As an agency primarily funded by direct receipt of property tax revenues, trend growth in TFPD’s budget is dominated by the change in assessed property values within its boundaries. Thanks to a consistently strong Tiburon property market, both in terms of price and turnover, growth in TFPD’s property tax receipts has outstripped inflation plus population changes. As with any public agency, TFPD tends to spend everything it collects on a trend basis, adjusting for a suitable accumulation of reserves. This means Belvedere’s contract price naturally grows close to the growth rate in Tiburon’s assessed property values.

The problem for Belvedere is that its Fire Tax is indexed to local CPI and population changes. This made sense when the fire contract was a fixed-price contract indexed to the same growth factors. However, with the step-increase in the contract price in 1984 and the subsequent move to an expenditure apportionment formula, a gap between the TFPD contract cost and Fire Tax receipts began to grow, with the City’s General Fund covering the funding shortfall.

Recognizing this growing shortfall, in 2000, the City asked Belvedere’s electorate to approve a step increase in the Fire Tax above and beyond indexation, increasing the Fire Tax coverage rate to 86% of the contract cost the following year. Measure B passed with 90.2% support, well exceeding the two-thirds threshold. Since then, the average annual increase in the fire contract cost has continued to outstrip the growth in Fire Tax receipts by a wide margin (6.5% versus 4.1%), and the coverage rate has steadily slipped. In FY2023-24, just 51% of the \$2.15 million contract cost is expected to be covered by Fire Tax receipts, leaving over \$1.0 million to be paid by the City’s General Fund.

Belvedere’s April 2000 Measure B Fire Tax Increase

| | FY2000-2001 Tax Rate Before Increase | FY2000-2001 Proposed Tax Rate | % Increase |
|----------------------|---|----------------------------------|------------|
| Per Residential Unit | \$244 | \$395 | 62% |
| Per Commercial Unit | \$306 | \$450 | 47% |
| Per Vacant Parcel | \$70 | \$80 | 14% |

Source: County of Marin

General Fund Subsidy/Service Cuts

As a municipality with minimal commercial or retail activity, most of Belvedere’s municipal revenues come from property tax receipts. Like Tiburon, Belvedere has enjoyed a strong property market and consequent growth in its budget (averaging 6.3% p.a. since FY2000-01). Belvedere is in good financial standing, with a robust reserve policy, a commitment to funding its pension obligations at a prudential rate, and outstanding debt of \$1.84 million. However, as a full-service city, with its own police, public works, planning, building, finance, and administration departments, as well as sharply increasing pension costs and a large contract for service for fire backed by an insufficient revenue stream, it has had to make difficult financial choices in recent

years. In FY2023-24, \$1.0 million of its \$8.6 million General Fund budget will be redirected to fund its fire contract, which means \$1.0 million less spending elsewhere.

An examination of spending trends over time shows that the brunt of spending cuts to date has been felt by the police department, with its headcount reducing from 9 to 6 since FY2014-15 and through less robust capital spending. The City has also incurred several significant expenses in recent years associated with the update of its state-mandated housing element (estimated \$0.65 million) and its Critical Infrastructure Project to shore up the levees on Beach Road and San Rafael Avenue (\$0.8 million net of grants), which is currently going through Environment Review. No funds are available to fund the construction of this project, and the City continues to apply for grants. These expenses have placed further pressure on the City's budget. Increases in required pension funding are also anticipated in coming years due to poor investment performance by CalPERS.

Although the City's finances are not in imminent danger, the ongoing and growing subsidy to fund the City's contract with TFPD is unsustainable. The gradual erosion of services and capital spending will continue. With a total City headcount of just 20, most City departments are staffed by 1-2 personnel, making headcount cuts in these areas while maintaining service difficult. Further headcount cuts in the police department may require the City to transition to a part-time police department, with local response during nighttime hours transferred to the Tiburon Police Department or elsewhere.

Funding Options

With a fuller understanding of the growing gap between Fire Tax receipts and TFPD contract costs and resulting cuts to other services, the Subcommittee agreed that steps should be taken to explore new revenue options.

1. Annexation

As part of exploring funding options, the Subcommittee wished to understand the process and financial consequences of annexing into TFPD. It met with Jason Fried, Executive Director of Marin's Local Agency Formation Commission (LAFCo), to learn more. Given the length of Belvedere's contract with TFPD, LAFCo supports Belvedere joining TFPD. LAFCo acts as a neutral arbitrator in the negotiation process to find a financial arrangement that satisfies both parties with a fair allocation of service costs. Although not sure, Belvedere would likely have to assign its Fire Tax revenues (with its inadequate growth factors) plus a growing share of General Fund revenues to TFPD to join. The subcommittee agreed that this was suboptimal and that any move toward annexation should be postponed until more stable financing could be put in place. It also agreed that all options, including joining other fire districts, should be on the table at that time. Mr. Fried noted that Belvedere would have to build its own fire station to join a district further away, which would likely be cost-prohibitive. (Note that LAFCo assisted with Mill Valley's recent annexation into Southern Marin Fire, a process that took over two years and cost about \$63K in fees.)

2. Fire Tax Increase

Next, the Subcommittee explored the scope for increasing the Fire Tax, as was done in 2000. It met with Charles Heath, a partner at Team CivX, a firm specializing in ballot measures and election strategy, with a long history of working in Marin. Charles suggested that since the current Fire Tax does not sunset and is already approaching four digits, it would be better to seek a Supplemental Fire Tax, possibly with a higher escalator, to increase revenues. If needed, the City could go back later to ask voters for an increase in the escalator on the original Fire Tax, if necessary and desired to complete annexation.

The Subcommittee discussed alternative parcel tax structures based on lot size or square footage. Members agreed that a flat rate structure was preferable, given its simplicity and familiarity with Belvedere voters. It also reviewed options for escalator formulas and learned that “margin formulas,” with the annual increase tied to inflation plus population plus a set percentage, are common amongst Marin jurisdictions. The escalator cannot legally be tied to the fire contract cost or the change in assessed property values within TFPD’s boundary or Belvedere.

Mr. Heath indicated that Marin's environment for tax increases is generally positive, with several parcel tax measures passing successfully in November 2022. He felt that a Supplemental Fire Tax, including a higher escalator, might be easier to pass if the tax is modest. That said, parcel taxes to fund local emergency services are typically well received because of their particular purpose and degree of local control. As a Special Tax for a dedicated purpose, it would require two-thirds support. He indicated that the next step would be to survey residents to evaluate their appetite for a new tax to fund fire and emergency medical response services.

Given the upcoming renewal of Belvedere’s Fire Measure in March 2024 (Gann Limit override), the Subcommittee felt the timing might be right to consider asking voters to approve a Supplemental Fire Tax, subject to polling results and the wishes of the City Council. As with the 2000 Fire Tax increase, the question of a Supplemental Fire Tax would have to appear as a separate ballot question to the Fire Measure. The deadline to submit a ballot measure to the County of Marin to be placed on the March 2024 ballot is December 8, 2023. Noting the short timeline, and the inadvisability of polling during fire season, the Subcommittee agreed with Mr. Heath’s recommendation that the community be surveyed during the summer months.

Polling

At its June 12, 2023, meeting, the City Council agreed to engage Team CivX’s services to conduct a feasibility assessment of a Fire Tax ballot measure by polling registered voters in Belvedere. With the help of True North Research, Inc., a polling firm, Team CivX developed the survey, which was reviewed and approved by a majority of the Subcommittee. Subcommittee members questioned whether community education should be completed before the poll was conducted but were advised by Mr. Heath and True North Research that this could bias the poll results. They indicated that a follow-up survey could be completed after education to help guide the Council’s final decision on whether to place a measure on the ballot. The survey was conducted from June 23, 2023, to July 20, 2023. An email blast introducing the poll was sent to residents from the City

Manager before the survey's launch. Polling was conducted by mail, email, text message, and phone.

Polling Results

The results of the survey will be provided by Charles Heath, Team CivX at the Finance Committee meeting.

Subcommittee Recommendation

- **Contract Renegotiation:** Separate from decisions around the Fire Tax, the Subcommittee recommends the City work with TFPD to write a new contract for service in time for FY2024-25. The current contract, which is only four pages long and was written over 20 years ago, lacks sufficient detail. They also suggest examining the apportionment formula to ensure it is fair to both parties.

ADDENDUM

Discrepancies in the Number of Occupancies

Under Belvedere's existing contract with TFPD, its contract fee is based on TFPD's budgeted expenditures, less reimbursements, apportioned according to the number of occupancies in the respective jurisdictions. A reconciliation of the contract fee occurs annually after TFPD's financial audit. The number of occupancies is based on the County of Marin Assessor's report and includes living units (residential) and occupancy units (commercial/commercial with living units) in each jurisdiction. According to the County Assessor's most recent report, there are 1,114 occupancies in Belvedere and 4,026 in Tiburon, giving the City a 21.7% share.

Concurrently, the total number of occupancies on the Fire Tax roll is 1,094, 20 less than used in the TFPD apportionment formula. The difference is due to 16 occupancy units that are exempt or non-taxable (e.g., government, nonprofit) and 4 others that are anomalies on the Fire Tax roll. These 4 are being researched by staff with the County.

Deferred Expenses/Smoothing of Fire Contact Costs

TFPD is a well-funded and well-managed agency, with FY2022-23 budgeted expenditures, net of its debt-financed Station 10 upgrade, of \$11.6 million. Thanks to sound financial planning, it has accumulated robust reserves and, in recent years, has begun actively pre-funding its OPEB and pension obligations through the establishment of two Section 115 trusts, accumulating \$5.9 million and \$3.7 million, respectively, as of March 31, 2023.

Under GASB accounting standards, OPEB funding is treated as an expense, and Belvedere has been paying its share of this cost. In contrast, the accumulation of reserves is a transfer, as is Section 115 pension funding, and Belvedere is not responsible for these items. However, because 115 pension funding is treated as an expense once the funds are transferred to CalPERS, Belvedere cannot ignore this eventual cost. To help smooth Belvedere’s contract fee, TFPD has been part billing/part deferring its Section 115 pension funding. As of June 30, 2023, deferrals stood at \$475K, an amount that is expected to grow to \$1.025 million by June 2024. Belvedere will owe 21.7% or \$222K of this at some point in the future.

Service Provision by TFPD

In addition to fire-related services, TFPD provides emergency medical response services in conjunction with Southern Marin Emergency Paramedic System (SMEMPS). SMEMPS is a Joint Powers Agency of local jurisdictions established in 1980 to provide paramedic and hospital transportation services. SMEMPS owns ambulances and manages transport billing through a third-party administrator. These ambulances are assigned to member agencies, with TFPD operating one ambulance, which it keeps at Station 10 on Paradise Drive.

If an incident requires emergency medical transportation services, TFPD responds and transports the patient using its ambulance. If the ambulance is on another call, the nearest available ambulance will respond as part of the County’s Mutual Aid agreement. SMEMPS bills the cost of ambulance transportation to the patient. The ambulance service is not used for calls such as fire, downed power lines, alarm malfunctions, or natural disasters.

Each year, TFPD provides statistics on service calls within its service area. FY2021-22 data are shown in the table below. As with most years, EMS and Medical Assist calls comprise the bulk of service calls, with Fire representing less than 3% of callouts.

TFPD Emergency Response by Type: FY2021-22

| | Type of Service Call | Share of Total Calls |
|----------------------|----------------------|----------------------|
| Fire | 58 | 2.6% |
| EMS/Medical Assist | 1,523 | 68.5% |
| Rescue | 74 | 3.3% |
| Hazardous Conditions | 49 | 2.2% |
| Service Call | 261 | 11.7% |
| Good Intent | 51 | 2.3% |
| False Alarm | 200 | 9.0% |
| Other | 8 | 0.4% |
| Total | 2,224 | 100.0% |

Source: TFPD CAFR

TFPD also publishes statistics on emergency responses by location. This data shows that Belvedere’s callout rate broadly aligns with its contract fee. Over the past five years, Belvedere

service calls have averaged 20.4% of total TFPD calls. Belvedere’s contract fee, based on its share of occupancies, is 21.7%.

TFPD Emergency Response by Jurisdiction

| | Belvedere Calls | Total TFPD Calls | Belvedere Share |
|-----------|-----------------|------------------|-----------------|
| FY2021-22 | 376 | 2,224 | 16.9% |
| FY2020-21 | 376 | 1,827 | 20.6% |
| FY2019-20 | 392 | 1,787 | 21.9% |
| FY2018-19 | 402 | 1,740 | 23.1% |
| FY2017-18 | 351 | 1,737 | 20.2% |

Source: TFPD CAFR