



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE:

- General Fund Quarterly Financial Report for the Fourth Quarter Ended June 30, 2008

RECOMMENDED MOTION:

- Accept the General Fund Quarterly Financial Report for the Fourth Quarter Ended June 30, 2008
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SUMMARY

As part of the City's new financial policy, staff is to present the General Fund financial report to the City Council on a quarterly basis within 45 days after the quarter ended and to the Finance Committee on a monthly basis. This is the second report in the new policy; the first was presented to Council on June 10, 2008. The financial report contains budget estimates, revenues and expenditures actual. The attached financial report summarizes the General Fund operating result for the period July 1, 2007 to June 30, 2008. The targeted percentage of revenue receipts and expenditure disbursements is 100% for the period.

ISSUES

The quarterly financial report is prepared on a "cash" basis. As a result, certain revenue and expenditure accounts may not reflect the actual for nine months due to timing of when revenue is received or expenditure is paid.

General Fund Revenues

For the nine months ended June 30, 2008, General Fund reported revenue collection including transfers in from other funds of \$14,737,069 which is 109.6% of the annual revenue budget. Below is an explanation of certain revenues collection pattern.

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Property Tax

The City receives secured property tax from the County of Marin on a "teter plan" basis with 55% payment in December, 45% in April, and 5% in June. Property tax exceeded the budget slightly by 1.9%.

Sales & Use Tax

The State of California pays the sales tax to the City based on advance and true-up. Sales and use tax exceeded the budget by 5.7% reflecting the City's unique economy as a "tourist destination".

Transient Occupancy Tax (TOT)

The City receives the TOT on a monthly basis from the hotels 30 days after the month ended. TOT exceeded the budget by 2.7%.

Franchise Fees

Cable franchise fee is received by the City 30 days after the quarter ended. For electric and gas franchise fees, payment is received from PG&E in April of each year. Franchise fees exceeded the budget by 6.2%.

General Fund Expenditures

For the twelve months ended June 30, 2008, General Fund reported expenditures including transfers out to other funds of \$13,969,650 which is 100.2% of annual budget.

All departments with the exception of Planning Department and Fire Department were expected to come within budget and did with the additional exception of the Non-Dept Expenses. The City Council approved an additional \$50,000 expenditure appropriation to the Planning Department to fund the Deputy Planning Director position which was created after the Planning Department budget for FY 2008 was adopted. To fund this position, the full-time Parking and Transportation Manager position was reallocated to the Planning Department. The Planning department was at 106% of their budget.

Fire Department FY 2008 payroll cost was projected to go over budget by \$75,000 \$85,000 due to excess overtime of at least \$35,000 and vacation cash out of \$45,000 as required by the Memorandum of Understanding. The actual over budget amount was \$76,034. The Fire Department was at 102.5% of their budget.

The Non-Dept expenditures exceeded the budget by 10.8% due to an excess in legal professional services.

FISCAL IMPACT

There is a historical informational report.

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STAFF RECOMMENDATIONS

- Accept the General Fund Quarterly Financial Report for the twelve months ended June 30, 2008

ATTACHMENTS

General Fund Quarterly Financial Report for the Twelve Months Ended June 30, 2008

PREPARED AND SUBMITTED BY:

Laurie Ireland-Ashley
Finance Director/Treasurer

APPROVED BY:



Adam Politzer
City Manager

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City of Sausalito

General Fund

Financial Report for the Twelve Months Ending June 30, 2008

Dept	Description	Amended Budget FY07/08	12/12 of Budget	Actual Jul 07 thru Jun 08	% of 12/12 Budget	Year-To-Date Variance	% of Annual Budget
		(a)	(b)	(c)	(c/b)	(a-c)	(c/a)
	Revenues						
	Property Tax	6,392,146	6,392,146	6,510,746	101.9%	(118,600)	101.9%
	Sales & Use Tax	1,589,822	1,589,822	1,681,134	105.7%	(91,312)	105.7%
	Transient Occupancy	980,000	980,000	1,005,985	102.7%	(25,985)	102.7%
	Franchise Tax	643,000	643,000	683,080	106.2%	(40,080)	106.2%
	Business License	415,000	415,000	537,514	129.5%	(122,514)	129.5%
	Planning Revenues	210,400	210,400	295,702	140.5%	(85,302)	140.5%
	Intergovernmental (State)	233,381	233,381	402,346	172.4%	(168,965)	172.4%
	Fees for Services	70,200	70,200	82,936	118.1%	(12,736)	118.1%
	Fines	302,500	302,500	332,954	110.1%	(30,454)	110.1%
	Interest Earnings	20,000	20,000	464,155	2320.8%	(444,155)	2320.8%
	Rentals	127,091	127,091	130,636	102.8%	(3,545)	102.8%
	Contributions - Private	10,000	10,000	35,000	350.0%	(25,000)	350.0%
	Miscellaneous Revenue	201,449	201,449	224,597	111.5%	(23,148)	111.5%
	Interfund Transfers	1,367,375	1,367,375	1,367,375	100.0%	(0)	100.0%
	Proceeds of Sale of FA	174,825	174,825	175,225	100.2%	(400)	100.2%
	Recreation Revenues	238,500	238,500	254,467	106.7%	(15,967)	106.7%
	Planning & Bldg Revenues	468,250	468,250	553,217	118.1%	(84,967)	118.1%
	Total Revenues	13,443,939	13,443,939	14,737,069	109.6%	(1,293,130)	109.6%
	EXPENDITURES						
Admin/Finance	Salaries & Benefits	871,480	871,480	851,638	97.7%	19,842	97.7%
	Professional Service	58,552	58,552	46,994	80.3%	11,558	80.3%
	Operations	36,965	36,965	35,075	94.9%	1,890	94.9%
	Other Services	7,000	7,000	7,101	101.4%	(101)	101.4%
	Supplies	31,300	31,300	26,547	84.8%	4,753	84.8%

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City of Sausalito
General Fund

Financial Report for the Twelve Months Ending June 30, 2008

Dept	Description	Amended Budget FY07/08	12/12 of Budget	Actual Jul 07 thru Jun 08	% of 12/12 Budget	Year-To-Date Variance	% of Annual Budget
		(a)	(b)	(c)	(c/b)	(a-c)	(c/a)
	Transfers Out	5,835	5,835	5,835	100.0%	-	100.0%
	Admin/Finance Totals:	1,011,132	1,011,132	973,190	96.2%	37,942	96.2%
Technology	Salaries & Benefits	138,179	138,179	145,323	105.2%	28,574	105.2%
	Professional Services	74,850	74,850	76,727	102.5%	29,433	102.5%
	Operations	5,200	5,200	3,740	71.9%	2,166	71.9%
	Supplies	72,591	72,591	67,816	93.4%	7,696	93.4%
	Property, Plant & Equip	111,049	111,049	44,530	40.1%	92,868	40.1%
	Transfers Out	843	843	843	100.0%	-	100.0%
	Technology Totals:	402,712	402,712	338,978	84.2%	160,738	84.2%
Planning	Salaries & Benefits	536,593	536,593	429,861	80.1%	106,732	80.1%
	Professional Services	43,400	43,400	199,960	460.7%	(156,560)	460.7%
	Operations	13,450	13,450	9,083	67.5%	4,367	67.5%
	Other Services	2,200	2,200	6,400	290.9%	(4,200)	290.9%
	Supplies	14,000	14,000	11,918	85.1%	2,082	85.1%
	Property, Plant & Equip	-	-	100	0.0%	(100)	0.0%
	Bad Debt Expense	-	-	(10,569)		10,569	0.0%
	Transfers Out	4,264	4,264	4,264	100.0%	0	100.0%
	Planning Totals:	613,907	613,907	651,017	106.0%	(37,110)	106.0%
Non-Dept	Salaries & Benefits	-	-	(68,526)	0.0%	68,526	0.0%
	Retiree Health	122,123	122,123	117,141	95.9%	4,982	95.9%
	Professional Services	410,441	410,441	481,148	117.2%	(70,707)	117.2%
	Operations	277,137	277,137	243,943	88.0%	33,194	88.0%
	Other Services	20,000	20,000	21,850	109.2%	(1,850)	109.2%

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City of Sausalito
General Fund

Financial Report for the Twelve Months Ending June 30, 2008

Dept	Description	Amended Budget FY07/08	12/12 of Budget	Actual Jul 07 thru Jun 08	% of 12/12 Budget	Year-To-Date Variance	% of Annual Budget
		(a)	(b)	(c)	(c/b)	(a-c)	(c/a)
	Supplies	11,000	11,000	6,397	58.2%	4,603	58.2%
	Transfers Out	1,620,000	1,620,000	1,924,000	118.8%	(304,000)	118.8%
	Non-Dept Totals:	2,460,701	2,460,701	2,725,953	110.8%	(265,252)	110.8%
Police	Salaries & Benefits	3,032,192	3,032,192	2,943,412	97.1%	88,780	97.1%
	Professional Services	99,990	99,990	109,506	109.5%	(9,516)	109.5%
	Operations	290,020	290,020	270,170	93.2%	19,850	93.2%
	Other Services	48,652	48,652	43,900	90.2%	4,752	90.2%
	Supplies	64,700	64,700	74,897	115.8%	(10,197)	115.8%
	Property, Plant & Equip	16,000	16,000	9,179	57.4%	6,821	57.4%
	Debt Service Exp.	38,160	38,160	37,942	99.4%	218	99.4%
	Transfers Out	34,150	34,150	34,150	100.0%	0	100.0%
	Police Totals:	3,623,864	3,623,864	3,523,155	97.2%	100,709	97.2%
Fire	Salaries & Benefits	2,474,335	2,474,335	2,550,369	103.1%	(76,034)	103.1%
	Professional Services	265,453	265,453	261,859	98.6%	3,594	98.6%
	Transfers Out	154,713	154,713	154,713	100.0%	-	100.0%
	Fire Totals:	2,894,501	2,894,501	2,966,941	102.5%	(72,440)	102.5%
Building	Salaries & Benefits	108,585	108,585	105,567	97.2%	3,018	97.2%
	Professional Services	190,000	190,000	176,490	92.9%	13,510	92.9%
	Operations	2,550	2,550	1,549	60.7%	1,001	60.7%
	Other Services	-	-	815	0.0%	(815)	0.0%
	Supplies	1,400	1,400	4,182	298.7%	(2,782)	298.7%
	Property, Plant & Equip	-	-	162	0.0%	(162)	0.0%
	Transfers Out	844	844	844	100.0%	0	100.0%

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City of Sausalito
General Fund

Financial Report for the Twelve Months Ending June 30, 2008

Dept	Description	Amended Budget FY07/08	12/12 of Budget	Actual Jul 07 thru Jun 08	% of 12/12 Budget	Year-To-Date Variance	% of Annual Budget
		(a)	(b)	(c)	(c/b)	(a-c)	(c/a)
	Building Totals:	303,379	303,379	289,608	95.5%	13,771	95.5%
Engineering	Salaries & Benefits	117,152	117,152	96,347	82.2%	20,805	82.2%
	Professional Services	23,708	23,708	13,903	58.6%	9,805	58.6%
	Operations	7,175	7,175	1,793	25.0%	5,382	25.0%
	Other Services	500	500	309	61.9%	191	61.9%
	Supplies	8,000	8,000	924	11.5%	7,076	11.5%
	Property, Plant & Equip	5,000	5,000	234	4.7%	4,766	4.7%
	Transfers Out	1,049	1,049	1,049	100.0%	(0)	100.0%
	Engineering Totals:	162,584	162,584	114,560	70.5%	48,024	70.5%
Public Works	Salaries & Benefits	949,985	949,985	889,348	93.6%	60,637	93.6%
	Professional Services	37,500	37,500	42,078	112.2%	(4,578)	112.2%
	Operations	180,300	180,300	202,699	112.4%	(22,399)	112.4%
	Other Services	6,769	6,769	7,562	111.7%	(793)	111.7%
	Supplies	49,150	49,150	50,818	103.4%	(1,668)	103.4%
	Debt Service Exp.	9,875	9,875	9,932	100.6%	(57)	100.6%
	Transfers Out	74,949	74,949	74,949	100.0%	0	100.0%
	Public Works Totals:	1,308,528	1,308,528	1,277,386	97.6%	31,142	97.6%
Recreation	Salaries & Benefits	299,763	299,763	254,249	84.8%	45,514	84.8%
	Professional Services	55,000	55,000	59,435	108.1%	(4,435)	108.1%
	Operations	12,100	12,100	15,485	128.0%	(3,385)	128.0%
	Other Services	2,000	2,000	2,969	148.5%	(969)	148.5%
	Supplies	22,500	22,500	23,386	103.9%	(886)	103.9%
	Property, Plant & Equip	5,000	5,000	241	4.8%	4,759	4.8%

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City of Sausalito
General Fund

Financial Report for the Twelve Months Ending June 30, 2008

Dept	Description	Amended Budget FY07/08 (a)	12/12 of Budget (b)	Actual Jul 07 thru Jun 08 (c)	% of 12/12 Budget (c/b)	Year-To-Date Variance (a-c)	% of Annual Budget (c/a)
	Recreation Program Exp	151,200	151,200	133,311	88.2%	17,889	88.2%
	Transfers Out	6,394	6,394	6,394	100.0%	0	100.0%
	Recreation Totals:	553,957	553,957	495,471	89.4%	58,486	89.4%
Library	Salaries & Benefits	467,096	467,096	469,294	100.5%	(2,198)	100.5%
	Professional Services	36,390	36,390	35,933	98.7%	457	98.7%
	Operations	5,000	5,000	2,861	57.2%	2,139	57.2%
	Supplies	101,600	101,600	102,436	100.8%	(836)	100.8%
	Transfers Out	2,868	2,868	2,868	100.0%	-	100.0%
	Library Totals:	612,954	612,954	613,392	100.1%	(438)	100.1%
	Total Expenditures	13,948,219	13,948,219	13,969,650	100.2%	75,573	100.2%
	Excess (Deficiency) of Revenues over Expenditures	(504,280)	(504,280)	767,419	-152.2%	(1,368,703)	-152.2%

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Sausalito Business Advisory Committee

Current Market Conditions

October 16, 2008

Commercial Office/Industrial Market – Bruce O. Huff, The Kimber Companies

The commercial leasing market for offices, industrial space and design studios can be best described as stable. Going forward, our outlook for the immediate future is extremely cautious.

The prosperity of commercial property owners is directly tied to the success and/or financial viability of our tenants. Property owners look at the tenant's current financial status, the outlook of the tenant's industry or profession, and the general health of the local, regional and national economies in when deciding whether or not a specific tenant is a good fit. These considerations will also affect the amount of space we will lease to any tenant and the amount of investment in improvements we are willing to contribute.

Sausalito has been fortunate that it has a healthy mix of commercial tenants. From small distributors to technology innovators, from recreational maritime businesses to web developers, our market has always contained variety and, therefore, the success of our buildings is not wholly dependent upon a single industry. Until recently, the single largest growth industry in our buildings has been what we affectionately call the "commercial arts" – highly artistic design firms, designers, advertising agencies, etc. We have witnessed a steady growth of these industries for the early 1980's to date.

Recently, with the closing of the Pacific Stock Exchange and the advent of high speed broadband, the small financial firms have increased significantly in Sausalito.

Currently, in our buildings, Class A space is leasing from \$2.50 - \$3.50 per square per month, depending on location, age, and services provided. Class B space is leasing at \$1.75 - \$2.50 per square per month, depending on location, age, and services provided. Art Studios and industrial space costs \$1.25 - \$2.00, depending on the building. Recently, some of the Greene holdings sold. The new owners appear to be trying to get significantly higher rates; however, we do not believe that they will have stable tenancies at their current offerings. Since 2005, the vacancy rate in buildings that we manage has been under 5%.

Sausalito is a "boutique" market for office and design space. Our typical tenant, notwithstanding the industry in which they participate, has not changed in the last 25 years. Our tenant profile is a small to medium sized, closely held company, where the principals live in Marin. They will pay slightly higher rental rates to enjoy the ambience that Sausalito has to offer.

Our cautious outlook is a result of concern in the national and state economy. Obviously, there are earthquakes occurring in the financial markets and we are not sure how the ripple effects will impact our tenants. All of our tenants tell us that business is good, but they are "looking over their shoulders". We concur and are doing the same.

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Sausalito Business Advisory Committee

Current Market Conditions

As mentioned earlier, our buildings are stable. For the past 8 years, we have consciously decided to renew leases without rate re-negotiation and have intentionally kept our buildings full. In the past 18 months, I have noticed a sharp decrease in calls from new tenants to lease space, thus this strategy has been good for us. This indicates to me that there is a significant level of uncertainty in the general economy. We often tell our associates that there is good news and bad news. The good news is that no one is moving (our tenants are renewing their leases) – the bad news is that no one is moving (in).

Bruce Huff

Sausalito Business Advisory Committee

Current Market Conditions

**Chamber of Commerce Perspective – Oonagh Kavanagh, CEO Sausalito Chamber,
Jeff Scharosch, The Spinnaker Restaurant
Yoshi Tome, Sushi Ran**

Overall, the Sausalito merchants and restaurants have reported a relatively good summer season, with a high proportion of European tourists visiting town. Sausalito is particularly appealing to European tourists, because of our attractive waterfront location and unique stores/restaurants/art galleries and the Europeans are still eager to spend and take advantage of the strength of the Euro against the \$.

Restaurants have also experienced a recent increase in business coming from the local corporate market. As air travel costs increase, companies are choosing to stay local, rather than travel, for corporate entertainment.

During this summer, we have also seen a substantial increase in the number of cyclists. Again, many of the cyclists are European tourists, renting bikes from Blazing Saddles and other companies.

Overall, having these cyclists/additional visitors is good news for local business, particularly coffee shops, cafes, ice cream stores and convenience service stores. However, we have received some complaints from some local residents about cyclists causing congestion problems in certain areas, particularly those areas where there are bike racks in downtown Bridgeway. This summer season is drawing to a close but it is important that we work on some solutions for next year – this will require communication and collaboration between the City of Sausalito, the Police department, the Chamber and the bike rental companies.

Business Closures and Openings:

On the positive side, we have had several new businesses open in Sausalito this year, such as Wellingtons Wine Bar, Le Garage and most recently, Piccola Teatro. These particular newcomers seem to be the right profile for Sausalito and have already developed a strong following among local residents.

However, on the negative side, we have also seen several closures of long standing businesses, such as The Cat & Fiddle and Peter Pan Donuts and there are several spaces downtown that have been vacant for an extended length of time. The Chamber is working with the City to investigate the reasons why these businesses are closing and how we can actively recruit more of the "right profile" businesses to Sausalito.

Sausalito Business Advisory Committee

Current Market Conditions

Future Outlook:

The winter months, November through February, are always quieter and tougher for a tourist driven town like Sausalito and this year, business owners are even more concerned because of the current financial state of the economy. The Chamber and the City are working together to encourage local business to be "pro-active" and start to put promotional programs in place now, that will hopefully drive people to shop locally during the quieter Winter period.

The City Council approved the Hospitality Committee to provide seed money, for three specific holiday promotions: Tree Lighting, Cable TV and the Gingerbread House tour advertising. This measure was welcomed and appreciated by Chamber members and local business owners. Mark Flaherty of The Inn above Tide, Tom Gangitano of Gene Hiller and Stacey Fraser of Dis & Dat, are acting as Chairs of Lighting, Cable TV and Gingerbread House tour respectively and are working with Oonagh Kavanagh, CEO at the Chamber to reach out to other local businesses to provide additional financial support to implement these programs.

Finally, at the Chamber BizX Meeting in October, the question was raised about whether free holiday parking would be available again this year. The business community believes that this is an important incentive to people to shop locally so they would strongly urge City Council to approve holiday parking again this year.