



STAFF REPORT

SAUSALITO CITY COUNCIL

MEETING DATE: June 26, 2018

AGENDA TITLE: Adopt the FY 2018-19 Budget and Enacting Resolutions

RECOMMENDED MOTION:

Move to adopt the following three Budget Resolutions:

1. Approving the Appropriation Limit for Fiscal Year 2018-19 Pursuant to Article XIII B of the California Constitution (Gann Limit)
2. Approving the Budget for the 2018-19 Fiscal Year and the FY2018-20 Resources Allocation Plan
3. Approving the Resolution Establishing the Authorized Staffing Levels and Salary Ranges for All Permanent and Temporary Positions for Fiscal Year 2018-19

SUMMARY

The City Council of the City of Sausalito reviewed, considered, and took public feedback on the draft Fiscal Year 2018-19 Budget at its regularly scheduled City Council meeting on June 12, 2018 and a special workshop on June 19, 2018. The Finance Committee has reviewed the Proposed Budget in detail at its April, May, and June meetings. This agenda item is to adopt the FY2018-19 Budget.

There are three specific actions the City Council must take to formally adopt the FY2018-19 Budget:

1. Approving the Appropriation Limit for FY2018-19 Pursuant to Article XIII B of the California Constitution (Gann Limit)
 - This action sets the tax limit as required by state law; the City remains well below its tax limits.
2. Approving the Budget Appropriations for the 2017-18 Fiscal Year
 - This action formalizes the adoption of the FY2018-19 Annual Budget.
3. Approving the Resolution Establishing the Authorized Staffing Levels and Salary Ranges for All Permanent and Temporary Positions for FY2018-19
 - This action confirms the authorized positions and the compensation ranges for part-time officials including the City Council and Planning Commission that has been calculated in the FY2018-19 Budget. This is part of the position control component of the budget process.

DISCUSSION

The City utilizes a two-year Strategic Resources Allocation Plan to project its operating and capital fiscal needs on a biennial basis and incorporates a six-year capital improvement plan for more long-term needs forecasting. The City has aligned its strategic planning efforts to coincide with this biennial

budget process. The City of Sausalito operates on a July 1 to June 30 fiscal year and per State law, adopts its annual budget appropriation authorization no later than June 30 preceding the beginning of the fiscal year. The FY2018-20 Resources Allocation Plan and accompanying five-year financial forecast were reviewed in detail by the Finance Committee and City Council with particular attention to the funding and usage of the Pension Trust to mitigate the impact of increased pension contributions on the City operating funds.

The FY2018-19 Budget maintains the high level of services and infrastructure investment provided to City of Sausalito and strengthens its focus on continuing a resilient financial position now and into the future. Several enhancements from the FY2016-18 Resources Allocation Plan were continued, in part, in the FY2018-20 Plan including limited code enforcement, landscape maintenance, emergency management, and some support of community agencies.

Major projects initiated in the FY2016-17 Budget will carry forward into the 2018-19 Fiscal Year with any remaining funds and contracts in progress as of June 30, 2018. These include Dunphy Park, Southview Park, Streets, Martin Luther King, Jr. Complex (MLK), Sewer, and the General Plan Update. These items and the budget process are explained in further detail in the department, Finance Committee, and summary information included on the City's web page (<http://www.sausalito.gov/departments/administration/finance/financial-documents/budgets>).

The FY2018-20 Resources Allocation Plan includes a balanced plan for FY2019-20 and four additional years forecasted that require additional action by the City and citizens to enact revenue initiatives or find alternatives to fund services or reduce services. Those initiatives include increasing Business License Taxes, increasing Transient Occupancy Taxes, and establishing Demand Parking. Staff will return within July 2018 with additional details for City Council to consider.

Approving the Appropriation Limit for FY 2018-19 Pursuant to Article XIII B of the California Constitution (Gann Limit)

Article XIII B of the Constitution of the State of California provides that the total annual appropriations limitation of each government entity shall not exceed the appropriations limit of such entity of government for the prior year adjusted for certain changes mandated by Proposition 4 passed in November, 1979 and Proposition 111 passed in June, 1990, except as otherwise provided for in said Article XIII B and implementing State statutes. Pursuant to Article X111 B, and Section 7900 et seq of the California Government Code, the City is required to set its appropriations limit for each fiscal year. Staff has conducted the necessary analysis and calculations to determine the appropriations limit for Fiscal Year 2017-18, relying on the permanent Fiscal Year 1993-94 limit approved by the voters on November 3, 1994, and the following two adjustment factors: Change in Population for the City of Sausalito and Change in Per Capita Income provided by the State of California, Department of Finance. Based on such calculations, the Administrative Services Director/Treasurer has determined the said appropriations limit for the Fiscal Year 2018-19 in the amount of \$14,589,791. Pursuant to Section 7910 of the Government Code, the City, through this staff report and this public meeting has made available to the public the documentation used in the determination of the limit.

City of Sausalito
APPROPRIATIONS SPENDING LIMIT
Prop 4 - Gann Limit FY 2018

New Appropriation Limit for Fiscal Year 2017-18		14,088,799
FY 2017 Adjustment Factors:		
A. Change in Population (City from 7,234 to 7,226)	0.9989	
B. Change in Non-Residential Assessed Valuation	N/A	
C. Change in Per Capita Income	1.0367	
	A times C	1.0356
Total Adjustment (Dollars)	0.0356	500,992
New Appropriation Limit for Fiscal Year 2018-19		14,589,791
Schedule 2: Appropriations Compared to Limit		
Proceeds from Taxes	(Schedule 3)	11,110,706
Less Exclusions (G.O. Debt Payments)		
Appropriations Subject to Limit FY2019		11,110,706
Appropriations Limit for FY2019	(Schedule 1)	14,589,791
Amount under Appropriations Limit		3,479,085

**Schedule 3: Determination of Proceeds of Taxes
Per Budget for FY 2018-19**

	Proceeds of Taxes	Non- Proceeds	Total
Taxes			
Property Tax	5,082,306		5,082,306
Sales Tax	3,507,400		3,507,400
SB 172 Tax	85,000		85,000
TOT Tax	1,680,000		1,680,000
Business License	623,000		623,000
State Subventions:			
Motor Vehicle in Lieu			-
Homeowners Exemption	10,000		10,000
State Reimbursements/SB 90		12,500	12,500
Booking Fee Reimbursement			-
Abandoned Vehicle Abatement		5,000	5,000
Other Revenues:			
Franchise Fees		808,460	808,460
Building/Planning Permits		922,000	922,000
Fines		482,500	482,500
Fees for Services		535,500	535,500
Rentals		295,000	295,000
Transfers In - not related to taxes		2,821,266	2,821,266
Miscellaneous		40,454	40,454
Sub-Total	10,987,706	5,922,680	16,910,385
Allocation of Interest			
Subtotals Percent of Total	132,399	71,367	203,767
Total General Fund	11,120,105	5,994,047	17,114,152

Approving the Budget for the 2018-19 Fiscal Year

The City Council of the City of Sausalito adopts an annual budget to carry on the various department, divisions, and programs of the municipality and to provide for the payment of bonded indebtedness of the City each fiscal year, and to control the use of public monies. The budget provides for a continuation and expansion of the high level of municipal services that Sausalito residents are currently receiving. The FY 2018-19 Capital Budget invests in street, parks, storm drain and other infrastructure improvements. The budget document provides details on levels of service and capital improvements. The negative changes to fund balance reflect the usage of fund balance in the capital projects funds previously established through debt issues and prior year transfers. The following table designates the level of legal control for each department/fund of the City.

City of Sausalito
CITYWIDE SUMMARY OF THE CITY OF SAUSALITO ADOPTED BUDGET
FY 2018-19

Description	Expenditures			Description	Expenditures		
	Revenues & Transfers In	& Transfers Out	Change to Fund Balance		Revenues & Transfers In	& Transfers Out	Change to Fund Balance
<i>General Fund</i>	17,114,152	-		<i>Debt Service Funds</i>			
Administration/Finance		1,725,228		Tidelands Loan	72,155	72,155	-
Information Technology		572,689		2006 General Obligation Bonds	733,983	733,983	-
Community Development		1,240,930		Total Debt Service Funds	806,138	806,138	-
Non-Department		3,302,660		<i>Capital Projects Funds</i>			
Police		6,080,572		General Capital Projects	2,187,400	6,773,078	(4,585,678)
Dept of Public Works		1,522,342		Sewer Capital	-	2,800,000	(2,800,000)
Parks & Recreation		1,670,937		Total Capital Projects Funds	2,187,400	9,573,078	(7,385,678)
Library		943,693		<i>Enterprise Funds</i>			
Total General Fund	17,114,152	17,059,051	55,101	Sewer	2,718,859	2,718,212	647
<i>Special Revenue Funds</i>				Old City Hall	242,400	235,000	7,400
Tidelands Fund	778,282	751,883	26,400	MLK Rental Property	1,460,966	1,460,081	884
Traffic Safety	35,000	32,000	3,000	Parking	2,544,266	2,539,716	4,550
Gas Tax	144,000	140,000	4,000	Total Enterprise Funds	6,966,491	6,953,009	13,482
Construction Impact Fees	185,000	185,000	-	<i>Internal Service Funds</i>			
County Measure A and B	80,000	50,000	30,000	Vehicle Replacement		125,000	(125,000)
Storm Drainage	74,500	74,500	-	Worker's Comp	550,000	550,000	-
Stairs	-	-	-	Employee Benefits	140,091	140,091	-
Police Grant	165,000	143,869	21,131	Total Internal Service Funds	690,091	815,091	(125,000)
Recreation Grant	55,000	55,000	-	Citywide Totals with Transfers In / Out	29,281,054	36,638,618	(7,357,564)
Total Special Revenue Funds	1,516,782	1,432,251	84,531	<i>Less Transfers Between Funds</i>	<i>(5,198,571)</i>	<i>(5,198,571)</i>	<i>-</i>
				Citywide Totals Net of Transfers In / Out	\$ 24,082,483	\$ 31,440,047	\$ (7,357,564)

City of Sausalito
CITYWIDE SUMMARY OF THE CITY OF SAUSALITO DRAFT BUDGET
 FY 2019-20

Description	Expenditures			Description	Expenditures		
	Revenues & Transfers In	& Transfers Out	Change to Fund Balance		Revenues & Transfers In	& Transfers Out	Change to Fund Balance
General Fund	17,792,079	-		Debt Service Funds			
Administration/Finance		1,782,517		Tidelands Loan	72,155	72,155	-
Information Technology		595,173		2006 General Obligation Bonds	733,983	733,983	-
Community Development		1,269,526		Total Debt Service Funds	806,138	806,138	-
Non-Department		3,191,877		Capital Projects Funds			
Police		6,401,054		General Capital Projects	2,634,825	2,634,825	-
Dept of Public Works		1,526,092		Sewer Capital	-	500,000	(500,000)
Recreation		1,718,673		Total Capital Projects Funds	2,634,825	3,134,825	(500,000)
Library		972,146		Enterprise Funds			
Total General Fund	17,792,079	17,457,057	335,022	Sewer	2,800,020	2,792,863	7,157
Special Revenue Funds				Old City Hall	244,824	235,000	9,824
Tidelands Fund	713,276	730,145	(16,869)	MLK Rental Property	1,572,003	1,569,134	2,869
Traffic Safety	30,000	27,000	3,000	Parking	2,422,500	2,420,450	2,050
Gas Tax	144,000	140,000	4,000	Total Enterprise Funds	7,039,347	7,017,447	21,900
Construction Impact Fees	180,000	180,000	-	Internal Service Funds			
County Measure A and B	80,000	80,000	-	Vehicle Replacement		125,000	(125,000)
Storm Drainage	74,500	74,500	-	Worker's Comp	577,500	577,500	-
Stairs	-	-	-	Employee Benefits	147,095	147,095	-
Police Grant	165,000	143,869	21,131	Total Internal Service Funds	724,595	849,595	(125,000)
Recreation Grant	55,000	55,000	-	Citywide Totals with Transfers In / Out	30,438,761	30,695,577	(256,816)
Total Special Revenue Funds	1,441,776	1,430,514	11,262	Less Transfers Between Funds	(5,109,262)	(5,109,262)	-
				Citywide Totals Net of Transfers In / Out	\$ 25,329,499	\$ 25,586,315	\$ (256,816)

FISCAL IMPACT

The City of Sausalito continues to be fiscally responsible, with a structurally balanced budget, solid reserves, and the capability to continue providing for a local economic stimulus. The following table details the projected use of the General Fund and other surplus reserves from adopting the FY2018-19 budget:

FY2018-19 Use of Fund Balance/ Retained Earnings							
	General Fund	MLK Fund	Parking Fund	Tidelands Fund	Sewer Fund	Recreation Grant Fund	General Capital Improvement Fund Measure O-ADA
Cash Available as of 7/01/18	\$1,349,247	\$101,373	\$1,112,406	\$391,867	\$109,071	\$ 318,178	\$ 200,000
Contribution to Pension Trust	775,000						
Economic Development PILOT	50,000						
License Plate Readers (Phs. 2)	100,000						
Napa Street SD Project	300,000						

FY2018-19 Use of Fund Balance/ Retained Earnings							
	General Fund	MLK Fund	Parking Fund	Tidelands Fund	Sewer Fund	Recreation Grant Fund	General Capital Improvement Fund Measure O-ADA
Tecco Mesh & Soil Nail	100,000						
Dunphy Park			200,000	150,000	75,000		200,000
Southview Park						318,178	
Parking Lot 2			250,000				
Ferry Landing							
MLK Fields and Courts		100,000					
TOTAL APPROPRIATED	\$1,325,000	\$100,000	\$450,000	\$150,000	\$75,000	\$318,178	\$ 200,000
NET REMAINING SURPLUS	\$ 24,247	\$ 1,373	\$662,406	\$241,867	\$ 34,071	\$ -	\$ -

The remaining balances and reserves are shown below:

General Fund Reserves	General Fund
Balance as of 6/30/17 per the CAFR	\$ 9,578,722
Estimated Change in FY17-18	247,225
Projected Balance as of 6/30/18	9,825,947
Non-Spendable	1,962,157
Required Reserves**	1,450,624
5% Budget Stabilization Policy	807,242
10% Shortfall Reserve Policy	1,614,484
Recommended/ Policy Reserves	1,614,484
Reimburse Operations for Mudslides Cleanup	50,000
Disaster Assistance Fund	977,708
General Fund Cash Available as of 07/01/18	\$ 1,349,247
**Includes Pension Trust	

	MLK Fund (1)	Parking Fund	Tidelands Fund (2)	Sewer Fund	Recreation Grant Fund	Measure O- ADA
Balance as of 6/30/17	(1,168,626)	3,112,406	(3,196,805)	5,246,073	318,178	200,000
Change in FY17-18	(55,000)		(100,000)			
Projected Balance as of 6/30/18	(1,223,626)	3,112,406	(3,296,805)	5,246,073	318,178	200,000

	MLK Fund (1)	Parking Fund	Tidelands Fund (2)	Sewer Fund	Recreation Grant Fund	Measure O- ADA
Non-Spendable	(1,956,249)		(4,188,672)			
Required Reserves	506,250			4,861,181		
Recommended/ Policy Reserves	125,000	2,000,000	500,000	275,821		
Cash Available as of 07/01/18	101,373	1,112,406	391,867	109,071	318,178	200,000

STAFF RECOMMENDATIONS:

Staff recommends that the City Council adopt the proposed FY2018-19 Budget, approve the Appropriation Limit, and approve the position schedule.

RECOMMENDED MOTION:

Move to adopt the following three Budget Resolutions:

1. Approving the Appropriation Limit for FY2018-19 Pursuant to Article XIII B of the California Constitution (Gann Limit)
2. Approving the Budget for the 2018-19 Fiscal Year
3. Approving the Resolution Establishing the Authorized Staffing Levels and Salary Ranges for All Permanent and Temporary Positions for Fiscal Year 2018-19

ATTACHMENTS

1. A Resolution of the City Council of the City of Sausalito Approving the Appropriation Limit for FY2018-19 Pursuant to Article XIII B of the California Constitution (Gann Limit)
2. A Resolution of the City Council of the City of Sausalito Approving the Budget for the 2018-19 Fiscal Year
3. A Resolution Establishing the Authorized Staffing Levels and Salary Ranges for All Permanent and Temporary Positions for Fiscal Year 2018-19
4. Additional pension trust scenarios and information will be provided as late mail.

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