



# STAFF REPORT

## SAUSALITO CITY COUNCIL

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### AGENDA TITLE:

FY 2008-2009 Mid-Year Budget Review

### RECOMMENDED MOTION:

Approve Resolution Adopting Mid-Year 2008-2009 Budget Modifications

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### SUMMARY

This report reviews FY 2008-2009 mid-year revenues and expenditures and makes specific recommendations for adjustments.

### ANALYSIS

#### General Fund

##### Revenues

Revenues are projected to exceed budgeted revenues by \$155,618. The following table details the specific variances between budgeted and projected revenues.

General Fund Revenue Category	Mid Year Revenue Projections			
	Budget	Projected	Variance	% of Budget
<b>Taxes</b>				
Property Taxes	\$6,195,000	\$6,729,500	\$534,500	108.63%
Sales Taxes	1,614,850	1,467,700	(147,150)	90.89%
Transient Occupancy Tax	980,000	800,000	(180,000)	81.63%
Franchise Fees	651,255	651,255	-0-	100.00%
Business Licenses	415,000	415,000	-0-	100.00%
Intergovernmental	77,500	107,500	30,000	138.71%
Miscellaneous	745,700	794,345	48,645	106.52%
Planning & Building	687,450	562,940	(124,510)	81.89%
Recreation	317,540	311,673	(5,867)	98.15%
Transfers	1,581,875	1,581,875	-0-	100.00%
<b>Total Revenues</b>	<b>\$13,266,170</b>	<b>\$13,421,788</b>	<b>\$155,618</b>	<b>101.17%</b>

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**Taxes:**

Property Taxes are assessed at the beginning of the year and distributed by the County under the Teeter Plan. Therefore, the likelihood of realizing the projected property tax in the amount of \$6,729,500 is certain.

The additional Property Taxes over budget are a result of increases in valuation over the prior year's property valuations. Valuation increases are realized from three sources: new construction, property ownership turnover, and Proposition 13 annual 2% increases. A leading indicator for tax valuation increases are current year Property Transfer Tax revenues. The FY 2008 actual collection of Property Transfer taxes was approximately \$109,000, and portended the increase in FY 2009 property valuations resulting in the current year's additional Property Taxes over budget. Please note however that Property Transfer Taxes during the current year are projected to be only \$40,000. Therefore, FY 2010 Property Taxes can be expected to remain relatively flat with the current fiscal year's realization of property taxes.

*It is also important to note that property valuations can decrease also, and State law allows for procedures for property owners to request assessment appeals. Staff will monitor assessment appeals closely going forward.*

Sales Taxes and Transient Occupancy Taxes are elastic in nature, fluctuating in relation to the performance of the economic climate of the City. The projection reflects the current economy and certain leading economic indicators. Although the projections of Sales and Transient Occupancy taxes are conservative, the realization of these projected revenues are less certain than Property Taxes.

**Franchise Fees**

Local Franchise Fees from state-issued gas and electric franchises are limited to 2% of the franchisee's gross annual receipts from the service area. Local Franchise Fees from state-issued cable TV franchises are limited to 5% of the franchisee's gross annual receipts from the service area. The City has the right to govern and collect franchise fees from local franchises issued for solid waste collection. The City's fee is 15% of gross annual receipts.

Revenues from Franchise Fees are generally stable in Sausalito as growth in franchise fees are usually a direct result of new residential, commercial and industrial development. Revenue projections are in line with the budget.

**Business Licenses**

The city issues Business Licenses in order to collect revenue and regulate various commercial and industrial activities within the City. Depending on determination of the classification of a business, the City imposes and collects either a flat tax rate or a gross

receipt tax, ranging from 0.005% to 5.25%. The City projects that revenues from Business Licensing will generally be realized as budgeted.

Revenues from Business Licenses are generally as elastic like Sales Taxes and reflect the City's current economic climate.

***Intergovernmental***

The City receives several revenues that are subventions from the State of California. In the General Fund, the two most significant subventions are the Homeowner's Property Tax and State Mandated Costs Reimbursements. Because of the uncertainty of the State budget, it is usually difficult to forecast whether the Legislature will appropriate monies for State Mandated Costs reimbursements. The City did file for State Mandated Costs during the fiscal year, and recorded the billing to the State as revenue resulting in \$40,000 in revenues. However, Homeowner's Exemptions are projected at \$30,000, \$10,000 below budget.

***Miscellaneous***

The City receives a number of smaller miscellaneous revenues and several major revenues. The most significant are the revenues from Southern Marin Emergency Medical Providers (SMEMP), Municipal Code Violations and revenues from rentals of land for antennas. SMEMP revenues exceeded budget by \$48,645.

Typically miscellaneous revenues are stable from year-to-year.

***Planning & Building***

Planning and Building Revenues are seasonal and highly elastic in conjunction with the City's economic climate. As a result, Planning and Building revenues are expected to be realized in amounts less than the FY 2009 budget – \$89,510 and \$35,000 respectively.

The City staff is preparing detailed spreadsheets of Planning and Building historical revenues and developing forecast algorithms so to project planning and building revenues more precisely in future budget fiscal years. In addition, Community and Development staff is proactively pursuing revenue enhancement activities to ensure that the estimated building valuations that determine the respective fees are accurate.

***Recreation***

Recreation revenues are generally being realized in line with budget expectations.

***Transfers***

The City transfers into the General Fund monies from other City funds in order to cover the cost of administrative services provided to the respective funds and to assist in subsidizing General Fund levels of service. City staff is developing a Cost Allocation Plan to more accurately allocate costs to other city funds in order to fully realize the benefit of providing administrative services.

## Expenditures

Expenditures are expected to exceed budgeted expenditures by \$164,564. The following table details the specific variances by department between budget and projected expenditures and lists the requested supplemental appropriation needed:

Department	Mid Year Expenditure Projections			
	Budget	Projected	Supplemental Appropriation Needed	% of Budget
Admin. and Finance	\$1,045,560	\$1,045,560	\$-0-	100.0%
Inform. Tech.	422,256	422,256	-0-	100.0%
Planning	544,548	544,548	-0-	100.0%
Building	453,423	453,423	-0-	100.0%
Engineering	233,851	233,851	-0-	100.0%
Non- Departmental	1,148,318	1,155,018	6,700	100.6%
Police	3,886,721	3,886,721	-0-	100.0%
Fire	2,957,702	3,087,780	130,078	104.4%
Public Works	1,359,063	1,359,063	-0-	100.0%
Recreation	564,951	564,951	-0-	100.0%
Library	631,361	659,147	27,786	104.4%
<b>Total Expenditures</b>	<b>\$13,257,755</b>	<b>\$13,422,318</b>	<b>\$164,564</b>	<b>101.24%</b>

### **Administration and Finance**

Although Administration and Finance has expenditures in excess of budget for Professional Services resulting from contracts for Interim Finance Directors and Part-time Accountants, it is anticipated that the concomitant salary savings from the vacant positions will be adequate to not require a budget adjustment.

### **Information Technology**

No budget adjustment is recommended as the department's expenditures are projected to be within budget.

### **Planning**

Although Planning has expenditures in excess of budget for Professional Services resulting from contracts for Assistant Planners, it is anticipated that the concomitant salary savings from the vacant position will be adequate to not require a budget adjustment.

### **Building**

Although Building has expenditures in excess of budget for Professional Services resulting from contracts for field Building Inspectors, it is anticipated that the concomitant salary savings from other vacant positions will be adequate to not require a budget adjustment.

**Engineering**

No budget adjustment is recommended as the department's expenditures are projected to be within budget.

**Non-Departmental**

During the City's Emergency Preparedness planning, the City determined the need to procure a machine to prepare proper identification for City employees. A supplemental appropriation of \$6,700 in the Non-Departmental group is requested to acquire the capital equipment.

**Police**

Although the expenditures for Education Costs, Marin Emergency Response Agency (MERA) costs and certain supplies were under-budgeted, the salary savings from vacancies of certain positions in the department will offset the need for a budget adjustment.

**Fire**

The Fire Department is requesting a supplemental appropriation in the amount of \$130,078 to cover the costs of an unbudgeted Fire Consolidation study (\$30,000) and for overtime costs (\$100,000) in excess of budget. Actual Overtime Costs are higher than budget as a result of three factors: Fair Labor Standards Act (FLSA) work weeks; Sausalito employee vacancies; and Strike Team assignments.

Fire Department employees work a 56 hour work week. The FLSA legislates that any hours worked beyond 53 hours in a standard 56 hour work week are recompensed at time and a half rates.

There were two Sausalito employee vacancies within the Fire Department. Sausalito minimum manning requirements necessitate that vacant positions be covered during shifts. This results in Overtime for firefighters to fill the scheduled coverage. These vacancies have since been filled.

Occasionally, Strike Teams are deployed statewide on mutual assistance agreements assignments. Overtime charges are reimbursed by the State of California.

**Public Works**

It is anticipated that salary savings in the Public Works Department will offset the need for a budget adjustment resulting from expenditures for contract tree removal resulting from storms and other exigent hazardous conditions.

**Recreation**

Although the Recreation Department will be realigning certain budget expenditures within departmental categories, it is not anticipated that a budget adjustment is necessary.

**Library**

A certain spreadsheet miscalculation resulted in the Library department not having appropriate budgeted salaries for part-time employees in the amount of \$27,786. The recommended budget adjustment corrects the spreadsheet error. No other budget adjustment is required.

**Other Funds**

**Tidelands Fund**

Expenditures for certain professional legal services for activities related to the Tideland Fund necessitate the need for a supplemental budget appropriation in the amount of \$45,000.

**Sewer Fund**

Expenditures for the following services for activities related to the Sewer Fund necessitate the need for a supplemental budget appropriation in the amount of \$566,015 as detailed below:

Description	Previously Approved Supplemental Appropriation	Supplemental Appropriation Requested
Engineering Fees		\$21,015
Riverwatch SEP		200,000
Legal Fees		185,000
Utilities		10,000
EPA Order Compliance	117,000	150,000
<b>TOTAL</b>	<b>\$117,000</b>	<b>\$566,015</b>

*All other funds are expected to be within budget.*

**FISCAL IMPACT**

The attached exhibits provide a review of General Fund revenues vis-à-vis expenditures for the City’s General Fund for FY 2008-09. In sum, the tables project that General Fund expenditures will exceed its revenues during FY 2008-09 in the amount of \$530.

## **STAFF RECOMMENDATIONS**

Staff recommends that the City Council adopt the attached resolution amending the FY 2008-2009 budget

## **ATTACHMENTS**

- Resolution of the City Council of the City of Sausalito Approving Mid-year 2008-2009 Budget Modifications
- Exhibit A General Fund Mid-Year 2008-2009 Revenue Projection
- Exhibit B General Fund Mid-Year 2008-2009 Supplemental Expenditure Request
- Exhibit C Other Funds Mid-Year 2008-2009 Supplemental Request

PREPARED AND SUBMITTED BY:

REVIEWED BY:

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