



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE:

FY 2009-2010 Mid-Year Budget Review

RECOMMENDED MOTION:

Approve Resolution Adopting Mid-Year 2009-2010 Budget Modifications

SUMMARY

This report reviews FY 2009-2010 mid-year revenues and expenditures and makes specific recommendations for adjustments.

ANALYSIS

General Fund

Revenues

Revenues are projected to exceed budgeted revenues by \$59,250. The following table details the specific variances between budgeted and projected revenues.

General Fund Revenue Category		Mid Year Revenue Projections			% of Budget
		Budget	Projected	Variance	
Taxes					
	Property Taxes	\$6,905,000	\$6,795,000	(\$110,000)	98.41%
	Sales Taxes	1,580,000	1,447,250	(\$132,750)	91.60%
	Transient Occupancy Tax	900,000	850,000	(\$50,000)	94.44%
	Franchise Fees	682,000	682,000	\$0	100.00%
	Business Licenses	450,000	450,000	\$0	100.00%
	Intergovernmental	147,500	147,500	\$0	100.00%
	Miscellaneous	844,200	1,130,200	\$286,000	133.88%
	Planning & Building	519,300	597,300	\$78,000	115.02%
	Recreation	324,000	342,000	\$18,000	105.56%
	Transfers In	1,581,875	1,581,875	\$0	100.00%
	Total Revenues	\$13,933,875	\$14,023,125	\$89,250	100.64%

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Taxes:

Property Taxes:

Secured Property Taxes are normally assessed at the beginning of the calendar year, then levied, collected and distributed by the County during the following fiscal under the Teeter Plan where the City receives 55% of its levied property taxes in December, another 40% the following May, with the remaining 5% distributed two months later in July. The City's FY 2009-10 levy is \$5,261,579.

As part of the 2009-2010 budget package, the California Legislature suspended the local agency protections of Proposition 1A and passed a provision to withhold more than \$2 billion of property tax revenue from cities, counties and special districts. The City of Sausalito's equivalent share of the plan's "forced loan" to the State was \$503,356. The 2009-2010 budget package also permitted the establishment of a third-party securitization program for local governments to use to relieve the burden of loaning the state property tax revenues. The City of Sausalito participated in the securitization and accordingly preserved its FY 10 levied property tax revenue stream of \$5,261,795.

The County is permitted under Senate Bill 2557 to assess taxing entities for the County's share of costs for property tax administration. The City of Sausalito's share of County administrative costs is approximately \$110,987 (an increase of over 10% from the prior FY). The net secured property taxes from levied property taxes is \$5,150,808, an increase of 3.3% over the actual prior year related amount of \$5,092,124.

In addition to levied secured property tax, the County collects and distributes to the City a monthly amount of property tax pertaining to supplemental roll property tax (properties transferred after the levy date and taxes collected with the property's related "closing costs"). Property taxes generated from supplemental rolls have decreased significantly from amounts collected in previous years and the City is anticipating some budgeted revenue shortfalls from secured property taxes.

The City receives secured property tax in the form of unitary tax, the amount of property taxes generated from utility companies. Utility companies allocate property taxes to all taxing entities statewide through a special legislated formula. Unitary taxes are approximately \$40,000 per year and will remain relatively constant this fiscal year vis-à-vis the prior fiscal year.

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Finally, the City receives secured property taxes reimbursements from the excess monies distributed under the Educational Revenue Augmentation Fund (ERAF) shifts from 1992-1994. Excess ERAF fund amounts have been certified by the State and the City will collect approximately \$67,500 more than was budgeted.

Unsecured roll property taxes will be \$10,000 higher than budget estimates.

Property transfer taxes are being generated consistent with the budget plan and no adjustments to budgets are necessary.

Property tax in lieu of VLF will be \$12,500 more than the FY 10 budget estimate.

In total, the City is anticipating a budgeted revenue shortfall for secured property taxes in the amount of \$110,000 primarily due to a prior year property tax assumption that over-anticipated secured levies and supplemental roll property taxes.

Sales and Use Taxes from general retail, Triple Flip and Police Proposition 172 as well as Transient Occupancy Tax are elastic in nature, fluctuating in relation to the performance of the economic climate of the City. The downward projection of \$132,750 in revenues reflects the current economy and certain leading economic indicators. Of that amount, approximately \$25,000 in Sales Tax revenues of current FY 10 sales tax revenues were erroneously accrued to the previous fiscal year; although this is a zero-sum effect across two fiscal years, it necessitates a current year budget adjustment. The remaining negative adjustments of Sales and Transient Occupancy Taxes are conservative, and the realization of these projected revenues are less certain than Property Taxes. Another militating factor for full realization of even the adjusted Transient Occupancy Tax is the imminent foreclosure and transfer of ownership of one of the 4 major TOT generators of the City, and the potential closure of a smaller City hotel as it contemplates conversion to apartments/offices.

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 rate increases and new residential, commercial and industrial development. Revenue projections are in line with the budget.

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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. At this time, no budget adjustment is proposed.

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 received were \$14,000 less than budget, and almost \$38,000 less than prior year receipts.

Annually, the City records interest income in the General Fund earned on its loan to MLK for administration and maintenance of the property. As of June 30, 2009 outstanding loans totaled \$6,007,890 ((\$3,398,889 in advances and \$2,609,001 of accrued interest) Simple interest accrues at a rate of 5% per annum. The City's budget inadvertently left out this revenue source from the FY 10 adopted budget. Accordingly, this mid-year report and adjustments recognize the revenue source.

Typically, the remaining 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. The economy for home construction projects has rebounded from the moribund activity in the previous fiscal year. As a result, Planning and Building revenues are expected to be realized in amounts \$78,000 greater than the adopted FY 2010 budget.

Recreation

Recreation revenues are expected to exceed FY 2010 budget expectations by \$18,000.

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. There are no FY 2010 budget adjustments necessary for Transfers In or Out. City staff has developed a Cost Allocation Plan for use during FY 11 and FY 12 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 be under budgeted expenditures by \$49,285. The following table details the specific variances by department between budget and projected expenditures and lists the requested supplemental appropriations needed:

Department	Mid Year Expenditure Projections			
	Budget	Projected	Supplemental Appropriation	% of Budget
Admin. and Finance	\$1,130,393	\$1,167,513	\$37,120	103.28%
Inform. Tech.	510,974	527,569	\$16,595	103.25%
Planning	578,956	605,956	\$27,000	104.66%
Building	398,924	388,924	(\$10,000)	97.49%
Engineering	218,859	218,859	\$0	100.00%
Non- Departmental	826,908	826,908	\$0	100.00%
Police	4,158,353	4,098,353	(\$60,000)	98.56%
Fire	3,215,843	3,185,843	(\$30,000)	99.07%
Public Works	1,261,055	1,261,055	\$0	100.00%
Recreation	688,564	658,564	(\$30,000)	95.64%
Library	684,927	684,927	\$0	100.00%
Transfers Out	260,000	260,000	\$0	100.00%
Total Expenditures	\$13,933,756	\$13,884,471	(\$49,285)	99.65%

Administration and Finance

Administration and Finance adjusted projected expenditures to be greater than the adopted FY 10 budget because of the change in council members participation in health insurance benefits. The department's other operating expenditures are projected to be within budget.

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Information Technology

A budget adjustment is necessary for the Information Technology budget to properly carry forward the prior year unspent balance for the IT Infrastructure Plan reserve. The department's other operating expenditures are projected to be within budget.

Planning

Although Planning has expenditures in excess of budget for Professional Services resulting from contracts for environmental reviews, there is an associated revenue adjustment for additional fees to cover the expenses. The department's other operating expenditures are projected to be within budget.

Building

Personnel costs are projected to be \$10,000 less than the FY 10 budget anticipated..

Engineering

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

Non-Departmental

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

Police

The Police Department will realize salary savings due to actual negotiated labor increases being approximately \$30,000 less than projected in the adopted FY 10 budget. It is also anticipated that the Police Department will realize additional \$30,000 in salary savings due to unfilled positions.

Fire

The Fire Department will realize salary savings due to actual negotiated labor increases being approximately \$30,000 less than projected in the adopted FY 10 budget.

Public Works

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

Recreation

The Recreation Department anticipates salary savings due to a vacant position during recruitment, and less labor intensive use of the part-time staff.

Library

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

Other Funds

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 2009-10.

STAFF RECOMMENDATIONS

Staff recommends that the City Council adopt the attached resolution amending the FY 2009-2010 budget

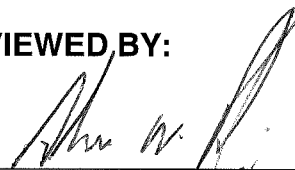
ATTACHMENTS

- Resolution of the City Council of the City of Sausalito Approving Mid-year 2009-2010 Budget Modifications
- Exhibit A General Fund Mid-Year 2009-2010 Revenue Projection
- Exhibit B General Fund Mid-Year 2009-2010 Supplemental Expenditure Request

PREPARED AND SUBMITTED BY:

Charlie Francis
Administrative Services Director / Treasurer

REVIEWED BY:



Adam Politzer
City Manager

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RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SAUSALITO APPROVING MID-YEAR 2009-2010
BUDGET MODIFICATIONS**

WHEREAS, the City Council annually conducts a mid-year budget review to ascertain the performance of all City departments in meeting their budget objectives, review revenue trends and make budgetary adjustments for unforeseen and emergency expenses; and,

WHEREAS, it is the goal of the City Council to continue to provide the highest level of cost-effective and exceptional customer service to Sausalito's residents and businesses within the funds available; and,

WHEREAS, the City Council wishes to modify the FY 2009-2010 budget to reflect that mid-year budget review.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sausalito does hereby approve an amendment to the FY 2009-2010 City Budget to enact the changes identified on Exhibit A, B, and C, attached hereto.

PASSED AND ADOPTED at a meeting of the City Council of the City of Sausalito held on the day of , , by the following vote:

AYES: Councilmembers:
NOES: Councilmembers:
ABSENT: Councilmembers:

MAYOR OF THE CITY OF SAUSALITO

ATTEST:

DEPUTY CITY CLERK

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City of Sausalito
 Mid-Year Budget Review FY 2010
 General Fund

Exhibit A - General Fund Revenues

Account	Description	FY 2008 Actual	FY 2009 Actual	FY 2010 Adopted	6 Months		% to Budget	FY 2010 Projected	Mid-Year Adjustment
					FY 2010 Actual	FY 2010 Adopted			
100-000-3100-010	Secured Property Tax	4,904,245	5,119,496	5,535,000	2,850,060	2,850,060	51.5%	5,335,000	(200,000)
	Excess ERAF	867,838	630,763	650,000			0.0%	717,500	67,500
	Total Secured Property Tax	5,772,083	5,750,259	6,185,000	2,850,060	2,850,060	46.1%	6,052,500	(132,500)
100-000-3100-020	Unsecured Property Tax	114,332	114,413	120,000	109,506	109,506	91.3%	130,000	10,000
100-000-3100-030	Property Transfer Tax	109,493	49,670	50,000	29,119	29,119	58.2%	50,000	
100-000-3100-040	Property Tax in Lieu of VLF	514,838	544,904	550,000			0.0%	562,500	12,500
100-000-3130-010	Sales & Uses Tax General	1,196,784	1,226,052	1,100,000	449,192	449,192	40.8%	1,030,000	(70,000)
100-000-3130-020	Sales & Use Tax Compensation Fund	429,822	417,744	420,000			0.0%	367,250	(52,750)
100-000-3140-010	Prop 172 Sales Tax for Police	54,527	49,956	60,000	22,410	22,410	37.4%	50,000	(10,000)
100-000-3160-001	Transient Occupancy Tax (Hotels)	1,005,985	860,117	900,000	377,189	377,189	41.9%	850,000	(50,000)
	Total Taxes	9,197,865	9,013,114	9,385,000	3,837,477	3,837,477	40.9%	9,092,250	(292,750)
100-000-3180-010	Electric Utility	42,954	42,600	42,000			0.0%	42,000	-
100-000-3180-020	Gas Utility	36,871	40,937	40,000			0.0%	40,000	-
100-000-3180-030	Garbage	456,964	545,416	450,000	176,330	176,330	39.2%	450,000	-
100-000-3180-040	Cable TV	146,291	137,176	150,000	38,527	38,527	25.7%	150,000	-
	Total Franchise Fees	683,080	766,128	682,000	214,857	214,857	31.5%	682,000	-
100-000-3210-001	Bus Lic Audit	(35,065)	(36,154)	(35,000)	(5,085)	(5,085)	14.5%	(35,000)	
100-000-3210-010	Contractors Bus Lic.	28,136	26,279	25,000	8,740	8,740	35.0%	25,000	
100-000-3210-020	Gross Receipts BL	469,691	421,469	400,000	35,179	35,179	8.8%	400,000	
100-000-3210-030	Home Business	16,744	18,908	15,000	1,359	1,359	9.1%	15,000	
100-000-3210-031	Apartments	32,231	22,252	25,000	256	256	1.0%	25,000	
100-000-3210-032	Temporary Special Event	18,935	20,040	15,000	17,880	17,880	119.2%	15,000	
100-000-3210-033	Misc Flat Rate	4,361	4,068	5,000			91.2%	5,000	
100-000-3210-034	Business License Unapplied Pay	2,481	6,274		9	9	0.0%		
	Total Business License	537,514	483,135	450,000	62,896	62,896	14.0%	450,000	-
100-000-3300-010	Homeowner's Exemption	37,521	37,323	37,500	5,619	5,619	15.0%	37,500	
100-000-3300-020	Motor Vehicle	33,049	25,518	30,000	5,040	5,040	16.8%	30,000	
100-000-3300-030	State Mandates SB 90	204,236	2,620	80,000	8,442	8,442	10.6%	80,000	
	Total Intergovernmental	274,806	65,461	147,500	19,100	19,100	12.9%	147,500	-
100-000-3300-040	SMEMPS - Ambulance	117,388	148,645	125,000	110,702	110,702	88.6%	111,000	(14,000)
100-000-3300-055	Abandoned Vehicle Abate Reimb.	10,152	5,484	6,000	2,551	2,551	42.5%	6,000	
100-000-3300-080	Booking Fee Reimbursement	-	-				0.0%		
100-000-3470-100	Admin Fees	30,446	28,728	25,000	3,576	3,576	14.3%	25,000	
100-000-3470-200	Police	16,335	21,401	15,000	9,821	9,821	65.5%	15,000	
100-000-3470-201	Film Permits	1,975	1,850	1,500	492	492	32.8%	1,500	
100-000-3470-202	Police - Alarms	8,225	18,825	6,000	3,450	3,450	57.5%	6,000	
100-000-3470-300	Fire	2,349	1,491	1,200	440	440	36.7%	1,200	
100-000-3470-500	Public Work	4,200	3,285	2,500	1,380	1,380	55.2%	2,500	
100-000-3470-690	Library Fees	19,407	17,338	19,000	7,697	7,697	40.5%	19,000	
100-000-3500-010	Municipal Code Fines	330,643	428,958	400,000	200,537	200,537	50.1%	400,000	

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Exhibit A - General Fund Revenues

City of Sausalito
Mid-Year Budget Review FY 2010
General Fund

Account	Description	FY 2008 Actual	FY 2009 Actual	FY 2010 Adopted	6 Months		% to Budget	FY 2010 Projected	Mid-Year Adjustment
					FY 2010 Actual	FY 2010 Actual			
100-000-3500-020	Code Enforcement Muni Code Fine	2,311					0.0%		
100-000-3600-010	Interest on Investments	464,155	312,199	6,000	5,581	5,581	93.0%	306,000	300,000
100-000-3620-010	Land, Antennas, etc	130,636	130,599	140,000	75,114	75,114	53.7%	140,000	
100-000-3620-020	Building Lease								
100-000-3620-050	Pay Phone Profits		100				0.0%		
100-000-3640-000	Contributions - Private	25,000					0.0%		
100-000-3640-020	Contributions - Library	10,000	65,000	88,000	44,267	44,267	50.3%	88,000	
100-000-3900-010	Misc Revenue	217,148	(1,974)	2,000	4,154	4,154	207.7%	2,000	
100-000-3900-011	Art Festival Parking	7,449	6,929	7,000			0.0%	7,000	
100-000-3900-030	Use of PERS Superfund Status								
100-000-3920-010	Proceeds of Sale of Property	175,225	1,100		2,070	2,070	0.0%		
	Total Misc Revenues	1,573,043	1,189,959	844,200	471,833	471,833	55.9%	1,130,200	286,000
	Sub-Total	12,266,308	11,517,797	11,508,700	4,606,164	4,606,164	40.0%	11,501,950	(6,750)
Detail Attached	Planning & Building Revenue	848,920	634,707	519,300	332,219	332,219	64.0%	597,300	78,000
Detail Attached	Recreation Revenue	254,467	314,571	324,000	170,875	170,875	52.7%	342,000	18,000
100-000-3910-011	Parking Transfer In	900,000	1,000,000	1,000,000	500,000	500,000	50.0%	1,000,000	
100-000-3910-022	Vehicle Replacement Fund Transfer In	-					0.0%		
100-000-3910-014	Sewer Transfer In	79,000	79,000	79,000	39,500	39,500	50.0%	79,000	
100-000-3910-012	Tidelands Transfer In	205,000	219,500	219,500	109,750	109,750	50.0%	219,500	
100-000-3910-013	Old City Hall Transfer In	150,000	150,000	150,000	75,000	75,000	50.0%	150,000	
100-000-3910-015	Traffic Safety Transfer In						0.0%		
100-000-3910-016	Gas Tax Transfer In	33,375	33,375	133,375	66,687	66,687	50.0%	133,375	
100-000-3910-021	MLK Transfer In (Admin)	1,367,375	1,481,875	1,581,875	790,937	790,937	50.0%	1,581,875	
	Total Transfer In From Other Funds	14,737,069	13,948,950	13,933,875	5,900,195	5,900,195	42.3%	14,023,125	89,250
	Total General Fund Revenues	13,969,650	12,875,255	13,933,756	7,021,539	7,021,539	50.4%	13,884,471	(49,285)
	Total General Fund Expenses	767,419	1,073,695	119	(1,121,344)	119	-8.0%	138,654	138,535
	Increase / (Decrease) in Fund Balance	626,479	1,393,898	2,467,593	2,467,593	2,467,593	(0)	2,467,593	138,535
	Beginning Fund Balances	1,393,898	2,467,593	2,467,712				2,606,247	138,535
	Ending Fund Balances								

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City of Sausalito

Mid-Year Budget Review FY 2010

General Fund

Exhibit B - General Fund Supplemental Expenditure Request

	FY 2008 Actual	FY 2009 Actual	FY 2010 Adopted	6 Months		% to Budget	FY 2010 Projected	Mid-Year Adjustment
				FY 2009 Actual	FY 2009 Actual			
101 Administration	973,190	1,110,764	1,130,393	546,160	546,160	48.3%	1,167,513	37,120
130 Information Technology	338,978	326,436	510,974	215,945	215,945	42.3%	527,569	16,595
180 Planning	651,017	496,783	578,956	283,094	283,094	48.9%	605,956	27,000
400 Building	289,608	372,018	398,924	186,105	186,105	46.7%	388,924	(10,000)
410 Engineering	114,560	195,822	218,859	147,610	147,610	67.4%	218,859	-
190 Non-Department	801,953	774,941	826,908	362,842	362,842	43.9%	826,908	-
200 Police	3,523,155	3,827,661	4,158,353	2,056,514	2,056,514	49.5%	4,098,353	(60,000)
300 Fire	2,966,941	3,057,221	3,215,843	1,636,168	1,636,168	50.9%	3,185,843	(30,000)
500 Public Works	1,277,386	1,272,332	1,261,055	624,895	624,895	49.6%	1,261,055	-
600 Recreation	495,471	563,921	688,564	327,403	327,403	47.5%	658,564	(30,000)
690 Library	613,392	627,356	684,927	384,803	384,803	56.2%	684,927	-
Transfer to Capital Project Fund	800,000	250,000	250,000	250,000	250,000	100.0%	250,000	-
Transfer to Sewer Fund			10,000	-	-	0.0%	10,000	
Transfer to EE Ben Leave Fund	150,000					0.0%	-	
Transfer to General Liability Fund	170,000					0.0%	-	
Transfer to Disaster Assistance Fund	804,000					0.0%	-	
Total General Fund	13,969,650	12,875,255	13,933,756	7,021,539	7,021,539	50.4%	13,884,471	(49,285)

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