

CITY OF SAUSALITO FY 2006-07 Budget Message

RECOMMENDED MOTION:

Staff recommends that the City Council take public testimony; adopt FY 2006-07 Budget; Adopt resolutions 1) to approve budget; 2) establishing appropriation limit for fiscal year 2006-07 pursuant to Article XIII B of the California Constitution; 3) establishing authorized staffing levels and salary ranges for all permanent and temporary positions for FY 2006-07.

BUDGET OVERVIEW:

We are pleased to present for the City Council's consideration the draft FY 2006-07 Budget. Staff is recommending \$21,008,000 in expenditures in all funds which includes \$11,756,208 in General Fund expenditures and \$6,804,290 in Capital Project funding.

The City has charted an extended conservative fiscal course over the past several years following successive budget reductions. At midyear 2005-06 the City continued modest growth in property tax, transient occupancy tax, sales tax, and solid waste franchise fees. Staff anticipates that measured growth in key revenue sources will continue in FY 2006-07.

Sales tax is expected to increase by \$50,000 which demonstrates continued recovery from the steep decline in post 9/11, but still below the peak revenues of the late 1990's. Property tax continues to be the City's largest and most stable revenue source, averaging 7.24% in annual growth over the last 8 years.

General Fund revenues for FY 2006-07 are projected at \$11,554,482 (net of budget carryover from FY 2005-06), which is \$134,230 below the current FY 2005-06 adjusted budget. The decrease is due to reduction in parking fund transfers to the General Fund and the initial business license discovery.

Parking transfers to the General Fund are projected to decrease by approximately \$100,000, as a result of \$202,500 in recommended capital expenditures for a new ADA compliant parking booth, re-striping of the Municipal Parking Lots, and 5 new pay per space "Luke" parking machines.

The proposed FY 2006-07 General Fund Budget of \$11,756,208 is a \$131,050 increase from the adjusted FY 2005-06 Budget. The Police Department's \$3.6 million

budget is the City's largest General Fund expenditure, representing 30.5% of the total budget. The Police Department's FY 2006-07 budget represents a 3.8% increase over prior year spending and includes a recommendation for adding one full-time officer. The largest increases are for salaries and wages (\$62,737) and workers' compensation expenses (\$86,265.) Overtime expenses have been reduced by \$20,000 as a result of the added patrol officer position.

The Fire Department Budget of \$2.5 million is \$142,169 (6%) above the FY 2005-06 budget. Workers' compensation costs have risen \$44,573 and vehicle replacement expenditures have increased \$59,556. The proposed budget anticipates the consolidation of the City's fire protection services with the Southern Marin Fire Protection District early in the new fiscal year.

The Department of Public Works budget totals \$1.2 million, a decrease of \$107,919 over the prior year. That reduction is largely the result of a \$126,867 reduction in workers compensation expenses that reflect improvements in the department's loss history.

The Planning and Building Divisions of the Community Development Department are proposing status quo budgets with only nominal increases over prior year expenditures. The Engineering Division has been completely restructured since FY 2004-05, with a \$45,000 increase in professional services commensurate with the Department's expanded capital project objectives.

The Administration Budget of \$1,009,667 has increased 3.2%, reflecting the approved cost-of-living adjustments. Monies have been budgeted for an additional facilitated team building. The Non-Department costs are \$50,099 (5.5%) below the FY2005-06 budget largely due to elimination of a one-time transfer to the San Carlos Underground Utility fund.

The City's Finance Committee has recommended augmentation of the Library Budget to include funds to convert an hourly Librarian II position to a full-time benefited position. The net cost of this conversion, which has been included in the proposed budget, is \$14,674. Thus, Library fulltime staffing will have been increased by 1.25 positions over the past two fiscal years. The Library budget of \$593,223 is 3.7% over the prior year budget.

The Recreation Department projects a \$9,500 decrease in budgeted revenues over the FY 2006, which reflects a more conservative projection based on historic trends. Staffing levels and operational costs are consistent with the prior year's expense.

FUTURE BUDGET OUTLOOK

The City's future budget outlook is improving but still requires fiscal prudence. Fixed employee costs for retirement and health care are expected to continue to rise in excess of inflation rates. An actuarial study is underway to determine the City's unfunded liabilities for retiree health benefits pursuant to the new GASB 45

requirements. The results of this study will be presented to the City Council and the City's various bargaining groups for dialogue on cost containment strategies. Sausalito's salaries are below the median for a number of positions, and the City will need to continue to dedicate funds toward phased compensation increases in order to allow the City to remain competitive within our primary labor market (Marin County) and, thus, retain and attract qualified personnel.

The City's workforce remains the key cost center for the budget. It will remain necessary for the foreseeable future to control the number of staff positions. The City should continue to explore productivity enhancements---including automation solutions and, as necessary, use of contracted services, to maintain desired service levels to the public.

The City of Sausalito has begun what will likely be a prolonged process to develop prudent reserves. The table below shows the needed reserves for capital and operational purposes as compared to the actual reserve balances as of March 31, 2006. The last column identifies contributions to these funds proposed in the FY 2006-07 budget.

While progress has been made in building reserves and setting aside capital improvement dollars in the past two years, the table demonstrates that a sustained effort will be required over an extended number of years to build reserves to the desired levels.

RESERVE FUND SHORTFALLS

In 2006 dollars

SHUK I FALLS					
	Projected	Reserve			
	Costs @	Bal. @	%	Amount	Proposed
	6/30/2006	3/31/2006	funded	Needed	FY06-07
					Contribution
Storm Drains	6,798,750	140,000	2%	6,658,750	31,000
Non Safety Buildings	1,931,400	50,000	3%	1,881,400	75,000
Waterfront Facilities	14,859,200	1,500,000	10%	13,359,200	5,000
Parks & Recreation Facilities	6,950,450	313,784	5%	6,636,666	250,800
Public Safety Buildings Pre-Construction	1,608,633	1,453,633	90%	155,000	155,000
Total General Capital	32,148,433	3,457,417	11%	28,691,016	516,800
Improvement Projects					
Employee Benefits Leave Fund as of 6/05	503,741	218,424	43%	285,317	52,098
GASB 45 Retiree Health Benefits	1,000,000	50,000	5%	950,000	0
(estimate)	•				
Unfunded Worker's Compensation	1,325,745	891,023	67%	434,722	0
Liability					_
Unfunded General Liability	102,299	-	0%	102,299	
Unfunded Pension Liabilities	5,081,472	-	0%	5,081,472	
Undesignated General Fund Reserve (5%	587,810	(814,999)	-139%	(1,402,809)	92,124
of GF Exp.)					
Accrued Salaries & Benefits (almost 1 pay	250,000	-	0%	250,000	0
period)		044 440	407	0.500.040	444,000
Total Operations	8,851,067	344,448	4%	8,506,619	144,222
TOTAL SHORTFALL	\$ 40,999,500	\$3,801,865	9%	\$37,197,635	661,022
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ACCOMPLISHMENTS IN FY 2005-06

The past year has been one of both significant challenges and accomplishment for the City of Sausalito. Consistent progress has been made in addressing the City Council's strategic plan objectives.

GOAL: Broaden the City's economic base and enhance revenues

- ✓ Refined MLK property management and leasing systems and filled all vacancies, except for Building One, where significant improvements are needed. This enterprise contributes revenue to the General Fund
- ✓ Prepared a report on potential new revenues and cost saving measures, and evaluated the success of previous strategies
- ✓ Approached the target goal of \$300,000 in fundraising for the Library Centennial Committee
- ✓ Received a \$360,000 bequest to seed the new Library Foundation
- ✓ Planned a poll to test key findings of the visioning process for the future of business in Sausalito
- ✓ Conducted lease negotiations with the Sausalito Cruising Club, Pelican Harbor and Edgewater Yachts, all of which will yield improved revenues and/or services to the City of Sausalito
- ✓ Completed a parking fee recovery program with the Sausalito Yacht Club
- ✓ Brought resident proximity card parking billings up-to-date
- ✓ Entered into a contract to convert Parking Lot 2 to Pay-Per-Space equipment that can both optimize revenues and reduce staff costs
- ✓ Implemented a peak-period valet parking program to better serve downtown business customers
- ✓ Approved an agreement for consolidation of the Fire Department with the Southern Marin Fire Protection District that improves service at no net increase in cost to the City
- ✓ Entered into a new cost-saving banking agreement
- ✓ Completed the first phase of the business license recovery audit, yielding over \$100,000 in additional revenue to date
- ✓ Completed a 5-year transformation of the City's financial management systems, including significant improvements to fiscal controls
- ✓ Initiated an update to the Capital Improvements Program, and implemented Street Resurfacing and Sewer Maintenance contracts in FY 2005-06
- ✓ Nearing final construction of the MLK field house with financial support from the Sausalito Rotary Club
- ✓ Initiated passport verification services at the Library, which both enhances revenues and community service
- ✓ Expanded Sausalito's Information Technology partnership with the County Marin and other Marin County agencies to include a new, shared network, shared data security and disaster recovery systems, and joint purchasing solutions

GOAL: Provide new public safety facilities

- ✓ Undertook a detailed design and environmental review process for the new facilities, resulting in an application for design review that is now before the Planning Commission
- ✓ Conducted an extensive community outreach process that revealed broad public support for the new buildings
- √ Voted to place a General Obligation Bond measure on an August 29, 2006 mail ballot

GOAL: Expand community outreach and inclusiveness

- ✓ Utilized a variety of outreach techniques to engage the community on the new Police and Fire Buildings, including a statistically valid poll; a citywide mailer with response card; a city-wide volunteer-staffed phone bank; expanded email notification; tours of the existing buildings; police and fire chief presentations to community groups
- ✓ Expanded use of "In the Loop", the City's email-based notification system for informing citizens to over 1000 subscribers
- ✓ Improved the working relationships between the City and Chamber of Commerce
- ✓ Solicited proposals to redesign the City's website
- ✓ Conducted a community tour of the Marinship
- ✓ Reconstituted the Council Outreach Committee in combination with IT, Transportation/ Parking and MLK oversight
- ✓ Provided staff support to the Historic Landmarks Board
- ✓ Verified a high degree of public satisfaction with community services through a statistically valid poll
- ✓ Provide audio stream, online agendas and staff reports and posting of minutes on the City's website

GOAL: Attract, develop and retain talented, energetic and visionary staff

- ✓ Hired excellent candidates for the positions of City Engineer, Assistant to the City Manager and Building Inspector
- ✓ Implemented a 2-year 6% wage increase for general, police, confidential and management employees, thereby helping to meet the City's goal of increasing employee wages to County median
- ✓ Entered into a contract with CPS to prepare a management salary survey
- ✓ Implemented a new employee awards program in the Police Department
- ✓ Negotiated a new labor agreement with the fire association that will significantly improve compensation and benefits to employees concurrent with consolidation with the Southern Marin Fire Protection District. All enhancements are provided as a result of the reduction of current staffing from 17 to 15 positions
- ✓ Prepared, with input from members of the management team, a comprehensive set of strategies for attracting, developing and retaining highly qualified and engaged staff

✓ Increased training expenditures to build employee skill levels

SUMMARY

The City's Operating budget that has been developed for FY 2006-07 will provide for high quality services and programs within available resources. Staff recommends the adoption of the proposed budget as submitted.

Respectfully submitted,

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