

**TOWN OF SAN ANSELMO
STAFF REPORT
July 16, 2008**

For the meeting of July 22, 2008

TO: Town Council
FROM: Debra Stutsman, Town Manager
SUBJECT: 2008-09 Proposed Budget and Work Plan

RECOMMENDATION

That Council conduct a public hearing on the Proposed 2008-09 Budget and Work Plan.

BACKGROUND

The Town of San Anselmo's fiscal year starts on July 1 and ends the following June 30. Each year staff prepares a proposed budget to project revenues and recommend expenditures for the upcoming fiscal year. Included with the budget proposal is a recommended work plan.

INTRODUCTION

Attached is the Budget Message that summarizes the Proposed 2008-09 Budget and Work Plan.

DISCUSSION

Beginning in 2002, the Town was faced with a declining fiscal outlook due to the poor economy, takeaways from the State of California, declining revenues and rising expenditures. Expenditures were reduced during that period by reducing the number of employees from 63 to 51, slashing department expenditures and deferring equipment purchases, capital projects and maintenance to Town buildings.

Beginning in 2006-07, the Town's fiscal situation was stabilized and we are slowly beginning to rebuild from the devastating cuts of the previous years. The budget presented here represents a sustainable budget with funds allocated to road maintenance, equipment, capital projects and employee salary increases.

CONCLUSION

The action recommended for the Council is to conduct the public hearing on the Proposed 2008-09 Budget and Work Plan. Pending the outcome of that public hearing, the next step would be to incorporate changes identified by Council, and bring the budget and work plan back to Council for adoption.

Respectfully submitted,

Debra Stutsman

Debra Stutsman
Town Manager

Ted Freeman
Mayor

Peter Breen
Vice Mayor



Ford Greene
Councilmember

Judy House
Councilmember

Barbara Thornton
Councilmember

525 San Anselmo Avenue, San Anselmo, CA 94960-2682
www.townofsananselmo.org
(415) 258-4600 | Fax (415) 459-2477

July 14, 2008

Honorable Mayor and Members of the Town Council:

It is my pleasure to present the Fiscal Year 2008-09 Town of San Anselmo Proposed Budget and Workplan for your consideration.

This budget is a balanced budget that continues Town services at current levels and maintains prudent reserve balances. In preparing the budget, staff analyzed revenue and expenditure trends, economic indicators and cost recovery ratios. The result is a budget that recognizes increased tax revenue, provides funds to cover the cost of ongoing operations, and maintains current programs and services.

Background

The Town's financial outlook fell into a declining state beginning in fiscal year 2001-02, due to the poor economy, takeaways from the State of California, declining revenues and rising expenditures. In the ensuing five years, Town staffing levels dropped from 63 full time employees to our current level of 51 and measures were taken to raise revenues and reduce expenditures.

On December 31, 2005 the Town experienced a devastating flood as the result of unusually heavy winter rains. The Town's public buildings were not spared. The Police Department, Fire Department, Council Chambers, Public Restrooms and the lower floor of the Library were rendered inoperable by the floodwaters. Recovery from that winter continues into 2008-09.

In the last two years, the Town's budget has been stabilized at the reduced levels, with funds allocated to road maintenance, equipment, capital projects and employee salary increases.

Accomplishments for 2007/08

- **Flood Recovery in Town facilities** - Reconstruction was completed on the flood-damaged Police Department and Council Chambers. Work is underway to reconstruct and improve the downtown Fire Station.

- **Capital Projects** – The restrooms at Memorial Park were remodeled and improved, two of the Memorial Park Tennis Courts were reconstructed, and the Tiny Tot playground at Parkside Preschool was redone.
- **Flood Recovery in Community** – Staff worked with residents to submit federal grant requests for individual home elevations, as well as one creek stabilization project. The Town acts as the sponsor for these projects and homeowners receive federal funding for a portion of their projects.
- **Disaster Preparedness** – The Get Ready program has been very successful, with 275 San Anselmo residents participating. Nearly 60 San Anselmo residents have participated in the two-day Citizens Emergency Response Team (CERT) preparedness program. The Town’s Disaster Council continues to meet to address preparedness for an earthquake, fire, flood or other disaster.
- **Centennial Celebration** – The Town’s 100th birthday was celebrated throughout the year with a series of events, culminating in a community picnic in September 2007.

Flood Recovery

The flood continues to have a major impact on the Town’s financial situation. Over \$4.9 million in flood recovery has been spent to date in Town-wide activities. We have received \$3.5 million in reimbursement from the Federal Emergency Management Agency (FEMA), the State Office of Emergency Services (OES), and the National Flood Insurance Program (NFIP). Outstanding requests for reimbursement through the FEMA appeal process equal \$800,000. To date, \$1,266,194 has been contributed to the flood recovery from the General Fund.

Highlights of the Proposed Budget

Revenue:

During this time of economic slowdown, the entire country is experiencing a reduction in real estate activities. While Marin has not been hit as hard as other counties, real estate growth has definitely slowed. As a result, our property tax revenue is projected to increase just 5%, down from 7% last year, for a projected loss of revenue of \$60,000.

As the State of California continues to deal with a massive budget shortfall, takeaways of State funding for local government are a real threat. The legislature has proposed taking away from local government Proposition 172 sales tax funds reserved for public safety as well as the Citizens Options for Public Safety (COPS) funding. Additional proposals have been put forward in the legislature to utilize other local funds as well. In order to ensure we are prepared for what the State of California ultimately does to balance its

budget, this proposed budget has been prepared without the COPS (\$100,000) or Proposition 172 (\$134,000) revenue.

To assist the Town through the last two difficult years, the Friends of the Library generously agreed to commit \$100,000 to the Library budget in 2006-07 and 2007-08, with the commitment that the Town would return the \$100,000 to the Library budget in 2008-09. Those funds are returned to the budget as promised. The Friends' have committed an additional \$43,000 to the Library in 2008-09. Their continuing generosity is much appreciated.

In total, the loss in revenue in 2008-09 outlined above equals \$394,000.

Changes in Funding:

With the anticipated membership of the Sleepy Hollow Fire Protection District in the Ross Valley Fire Service as of October 1, 2008, associated changes in funding are recorded in the budget. Sleepy Hollow's contract with San Anselmo for fire protection services is planned to end on September 30, 2008, resulting in a loss of revenue that will be offset by a reduction in expenditures. It is anticipated that that the membership of Sleepy Hollow in the Ross Valley Fire Service will result in reduced net cost for San Anselmo of approximately \$50,000.

The Town is not participating in the Tax Revenue and Anticipation Note (TRAN) program this year. The TRANs are tax-free bonds that are issued for the purpose of covering potential cash flow deficits in public entities that rely heavily on property tax distributions as a source of revenue. Due to prevailing economic factors, participation the 2008-09 TRAN would have resulted in a \$7,000 net cost to the Town. With flood work reimbursements combined with insurance and road maintenance reserves, this cost of enhancing cash flow was deemed unnecessary.

Expenditures:

In 2006, the two bargaining units, San Anselmo Police Officers Association and the Service Employees International Union 1021 agreed to a two-tiered retirement plan for employees hired after February 1, 2007. In 2008-09 the two-tiered retirement plan is saving the Town \$125,253 in retirement costs.

The Town's experience with the Bay Cities Joint Powers Insurance Authority, a self-insurance pool, has continued to be good. This has resulted in a reduction in the amount of money that must be transferred to the Insurance Fund this fiscal year. This reduced the expenditure by \$164,449.

Increased General Fund expenditures of note include the additional contribution of \$100,000 to the Library, \$50,000 to Recreation, the cost of a 3.2% cost of living increase for employees (\$160,000), and a one-time contribution to the Red Hill Community Park, per an earlier commitment (\$100,000).

The proposed budget reflects a contingency balance of \$70,291 for unanticipated expenses.

Grants:

The proposed budget reflects an unprecedented number of grants, all of which are accounted for in the Traffic Congestion Relief Fund and most of which require no matching funds on the part of the Town. Grants include:

- Proposition 1B for road repair - \$400,000
- Non-Motorized Transportation Pedestrian Program \$300,000
- Tunstead Bridge Rail and Walkway - \$462,650
- Transportation Authority of Marin Safe Paths to Schools - \$250,000
- Safe Routes to Schools - \$342,375
- Creek Park Hub Shed - \$33,577
- Transportation Authority of Marin Proposition A - \$199,000

Fiscal Challenges

The long-term fiscal challenges facing the Town continue to be:

- Ensuring sufficient funds to maintain the Town's streets and storm drain infrastructure at current levels.
- Addressing aging infrastructure in Town buildings, parks and other public facilities and replacing old, outdated equipment.
- Restoring Town services that have been cut, such as Library hours and staffing.
- Recovering from the devastating flood of 2005 while simultaneously trying to come back from six years of severe cutbacks.
- Relying heavily on a relatively fixed tax base, restricted by a geography offering few development possibilities for tax revenue expansion.
- Retaining experienced Town staff through sufficient employee compensation to remain competitive in the employment market. The high cost of living in Marin County makes attracting and retaining qualified employees difficult.

Capital Project Commitments

The 2008-09 budget reflects funds for the following capital projects:

- Reconstruction of the downtown Fire Station
- Curb ramp and detectable warning projects in conjunction with road and sidewalk work and stand-alone projects.
- Improvements to Fire Station 20 on Butterfield Road.
- Flood prevention equipment in the Library

The budget also includes a \$400,000 contribution to the Town's Road Maintenance Fund, reflecting the Council's commitment to maintain the progress accomplished by the Town's Measure G bond program.

Work Plan Goals

Each Town department head, in conjunction with the Town Manager, recommends two to four work plan items to undertake during the upcoming fiscal year. In recognition of our continuing efforts in these areas, the Town's management staff has set the following joint goals for 2008-09:

- **Sustainability** – Seek out opportunities in Town operations to utilize principles of sustainability, work to further the goals of green building, demolition reuse and recycling, energy efficiency and clean air in the community through ordinances, public information, and participation in countywide efforts to reduce greenhouse gas emission and the Town's carbon footprint.
- **Flood Recovery** – Continue flood recovery efforts, focusing internal efforts on the rebuilding of the downtown fire station and flood proofing the Town Hall complex; with external efforts to be focused on sponsoring residential home elevations with federal grant money.
- **Disaster Preparedness** - Encourage community disaster preparedness for fire, flood and earthquake through public information programs, code requirements, permit facilitation, and course offerings.

Budget Format

The operations of the Town are budgeted primarily in the Town's General Fund. Significant maintenance projects and other capital improvements are contained in the Capital Reconstruction Fund. Road and drainage improvement projects are funded through the Road Maintenance Fund and grants in the Traffic Congestion Relief Fund. The Recreation Fund accounts for most of the revenue and expenses related to recreation programs.

A list of all of the Town funds, a description of their functions, and a summary of revenue and expenses are contained in the Overview of Funds section at the beginning of the budget document.

Conclusion

The proposed 2008-09 budget represents a prudent budget that addresses the Town's most pressing capital and equipment needs, while maintaining a staffing structure that

strives to meet the needs of its citizens. While our staffing numbers remain at reduced levels, the Town's staff remains committed to providing excellent community services to the residents of San Anselmo.

Acknowledgements

I would like to take this opportunity to thank the Town staff for their commitment to San Anselmo and continuing support during difficult times. Our employees continue to meet the challenge every day. This budget is the result of a tremendous amount of effort by Finance and Administrative Services Director Janet Pendoley, who has ably and professionally managed the Town's difficult financial situation through the last eight years. Special recognition goes to the Finance Department staff, Janet Willis, Joanne Kessel and Jeannie Courteau for their diligence accounting for the Town's revenues and expenditures and producing the budget document.

Respectfully submitted,

Debra Stutsman

Debra Stutsman
Town Manager