

**BUDGET MESSAGE  
FISCAL YEAR 2010-2011**

June 14, 2010

**TO: MAYOR AND TOWN COUNCIL**

**FROM: DAVID JAMES BRACKEN, TOWN MANAGER  
GEORGE T. WARMAN, JR., DIRECTOR OF ADMINISTRATIVE SERVICES/TOWN TREASURER**

**RE: PROPOSED FY 2010-2011 BUDGET FOR TOWN OF CORTE MADERA AND  
SANITARY DISTRICT NO. 2**

**Summary**

Attached are the proposed recurring and non-recurring Operating and Capital Projects Budgets for the Town of Corte Madera and Sanitary District No. 2 for FY 2010-2011. It is estimated that we will close FY 2009-2010 with a General Fund deficit of approximately \$3,118,000. In recent years we have been carrying a deficit in our General Fund. This deficit is offset by other monies consolidated in the General Fund in the Town's financial statements (Street Impact fees — \$120,000, Parks & Recreation Capital Fees — \$423,000, Equipment Replacement Fund — \$3,259,000). See Page S2 for more details. Last year's budget anticipated this deficit figure at \$1,680,800. The cause of the increase has been declining revenues resulting from the economic downturn and continuing liability litigation and liability claim settlements. There was also a delay in implementing the furlough system, salary reductions, and reducing three full-time positions to half-time. The increase in the deficit is in spite of continuing staffing reductions, furloughs, reductions and/or deferrals of non-personnel operating expenses, complete deferral of equipment replacements, and complete elimination of Studies and Capital Projects funded by Unrestricted General Fund monies.

Current economic factors have raised several red flags. One is the fact that our sales tax revenue has been decreasing. Another is the State's borrowing and/or deferring payment of taxes owed to local agencies. Another is that it is becoming much more difficult to secure loans. Given these facts it has become important to reduce the General Fund deficit. Reference is made to the bar graphs on pages FM4 through FM8 which show recurring revenue vs. recurring expenditures. I would consider this the most important graph in the budget as it readily depicts our fiscal situation. Except for an anomaly in FY 2004-2005, our recurring expenditures have exceeded our recurring revenues since FY 2002-2003. Because our revenues are uncertain over the next several years, the only way to break this trend is to reduce expenditures. The FY 2010-2011 budget represents staff's continued effort to do just that.

Every effort has been made to reduce our General Fund deficit and to limit the amount of expenditures in both the operating and capital projects portions of the budget. Our goal is to incrementally reduce these expenditures while continuing to maintain a reasonable level of service, and to do it in a way that has as little impact on the public as possible. However Council members, Commissioners and Board members, and the general public need to realize that these reductions will, for a time, reduce the level of service which can be provided to the public. Basically, we will be doing less with less.

The reduction of General Fund expenditures has actually been ongoing for several years, with specific reductions noted in the “Reductions/Postponements in Capital Expenditures” section (page M5) of this Message. There has been a continued reduction in staff members. Peak employment was in FY 2002-2003 with 62.25 positions. The FY2010-2011 budget has staffing at 45.75 positions or a 26 ½% reduction over 8 years. See the Personnel Summary on Pages S26 & S27. These reductions are detailed in the “Staffing Reductions/Changes” section (pages M7-M8) of the Message. It should also be noted that it is our goal to seek out any and all revenue enhancement opportunities that may become available to us.

Total revenues for the Town of Corte Madera for FY 2010-2011 are estimated to be \$20,101,500. **RECURRING REVENUES** are estimated to be \$15,602,500, down by <\$594,500> or <3.7%> below the Original Estimate of recurring revenues of \$16,197,000 for FY 2009-2010 (pages S7-S9).

Total revenues for Sanitary District No. 2 for FY 2010-2011 are estimated to be \$5,421,000, down by <\$86,000> or <1.6%> below the Original Estimate of \$5,507,000 for FY 2009-2010. All of the District’s revenue is recurring. (page SF1).

Estimated **RECURRING OPERATING EXPENDITURES** for the Town of Corte Madera are projected to be \$14,744,800, down by <\$131,900> or <0.9%> from last year's Original Estimate of \$14,876,700 (pages S12-S14). Included in the \$14,744,800 is an additional \$116,000 charge from the Self-Insurance Program that was not in the prior year’s amount (page GG17).

Estimated Recurring Operating Expenditures for Sanitary District No. 2 for FY 2010-2011 are projected to be \$2,960,800 up by \$46,800 or 1.6% from last year’s Original Estimate of \$2,914,000 (page SF1).

Non-Recurring expenditures for the Town of Corte Madera total \$6,737,000 for FY 2010-2011 (page S15).

Non-Recurring expenditures for the Sanitary District total \$4,035,000 and are detailed on page SC3.

## GENERAL TOWN CAPITAL PROJECTS

Listed below are the Town general projects/studies contained within the proposed FY 2010-2011 Budget. There are no Town General Revenues included for Capital Projects or studies.

This list represents input from the Town Council, the various Boards and Commissions, as well as Staff. All projects with recommended expenditures for FY 2010-2011 are included in the following list. It should be noted that many projects span several fiscal years, and total project expenditures may exceed the amount indicated below. It is important to note that the order of the projects does not represent a priority list. Once the Capital Projects are adopted in the budget, all projects are given a “highest priority” status by staff, and it is staff’s intention to complete all of those projects in the most diligent and effective way possible.

Capital projects included are listed below:

### **Planning and Building Projects** (page GC2)

- None

### **ADA Accessibility Projects** (page GC2)

- |  |               |
|--|---------------|
| • Higgins Landing Dock Accessibility Improvements  | 450,000       |
| • San Clemente Accessibility Improvements          | 120,000       |
| • Tamalpais Accessibility Improvements             | 60,000        |
| • Barrier Removal Implementation Project – Phase I | <u>55,000</u> |
| Subtotal   | 685,000       |

### **Flood Control and Storm Drainage Projects** \* (page GC3)

- |  |         |
|--|---------|
| • Flood Control/Storm Drainage Major Emergency Repairs | 75,000  |
| • Corrugated Metal Pipe Replacements                   | 75,000  |
| • Marquart Lagoon Pump Station Improvements            | 175,000 |
| • Golden Hind @ Ebbtide Gate/Drainage Improvements     | 40,000  |
| • High Canal Storm Drain Outlet Repairs                | 20,000  |

• Mariner Cove Pump Station Pilot Project – Golden Hind @ Cay Passage	700,000
• Flood Control Infrastructure Management – GIS	5,000
• Raise/Repair Town Levees	25,000
• Marina Village Pump Station Upgrades	40,000
• High Canal Pump Station Upgrades	50,000
• Flood Hazard Mailer	<u>5,000</u>
Subtotal	1,210,000

\* All Flood Control and Drainage Projects will be funded by the Storm Drainage Tax.

**Parks and Beautification Projects** \* (page GC4)

• Skunk Hollow Park Playground Improvements	35,000
• Recreation Center Renovation and Maintenance	<u>211,000</u>
Subtotal	246,000

\* All Parks and Beautification Projects will be funded entirely through grants.

**Street Maintenance Projects** (pages GC4 & GC5)

• Street Major Emergency Repairs	50,000
• Street Overlays	165,000
• Pavement Management System	15,000
• Street Infrastructure Management – GIS	5,000
• Tamalpais/Redwood/CM Avenue Overlay and Improvements	<u>749,000</u>
Subtotal	984,000

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**TOTAL TOWN PROJECTS**      **\$3,125,000**

**REDUCTIONS/POSTPONMENTS  
IN  
CAPITAL EXPENDITURES**

All projects relying on General Fund money have been postponed and/or rescheduled to a future fiscal year. The following table shows the extent to which General Revenue expenditures have been reduced for projects.

<b>Fiscal Year</b>	<b>Actual General Revenues (page GC6)</b>
2011-2012	0
2010-2011	0
2009-2010	0
2008-2009	204,150
2007-2008	283,902
2006-2007	314,985
2005-2006	305,087
2004-2005	254,384
2003-2004	391,307
2002-2003	773,299
2001-2002	2,161,606

## REVENUES

Town revenues in total are presented on pages S7 through S9 and General Purpose Unrestricted Tax Revenues are presented on pages S30 and S31. Sales Tax is our major revenue source representing approximately 44% of our Unrestricted Tax Revenues and 33% of our total recurring revenues. A ten-year analysis of this source is included on pages S38 through S42. Due to the economy, sales taxes have experienced a substantial drop from a peak of \$5,922,000 in FY2006-2007 to an estimate of \$5,000,000 in FY 2009-2010. A modest 4% increase to \$5,200,000 is estimated for FY 2010-2011 due to predictions of an improving retail economy.

Property Taxes are the next major source of revenue representing approximately 40% of our Unrestricted Tax Revenues and 30% of our total recurring revenues. Current Secured Property Taxes are expected to remain at the FY 2009-2010 level of \$3,227,000 over the next two years. This is a substantial change from the past. See pages S44 & S45. There are five categories of property tax revenue. Current secured is 82% of the total.

The voter approved Storm Drainage Tax (Ordinance No. 821, enacted November 4, 1997) became effective July 1, 1998 for a 25-year period (FY 1998-1999 through FY 2022-2023). The Storm Drainage Tax now generates \$640,000 per year and is restricted to specific purposes. The Storm Drainage Tax replaced the Storm Drainage Special Benefit Assessment, which generated \$350,000 per year.

Transient Lodging Taxes have dropped from a recent peak in FY 2007-2008 of \$524,000 to an estimate of \$400,000 in FY 2009-2010 and are expected to remain flat over the next two years. See page S49.

On November 7, 2006, the voters approved a four-year renewal with an accompanying increase in the Paramedic Tax by the adoption of Ordinance No. 896. The increase in revenue is reflected on pages S8, F4, and F15.

The downturn in the economy has caused declines in Business License Taxes (see pages S52-S60), Real Property Transfer Taxes, State Motor Vehicle License Fees, and Building/Planning and Engineering Fees. Increases are expected in Franchise Taxes. Page S61 illustrates the dramatic drop in building permit activity.



FY 06-07

Planning/Building Secretary not replaced.  
One half position added in Recreation.  
Fire Secretary not replaced.  
One half Paramedic Nurse not replaced.  
Engineering Technician laid off.

Total Not Replaced 3

FY 07-08

Two (2) Maintenance Workers not replaced.

Total Not Replaced 2

FY 08-09

Recreation Supervisor not replaced.  
Senior Civil Engineer laid off.  
One half Fire Marshal not filled.

Total Not Replaced 2 ½

FY 09-10

One (1) Accounting Technician II reduced to half time.  
Information Systems Coordinator reduced to half time.  
Building Technician not replaced.  
Senior Planner reduced to half time.  
Planning/Building Secretary reduced to half time.  
One half Fire Marshal not filled.  
Public Works Manager laid off.  
One half Director of Public Works/Town Engineer added.

Total Not Replaced 4

FY 10-11

One half Senior Planner not replaced.

Total Not Replaced ½

M8

## **ACKNOWLEDGMENTS**

Special thanks to the Department Heads and their staffs for assistance in development of the FY 2010 - 2011 Budget. In preparing the draft budget, all departments were requested to make an attempt to reduce their requested operating budget as much as possible. The proposed budget demonstrates their understanding and concern that cuts in operations must be balanced with the impacts those cuts may have on quality of service, on the requirements of government mandates, and on the potential for increased liability, etc. We are greatly appreciative of this level of professionalism in the entire Town staff. In addition, we are particularly appreciative of the efforts of Jasmine Dali, Jonna Intoschi, Lina Azevedo, and Donna Robertson, for their assistance in completing the Town and Sanitary District No. 2 Budget for FY 2010 - 2011.

## **RECOMMENDATION**

It is recommended that the Town Council review the proposed Town of Corte Madera and Sanitary District No. 2 Operating and Capital Budgets for FY 2010 - 2011, consider public input and provide direction to Town Staff.

David James Bracken  
Town Manager

George T. Warman, Jr.  
Director of Administrative Services/  
Town Treasurer

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