

**BUDGET MESSAGE
FISCAL YEAR 2011-2012**

June 17, 2011

TO: MAYOR AND TOWN COUNCIL

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

**RE: PROPOSED FY 2011-2012 BUDGET FOR TOWN OF CORTE MADERA AND
SANITARY DISTRICT NO. 2**

Summary

Attached are the proposed Operating and Capital Projects Budgets for the Town of Corte Madera and Sanitary District No. 2 for FY 2011-2012. Corte Madera is certainly not alone in continuing to feel the affects of the largest and longest recession the country and world have experienced since 1929. I would like to say we have “lived through it”; however it would be more appropriate to say that we continue to live with it. We are once again projecting sales tax and property tax revenues to remain flat in comparison to last fiscal year, although this could be considered as somewhat of a blessing compared to the many municipalities that are expecting a decline in these revenue sources.

I have stated in past budget messages that one of the most important graphs in the budget is one that shows recurring revenues over or under recurring expenditures. This graph is shown on page FM8. From FY 2002-2003 through FY 2008-2009 we almost continually showed a negative cash flow, i.e., expenditures exceeded revenues. A reversal of this trend started in FY 2005-2006 with a continued effort to reduce expenditures through 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. Although it hasn’t come without heartache, these efforts are continuing to pay off. It is estimated that recurring revenues have exceeded recurring expenditures since FY 2009-2010, and that the trend is projected to continue for FY 2012-2013. Although it will not be confirmed until sometime in September, it is expected that the difference between the two will be as follows: \$104,000 for FY 2009-2010, \$679,000 for FY 2010-2011, \$297,000 for FY 2011-2012, and \$400,000 for FY 2012-2013.

The estimated opening balance in FY 2011-2012 for operating resources in the General Fund is \$613,000 (page S2). Estimated revenues are \$18,019,000 and estimated expenditures are \$17,722,200. This will result in an estimated opening balance of \$909,800 for FY 2012-2013, which is an increase of \$296,800 between these two fiscal years. This is a direct reflection of the information stated in the paragraph above. However, it must be noted that when combining both operating and non-operating resources, it is expected that we will close FY 2011-2012 with a net deficit of \$39,400. However, looking ahead to the opening balance in July of 2013 we expect a net surplus of \$280,000 (pages S2 and S3). Total estimated revenues for FY 2011-2012 are \$20,022,000, and total estimated expenditures are \$20,051,400.

This non-operating deficit is for the most part a result of the difference between revenues and expenditures for the Park Madera Center. The good news is that we expect revenues from the Center to increase from \$401,500 to \$547,000 in FY 2011-2012, while expenditures remain relatively constant.

The remaining pages of this budget message (pages M3-M10) summarize our Capital Projects, the reductions and postponements in Capital Expenditures, our Revenues, and our efforts in Staffing Reductions and Changes. It is important to note that in spite of all of the cuts and reductions in expenditures, the quality of life in Corte Madera has not been noticeably altered. In many regards we are the envy of many other cities in the Bay Area, and this is a direct result of the increased level of effort of Town Staff and their commitment to provide our residents with the service that they both expect and deserve.

In regards to the Sanitary District No. 2 Operating and Capital Project Budgets, no increase in the Sewer User Service Charge appears to be necessary over the next five years. This can be seen on pages FM27 & FM28 of the Forecasting Model.

GENERAL TOWN CAPITAL PROJECTS

Listed below are the Town general projects/studies contained within the proposed FY 2011-2012 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 2011-2012 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)

• San Clemente Accessibility & Bayside Trail Improvements	120,000
• Tamalpais Accessibility Improvements	60,000
• Barrier Removal Implementation Project – Phase I	<u>55,000</u>
Subtotal	235,000

Flood Control and Storm Drainage Projects * (page GC3)

• Flood Control/Storm Drainage Major Emergency Repairs	75,000
• Corrugated Metal Pipe Replacements	50,000
• Flood Control Infrastructure Management – GIS	5,000
• Raise/Repair Town Levees	15,000
• Flood Hazard Mailer	5,000
• Flood Control Improvements Design	20,000
• Marina Village Flood Control Project	<u>450,000</u>
Subtotal	620,000

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

Parks and Beautification Projects (page GC4)

- None

Street Maintenance Projects (pages GC4 & GC5)

• Street Major Emergency Repairs	50,000
• Street Slurry Seals	90,000
• Street Overlays	240,000
• Pavement Management System	10,000
• Street Infrastructure Management – GIS	5,000
• Safe Pathways to School	<u>23,000</u>
Subtotal	418,000

TOTAL TOWN PROJECTS **\$1,273,000**

**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.

Fiscal Year	Actual General Revenues (page GC6)
2012-2013	0
2011-2012	0
2010-2011	0
2009-2010	5,607
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 45% of our Unrestricted Tax Revenues and 32% 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 \$5,300,000 in FY 2010-2011. Marin Honda, our number two sales tax producer, relocated to San Rafael at the end of May, 2011. The 1960 vintage showroom and office complex is being demolished and replaced with a new building. A Mini Auto Dealership is expected to be in operation just prior to Thanksgiving. Due to this change, the Sales Tax estimate for FY 2011-12 has been left flat at \$5,300,000. Had Marin Honda not relocated, the estimate would have been \$5,500,000, which is the Sales Tax estimate for FY 2012-2013.

Property Taxes are the next major source of revenue representing approximately 39% of our Unrestricted Tax Revenues and 28% of our total recurring revenues. Current Secured Property Taxes are expected to remain at the FY 2010-2011 level of \$3,188,000 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 \$444,000 in FY 2010-2011 and are expected to remain flat over the next two years. See page S49.

On November 2, 2010, a four-year renewal of the Paramedic Tax from July 1, 2011 through June 30, 2015 failed passage by 76 affirmative votes. The measure is being placed before the voters again on November 8, 2011 for the same four years. The budget assumes this second measure will pass. If it fails again, \$397,000 is lost in the FY 2011-2012 budget and the Town will face a serious problem.

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 in FY 2009-2010. Building permit activity has resumed a more normal level in mid FY 2010-2011 and is anticipated to return to historic levels over the next two fiscal years..

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

FY 11-12

One half Accounting Technician II laid off.

One half Planning/Building Secretary laid off.

One (1) Firefighter/Engineer not replaced.

One (1) Maintenance Worker not replaced.

One (1) Permit Technician added.

Total Not Replaced

2

ACKNOWLEDGMENTS

Special thanks to the Department Heads and their staffs for assistance in development of the FY 2011 - 2012 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 2011 - 2012.

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 2011 - 2012, 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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