



TOWN OF TIBURON
1505 Tiburon Boulevard
Tiburon, CA 94920

MEMORANDUM

Date: June 5, 2019
To: Mayor and Town Council
From: Greg Chanis, Town Manager
Subject: Fiscal Year 2020 Proposed Municipal Budget

INTRODUCTION

I am pleased to present the proposed Fiscal Year 2020 (FY 20) Municipal Budget Plan (Proposed Budget). It includes a projection of revenues and expenditures for the coming year, and a proposed Capital Improvement Plan.

Overall, the Town's financial situation remains strong, with the Proposed Budget projecting an operating surplus of \$127,436 at the close of FY 2020, while allocating the resources necessary to continue providing residents with exceptional municipal services, continued maintenance of Town infrastructure, and enhancements to the community through the Capital Improvement Program.

The Town of Tiburon has enjoyed an appropriate balance of revenue and expenditures for many years. This is a result of prudent management and a focus on having the Town operate within its means, while maintaining essential services. Additionally, the Town maintains robust fund reserves to weather the next economic downturn or respond to unforeseen events.

The budget document provides detailed information about all aspects of the Proposed Budget, with this memo providing a broad overview in the following areas:

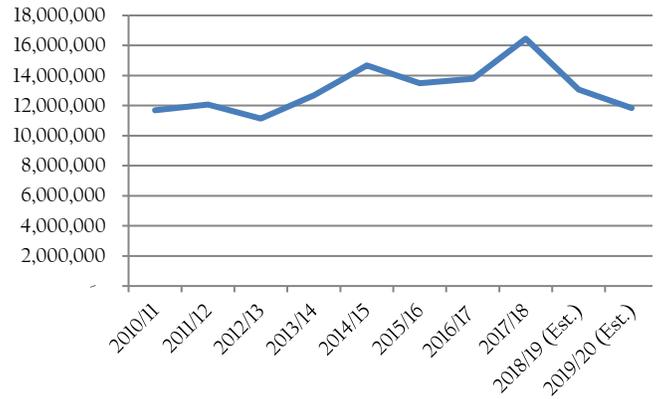
- Fund Reserves
- Budget Overview
- Revenues and Expenditures Overview
- Capital Equipment/Technology Outlay
- Capital Improvement Program

FUND RESERVES

The Town continues to maintain sufficient General Fund Reserves despite investment in several large projects over the past few years. The Town is estimated

to begin next Fiscal Year with approximately \$5.51 million in our General Fund policy restricted reserves, \$6.89 million in Discretionary Set-Asides, and \$673,255 in the Unallocated General Fund Reserve for a total of \$13.08 million. In addition, there are \$6.93 million in restricted fund reserves.

The chart to the right presents a history of total General Fund Reserves from FY 2011 through projected FY 2020. The proposed budget calls for spending down General Fund Discretionary Reserves by approximately \$1.2 million in capital improvement projects.



BUDGET OVERVIEW

The Operating Budget includes all of those programs that involve ongoing costs associated with running the Town. These include personnel, services, and supplies, as well as certain minor capital equipment purchases.

The Capital Budget includes programs or projects that result in long term physical improvement for the community. These projects are typically funded through the Town’s restricted and designated reserve funds. Examples include street paving, installation of sidewalks, and park or facility improvements.

The Overall Budget is comprised of all funding sources for operations. Included here are restricted funds from other governmental sources for specific uses (e.g., grant funding) and Town Council adopted fees that must be used for specific purposes (e.g., long range planning fee for the purpose of updating the General Plan).

Looking specifically at the Operating Budget, Table 2 below compares the current (FY 18-19) adopted operating budget to the Proposed Budget.

TABLE 2

Overall Operating Budget				
	2018/19 Adopted	2018/19 Estimated Year End	2018/19 Proposed	% Change
Revenues	\$12,499,259	\$12,717,502	\$12,737,688	1.9%
Expenditures	\$12,361,425	\$11,619,907	\$12,610,252	2.0%

Operating Revenue / Expenditure Overview

The economy, as it relates to projected revenue, appears to be relatively stable. Staff is projecting overall operating revenues to increase by 1.9% (\$238,429) over the current year's adopted budget. The Town is anticipating its single largest revenue source, secured property taxes, to increase by 4.0% over the budgeted amount for the prior Fiscal Year. Licenses & Permit revenue has exceeded projections in previous years and is beginning to slow down. The Town anticipates a decrease of 7.8% in this revenue source in FY 2020.

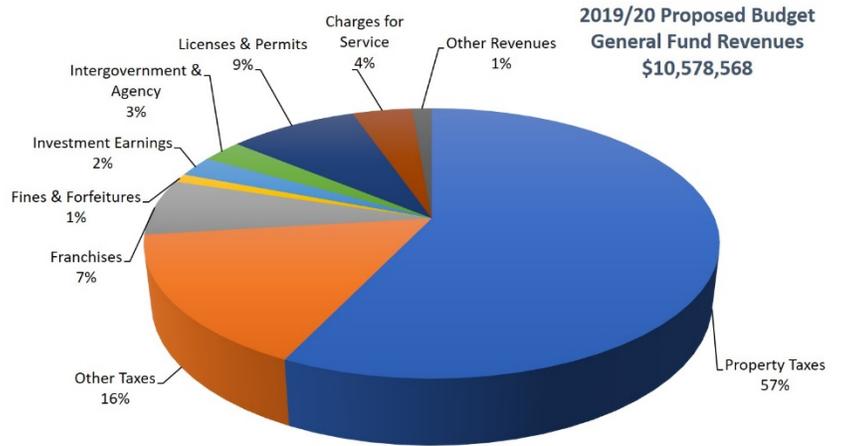
Operating expenditures are proposed to increase by 2.0% (\$248,827) over the FY 2019 adopted budget. Salary and benefits are expected to increase at a rate of 3.9% over the previous year's adopted budget. These increases reflect the first year of a three-year agreement with the Tiburon Police Association and SEIU bargaining units. Supplies and Services are anticipated to decrease 0.3% (\$14,136) over the previous year. Capital Project Expenses are expected to remain flat at \$27,500. These changes will be detailed in the individual departmental budgets below.

Revenues

For Fiscal Year 2020, Staff projects overall operating revenues to increase by 1.9%, or \$238,429 and General Fund operating revenues to increase by 4.3%, or \$438,518.

Per an annual State determination, assessed property valuation will increase by 2.0%, the maximum allowable under applicable provisions of Proposition 13. However, guidance provided by the Marin County Assessor's Office indicates, due to improvements on properties and sales of existing homes, the overall increase in secured property taxes will be 4.62%. The percentage increase anticipated by the County is down .5% from the previous year. The County estimates ERAF Property Taxes to also increase at a rate of 4.62%. Overall, staff is anticipating all sources of property taxes to increase 3.74% over the adopted FY 2019 budget. Property tax receipts have historically been the Town's primary revenue source, representing approximately 47.4% of General Fund Operating Revenues in FY 2019-20.

The pie chart to the right shows the breakdown by revenue category of the projected FY 2020 General Fund Operating Revenues of \$10,578,568.



The increase across all categories of Property Taxes is anticipated to increase 3.74%. This includes a decrease in Supplemental Taxes based on previous years actuals.

The category of Other Taxes, which includes sales, property transfer and transient occupancy taxes, is projected to increase by 3.0% over this year's adopted budget. Transient Occupancy Tax revenues are projected to decrease by 9.25% in the coming fiscal year. Sales tax growth is projected to decrease by 3.4%. Real Property Transfer tax is expected to remain.

Franchise Fee revenues are anticipated to decrease by 3.4% over the adopted FY 2019 budget. This is based on an actual revenue received for Franchise Fees being less than projected in FY 2019.

Investment Earnings remain strong with high interest rate yields and are projected to increase 30% in FY 2020. Local Agency Investment Funds rates have been steadily increasing and the Town is conservatively estimating a 1.5% return in FY 2020.

Intergovernmental Revenue is proposed to decrease by 198% over the adopted FY 2019 budget. This decrease is primarily due to shifting \$150,000 of State revenue received for the Police COPS/SLESF funds from a restricted revenue source to the General Fund. Otherwise, Intergovernmental Revenue is a relatively small group of revenue sources. State and County grants, as well as the State Motor Vehicle License Fees are anticipated to remain flat. Revenues from the Tiburon Peninsula Soccer League and Southern Marin Lacrosse are expected to increase to \$42,000 now that McKegney Green is fully operational again.

Charges for Services are proposed to increase by 3.2% or \$13,411. This category primarily covers cost recovery charges for each of the Town's departments. The increase in this category is driven by an increase in Plan Check Fees, which are associated with expenditures for outside plan checking services in the Building Division's operating budget.

Expenditures Overview

Overall operating expenditures are projected to increase by 2.01%, or \$248,827, over the adopted FY 2019 budget. General Fund operating expenditures are proposed to increase by 4.49%, or \$448,916.

Employee salaries and benefits represent the largest category of expenditures, equalizing 54% of the Proposed Budget. FY 19 (current year) marked the first year of a three-year contract with its two bargaining units, the Tiburon Police Association and SEIU Local 1021. The negotiated increases to salaries and benefits for Year 2 of the contracts are reflected in this year's Proposed Budget. Also included in the Proposed Budget is an estimated 10% increase in health insurance rates. This typically ends up being a high estimate as the Town is not advised of the actual increase until mid-June.

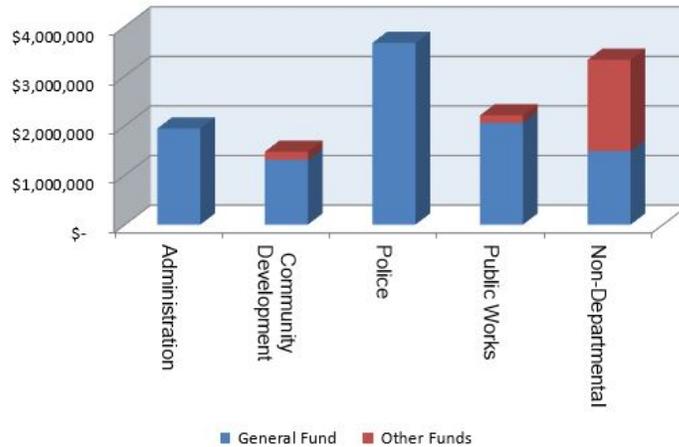
The annual 'Pay as you go' cost of Other Post-Employment Benefits (OPEB) will increase in FY 20 by 15.2%, or \$25,587, as a result of several eligible employees retiring. In addition, the Town has historically contributed additional funds to OPEB Reserves, with this contribution calculated as a percentage of salaries charged to each department budget. Over the years, this contribution has ranged from 1-3% of salaries. The Proposed Budget sets this contribution at 2% of salaries, or approximately \$88,000, an increase of 1% over the current year. If approved, these funds will

Regarding CalPERS pension costs and liabilities, the Proposed Budget includes three categories of costs: Normal Cost (Required), Unfunded Actuarial Liability (UAL) payment (Required) and an additional contribution to CalPERS Reserves (Optional). The Normal Cost represents the actuarial present value of benefits that are attributed to the **current** year, is collected as a percentage of payroll, and increases, or decreases at the same rate salaries change. UAL represents the actuarial present value of benefits that CalPERS will fund that are attributed to **prior** years. The Proposed Budget includes an increase over the current year in the required UAL of 24.2%, or \$98,500. In addition to the required Normal Cost and UAL payments, the Proposed Budget includes an additional \$200,000 contribution to the Towns CalPERS Trust Fund, which acts as a reserve fund for future expenses related to the Towns CalPERS obligations. This additional 200K expense has remained unchanged for many years.

Expenditures by Department

The bar chart below shows the FY 2020 Operating Budget by department. Further clarification of department expenditure variations follows:

The **Administration Department's** overall budget is proposed to decrease by 0.07% or \$1,440 over the current year. Included in Administration are the Legal Services, Legislative Support, Administrative Services and Town Hall divisions.



The Administrative Services Division is proposed to decrease by 1.14% or \$14,600. Annual salary and benefits costs are reduced overall this year by the retirement of the department's Director of Administrative Services as well as a department reorganization that includes the new Accounting & Finance Manager position, which was filled in Fiscal Year 2019, and a part-time Accounting & Human Resources Technician position. Decreases in the department included reduced costs for IT Consulting Services and Systems/Technical Support and the removal of the Contractual Video Technician.

The Legal Services Division budget is proposed to increase 2.89%, or \$10,000. This includes a \$35,000 increase in Contract Town Attorney. General Litigation has decreased by \$25,000.

The Legislative Support Division is proposed to decrease by 21.7%, or \$23,200. This reflects the removal of the Farmer's Market Program, which was included in the FY 19 budget at \$20,000.

The Town Hall Facility Division is proposed to increase by 12.53% or \$26,360. This includes \$10,000 for Town Hall lobby improvements and an additional \$20,000 for maintenance costs associated with the town owned Belvedere-Tiburon Joint Recreation facility (The Ranch). Otherwise, expenditures in this department are expected to remain relatively flat.

The **Community Development Department**, which includes the Planning, Building and the Long Range Planning Division, budget is proposed to increase by 11.63% or \$153,353.

The Planning Division budget is proposed to decrease 9.72% or \$60,864, due primarily to an increase of \$12,000 in casual hire that was budgeted in FY 19 for coverage of extended maternity leave for Planning Division Staff, as well as decreases in salaries for the Director of Community Development and Planning Manager following recent retirements in these positions with staff that was

previously earning at the top of their salary ranges. Additionally, Contractual Services has been reduced to \$10,000 to align the expenditure previous years' actual expenses for this line item, which is primarily used for an annual parking analysis.

The Building Division budget is scheduled to increase by 10.3% or \$69,217. This reflects salary and benefit increases as well as \$40,000 in Contractual Services for the Marin Builders Survey. There is a \$3,000 in Conferences, Meetings & Travel related to the need to provide training that supports certification requirements for Staff in this division.

The Long Range Planning Division budget is proposed to increase by \$145,000 for the General Plan Update in FY 19-20. This includes \$15,000 in legal fees to support the project.

The **Police Department** budget is projected to increase by 5.26% or \$183,401. Salary and benefit costs are proposed to increase 5.54% or \$158,297. This reflects the increases in salaries, special compensation, and benefits in the Tiburon Police Association's renewed Memorandum of Understanding. This also includes an additional \$5,000 for Recruiting & Investigation and \$8,000 for LiveScan services. A \$9,000 increase for POST Non Reimbursed Training reflects a decrease in training reimbursement funds received from the State for mandatory safety personnel training. Charges from the County of Marin for services related to Records Management, Dispatch, and the Major Crimes Task Force have increased a total of \$18,526 over the current year's budget. Due the recent replacement of vehicles in the Department's fleet, Vehicle Maintenance has been reduced \$10,000. The remaining portion of the Police Department budget is relatively unchanged over FY 2019 and there are no changes in the budget for the Police Emergency Operations Center.

The **Public Works Department**, which includes Administration, Streets, Parks, and Street Lights budget, is proposed to increase by 7.36% or \$151,276 from FY 2019. Salary and benefits are proposed to increase \$68,045.

The Administration and Engineering Division is proposed to increase 17.62% or \$104,045. This includes an additional \$32,000 for Open Space Management, \$2,000 and for a Street Speed Survey. Additionally, the Town Engineer is anticipating his retirement before the end of the next fiscal year. The budget includes \$42,669 in salary to allow an overlap between the current Town Engineer and his successor.

The Street Maintenance Division is proposed to increase 4.79% or \$25,678. This is primarily due to an increase in salary and benefits for the Town's represented employees and the Department's Superintendent. An increase of \$1,000 is budgeted for Conference and Employee Development/Training and \$900 for Operating Supplies. Division expenditures remain relatively unchanged from the current fiscal year.

The Parks Division is proposed to increase by 2.86% or \$21,802. Besides salary and benefit adjustments, additional funding of \$25,000 is included for Contractual Seasonal Maintenance, \$20,000 for fencing, an additional \$5,000 for annual tree maintenance, and an additional \$2,000 for equipment maintenance. Water provided by the Marin Municipal Water District is anticipated to increase \$18,000 related to McKegney Green and energy costs are anticipated to increase \$4,000. Both utilities increases are based on estimated expenditures in the current year. Expenditures that have been removed from this Division's budget for the upcoming fiscal year include \$40,000 for Knoll Tree Maintenance, \$10,000 for the Knoll Tree Survey, and a decrease in \$25,000 for McKegney Green maintenance from \$55,000 in the current fiscal year.

The Public Works Corporation Yard budget is proposed to increase \$6,250 or 5.9%. Vehicle maintenance is anticipated to increase \$5,000 based and cable communication services have increased \$700. The divisions budget include \$3,500 for the purchase of tablets that will be used by field personnel in conjunction with the newly implemented facilities maintenance software program. Operating and Equipment Supplies are decreased by \$1,000 each.

The Cypress Hollow Lighting and Landscape District is proposed to decrease \$7,000. This is due to the Town reducing its Cost Recovery for services provided by Town Staff to maintain the Cypress Hollow park.

The remaining Division of the Public Works Department, Street Lights, is essentially unchanged from FY 2019.

The **Non-Departmental** budget is proposed to decrease 6.67% or \$237,763 in FY 2019. Expenses in the Non-Departmental budget relate to insurance premiums (workers compensation, liability, and property), Joint Power Agreements, Town-owned housing units and the Belvedere-Tiburon Library Agency property tax pass-through. The pass-through payment made to the Library Agency decreased by \$192,485 based on County of Marin estimates for property tax revenue. JPA dues are estimated to decrease \$56,000, including a \$100,000 reduction in the Town's contribution to the Yellow School Bus program and elimination of the Media Center Contribution of \$18,000. The Town's normal cost for Retiree Health Benefits is expected to increase \$25,587 and Workers Compensation Insurance fees are proposed to increase \$26,230. JPA increases include an additional \$6,500 for Richardson Bay Regional Agency, \$6,000 for Cal Fire, and \$5,534 for Animal Control. The Town has very little control over the remaining expenses in this Department budget.

CAPITAL EXPENDITURES

In the Proposed Budget, Capital Expenditures are grouped into two broad categories,

Capital Outlay and Allowance, and the Capital Improvement Plan.

Capital Outlay and Allowance

The Capital Outlay and Allowance category includes proposed expenditures for capital equipment acquisition and/or replacement (Planned Capital Outlay Purchases) , and proposed expenditures related to technology (Planned Technology Outlay Purchases).

Proposed expenditures for Planned Capital Outlay total \$112,500 and the purchase of a replacement Utility Truck for the Public Works Department and surveillance cameras at the Police Department building and Downtown Fountain Plaza. Also included is \$25,000 for interior painting and furniture replacement at Town Hall.

Proposed expenditures for Planned Technology Outlay total \$207,945, and include funding for the Town to enter a 5 year contract with an annual cost of \$28,100 for replacement of the Police Department's body camera hardware and software system. Also included is \$9,000 for the replacement of a server to meet the increased capacity necessary to support Town's electronic document storage needs. Installation of a new phone system for the Police Department and Corporation yard, which is carried over from the current fiscal year.

Capital Improvement Plan

The FY 2020 Capital Improvement Program (CIP) budget is proposed at \$2,759,150. There is carry-over funding from the current fiscal year in the amount of \$1,361,450 for projects that will not be completed prior to June 30, 2019.

The Streets Improvement Program includes design of the annual pavement management program, which is expected to commence in FY 20-21, slide repairs at Vistazo West for damage incurred as a result of heavy rainfall in 2019, and carry over projects from the Fiscal Year 2019 budget. The Town allows for an annual \$45,000 in emergency, contingency repairs in this program.

The Drainage Improvement Program includes \$1,030,000 in total appropriations, of which \$1 million is for the annual storm drain improvement program and \$30,000 for design of a culvert on the Old Rail Trail at San Rafael Avenue. All projects in the program are carried over from FY 2019.

The Community Projects Division of the CIP Program allocates \$796,495 in projects. There is \$154,495 in carry-over projects in this division. New projects include design services for the Public Works Corporation Yard, a bike station and replacement of fixtures such as trash cans and benches on the Old Rail Trail, as well as the design and construction of repairs to the path itself.

Included with the budget is a five-year Capital Improvement Program Plan

projection. This provides Council and Staff with a forecast of CIP projects. It should be noted that the Council is not being asked to adopt this five-year outlook, as it will inevitably shift as needs and resources fluctuate in the coming years. Rather, its purpose is to help anticipate future expenditures and demands on the budget.

CONCLUSION

The financial condition of the Town of Tiburon remains strong. Careful management over many years, coupled with relative economic stability, allows staff to propose a Fiscal Year 2020 Municipal Budget Plan which: projects a modest operating surplus, maintains ample General Fund Reserves, and continues to proactively address the Town's CalPERS and OPEB liabilities. As always, staff will continue to carefully manage the Town's finances to ensure revenues are collected in a timely manner and that all expenditures are carefully managed.

I would like to take this opportunity to thank the entire management team for their assistance in developing the Proposed Budget, and for their sound budget stewardship throughout the current Fiscal Year. And a special thanks to Director of Administrative Services Suzanne Sweitzer who once again led the budget development process this year.

Finally, we all wish to thank the Town Council's Finance Committee, Mayor David Kulik and Councilmember Jim Fraser for their review, comment and good counsel during the budget preparation process. We look forward to a dialogue with the Town Council on the Proposed Budget and its timely adoption for the start of the new fiscal year.

Respectfully submitted,

Greg Chanis
Town Manager