



TOWN OF FAIRFAX

STAFF REPORT

June 7, 2017

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager *GT*
Michael Vivrette, Finance Director

SUBJECT: Discuss/consider FY17-18 Proposed Operating and Capital Improvement Budget

RECOMMENDATION

- 1) Open/Close Public Hearing
- 2) Discuss/consider revisions to the FY17-18 proposed budget

DISCUSSION

On May 25th, the Council conducted a budget workshop to discuss the draft FY17-18 Operating and Capital Improvement budget. The overall proposed budget is approximately \$13.1 million of which \$9.4 million is allocated for general fund operations, \$2.7 million for the capital improvement program (CIP), and \$1.0 million for special fund expenses/debt service.

Operating expenditures increased by \$650,000 (7.4%) over the adopted FY16-17 budget. However, the increase in expenditures is partially offset by a \$520,000 increase in revenues over the FY16-17 budget. The largest expenditure increases are for the pre-payment of unfunded retirement liability (approx. \$184,000) and personnel costs including health, retirement, and cost of living increases. The largest revenue increases are in property taxes (approx. \$190,000) and the passage of Measure C which increased local sales tax (\$200,000) from $\frac{1}{2}$ % to $\frac{3}{4}$ %.

The proposed budget will dip into General Fund reserves to balance the budget for one-time expenses. However, the Town added over \$500,000 to the ending fund balance for FY16-17 due to expenditure savings, higher revenues, and adjustments to GF fund balance based on the audit. After dipping into the Town's GF reserve, the Town is projected to end FY17-18 with a GF fund balance exceeding 29% of operating expenses which is well above the Town's policy to maintain a 25% reserve.

At its budget workshop, the Council suggested narrative revisions and requested the following monetary revisions to the proposed budget:

- Recreation and Community Services (Fund 01- 617)- The Council requested additional detail regarding the expansion of Art and Cultural Collaboration activities. The Council reduced the additional amount from \$6,000 to \$3,000 as a

place-holder amount. The Council also requested staff to explore more programming for teens. Staff indicated this additional programming can be absorbed within the current budget.

- Chipper Services (Fund 01-715)- The Council requested staff to explore curbside pick-up for Chipper Days for those households unable to bring their clippings to the location. The concept would allow for residents to make appointments for a contractor to pick-up their yard clippings which would then be brought to the chipping location. These residents would pay a yet to-be-determined fee for such service. The structure and cost of such a program is being evaluated by staff. As a placeholder, staff added \$10,000 for Chipper Days for a total of \$20,000. There is no impact on the budget as staff discovered we inadvertently budgeted \$10,000 twice in Fund 01-715 for the yellow bus program that serves Ross Valley.
- Ross Valley Fire Department (Fund 01-421)- Staff indicated an additional \$10,000 contribution for Fire is required for personnel costs regarding acting captains. This will increase Fire costs from approximately \$2,240,000 to \$2,250,000.
- Street Resurfacing & Repair (CIP 53-887) - The Council requested adding \$155,000 for street maintenance and improvements which would increase the budget from \$95,000 to \$250,000. The goal is to implement the Town's pavement management strategy with \$200,000 and allocate \$50,000 for road preventive maintenance costs. By funding improvements at this level over a five year period, the Town will be able to improve its overall road quality.

As part of the funding strategy, the Town will borrow upwards of \$500,000 from the County to finance a large portion of the improvements. Staff is still working on the details which will be incorporated into the final budget. We would anticipate the sources of repayment to be a combination of gas tax, Measure J (special municipal tax), and Measure C (local sales tax).

- Downtown Improvements (CIP 53-830) - Council requested an allocation of \$50,000 for the repair and/or replacement of downtown sidewalks. Our Building Official indicates the replacement of the sidewalks is complicated by the accessibility issues between new sidewalks and building entryways. As a result, the \$50,000 would not be enough to repair and/or replace all the sidewalks in downtown.

One option is that the Town could focus on repair/replacement of the worst sections of sidewalks in downtown. Another option is a concept the Council discussed regarding a commercial program similar to the residential sidewalk

grant program. Staff would suggest a program that matches half the costs of improvement to encourage businesses/property owners to make the needed repairs/replacement of their sidewalks. Staff would reach out to all the businesses and owners to inform them of this program. The program could be financed with the loan from the County as discussed above.

- Sidewalk Replacement& Repair (CIP 53-804) - Increase budget for sidewalk repair grant program by \$5,000 from \$20,000 to \$25,000.
- Capital Improvement Program (CIP) - With the significant revisions to the CIP, staff will be moving funding sources among projects to reflect the optimal use of the various funds. The CIP also includes funding from FEMA to reimburse the Town for storm related damage to roads. However, FEMA has preliminarily indicated that some of the projects listed in the CIP will not be eligible for FEMA funding. As a result, staff is working to identify alternate funding sources for projects which could entail substituting one CIP project for another which could delay some projects. Staff will discuss this in more detail at the meeting.

The transmittal message in the front of FY17-18 proposed budget summarizes the key highlights and assumptions as well as contains the Five-Year Budget Forecast.

To the extent possible the attached proposed budget reflects the above revisions. However, there was insufficient time to incorporate all the revisions from the workshop into the attached budget. For example, the budget message does not reflect any of the revisions. Overall, the most significant changes between the budget presented at the workshop and the attached version is in the CIP.

Please note that the final budget will incorporate all Council revisions discussed this evening and at the budget workshop. The Council will consider the budget for final approval at its July 12th meeting.

FISCAL IMPACT

n/a

ATTACHMENT

Proposed FY17-18 Budget