



TOWN OF FAIRFAX

STAFF REPORT

March 4, 2015

TO: Mayor, Town Council

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

SUBJECT: Adoption of resolution accepting 2014-15 Mid-Year Budget Review with mid-year budget adjustments

RECOMMENDATION

Adopt a resolution accepting 2014-15 Mid-Year Budget Review with mid-year budget adjustments.

DISCUSSION

The attached Mid-Year Budget Report (Report) reviews key FY 14-15 revenue and expenditure activities for the Town. The Report provides year-end budget estimates based on six months of actual Town expenditures and revenues received to date. Lastly, the Report identifies mid-year budget adjustments for the Council to approve.

Overall, the Report indicates the Town's General Fund will continue to experience financial stability with stable revenues and solid controls over expenditures. Specifically, we are projecting revenues to come in slightly higher than budgeted (net \$18,000) and General Fund expenditures to be approximately \$235,000 less than budgeted. However, staff is recommending that approximately \$131,000 of the expenditure savings be allocated to cover needed capital improvements such as the repair of Manzanita Road. Even with the additional appropriations, General Fund Reserve is projected to have a net increase of approximately \$120,000 or 2% of budget expenditures.

Revenues:

Revenues are projected to exceed budget estimates by \$58,000 (1.1%) in the General Fund primarily due to higher than projected property taxes (+114,200). However, the Mid-Year report shows that these gains are offset by losses in other revenues such as sales tax. Planning and Building fees are projected to be approximately \$40,000 less than anticipated which does offset the projected increase in General Fund revenues.

Expenditures:

The General Fund is projected to end the year with expenses below budget by \$235,000 or 3% of the adopted budget. However, budget adjustments for primarily the purchase of police equipment and a replacement police vehicle and road repair costs on Manzanita Road will require additional General Fund appropriations of \$130,000 to make up the difference.

ATTACHMENTS

FY14 Midyear Budget Review

Resolution with Mid-Year Budget Adjustments (to be distributed prior to the meeting as a supplement)



Town of Fairfax FY15 Midyear Budget Review

REVENUES

This section provides a summary of projected revenues. The General Funds are the seven discretionary funds - including General Fund (01), Dry Period Fund (02), Building & Planning Fund (04), Retirement Fund (06), and three equipment replacement funds. Revenues in the General Fund are projected to exceed budget by \$58,000 (1.1%) in the General Fund primarily due to higher than projected property taxes (+114,200). However, the gains in the General Fund are offset by a decrease in Planning and Building Revenue of \$40,000 which results in a net gain of approximately \$18,000 to General Fund Reserves.

Property Taxes:

Real Estate activity has been better than anticipated with a brisk real estate market benefitting the North Bay and Marin County. The original projection of an increase of 3.0% has been closer to 3.7% over Property Tax revenues for last year. Total property tax revenues, originally projected to lag last year's revenues by 6.7% with the loss of the General Purpose Tax revenues of \$180,000 will only lag by 119,800 (3.4%). ERAF revenues, budgeted to be \$350,000, will be closer to \$407,900 (16.5% higher), though it is still less than the \$483,600 received in FY14. The Property Tax in lieu of VLF is coming in \$46,000 (8.0%) higher than budgeted. In total, Property Taxes will be \$114,200 higher than budgeted.

Sales Taxes:

Sales Tax revenues are expected to come in approximately \$68,000 less than projected (budget \$1.18 M v. projected \$1.11M). Several restaurant closures and the drop in gas sales will have a negative effect on the revenues from Bradley Burns (i.e., 1% sales tax) as well as Measure D (1/2% sales tax). The Town received the first half of its "Triple Flip" (in-lieu sales tax) in January of \$77,500 compared to \$75,700 in January 2014. This represents 50% of the annual disbursement projected to be \$155,100. Staff budgeted \$145,000 for FY15 and projects the revenue to be 2.4% higher than originally budgeted.

Building & Planning Fees

At December 31, 2014, the Building & Planning revenues from permits and fees were at 44.3% of budget. Revenues are down 28.4% from the same period last year. Fees from current charges on building activity account for 6.4% of the General Funds revenue. The FY14-15 budget estimated revenue to be collected at \$450,000, but based on six month actuals we have adjusted the revenue estimate to \$410,000

Table A shows the increases and decreases for the Town's revenue sources.

Table A: Projected Year-End Revenues

Source:	Projected Variance:
Property Taxes, ERAF, VLF Swap	+\$ 114,200
Sales Taxes	- 68,200
User Taxes	- 10,500
Franchise Fees	- 8,700
Fines & Licenses	+ 26,100
Rental & Maintenance Fees	- 7,100
Revenues from other Agencies	+ 10,600
Charges for Current Services	+ 1,600
Building & Planning Fees	- 40,000
Net Total	+\$18,000

Expenditures

General Fund

At mid-year, through December 2014, General Fund expenditures were \$3,733,800 which is 46.7% of budgeted expenditures for the fiscal year.

At December 2014, five departments had exceeded 50% of budget:

- Town Manager 52.2%
- Disaster & EOC 51.4%
- Attorney 61.7%
- Building Services 52.8%
- Police 50.2%

Similarly, last year, five departments had expended over 50% of budget at December 2013. Although there are adjustments to expenditure line items anticipated, all adjustments at this point are expected to be done within department budgets without need for additional funding. Only the Town Manager Department is requesting an appropriations adjustment because the FY14-15 budget did not reflect the Town Manager's salary adjustment. Projected departmental savings offset a portion of the salary increase.

Personnel

The costs of personnel salary and benefits are very close to the budget projections for FY 2015. As of December 31 the town has expended 49.6% of its personnel budget. Labor negotiations, expected to commence in June 2015, will not affect the current year.

Salaries for permanent and temporary employees are \$1,118,000 of the \$2,271,000 budgeted (49.2%) through December 2014. Health insurance is at 47.6% of budget at December. Rate

increases averaging 7.7% effective January are within the range of the projected increase which will keep healthcare costs within budget.

PERS retirement costs are at 45.1% at December 2014 in part because of turnover in the Police Department (which is at 43.65% of budget)

Capital Improvement Funds

The Town will need to make roof repairs to the Pavilion this year. The improvements will be paid from existing appropriations for the Pavilion seismic retrofit project identified in the CIP fund (53). The cost for roof repair is estimated to range between \$50,000-\$70,000. The retrofit project is not slated to begin until 2016 assuming FEMA is able to complete its evaluations by then. The Council should note that the source of the funding is the \$150,000 matching funds reserved for the project and that those funds will need to be replenished in the FY15-16 budget.

The rain storm in December 2014 washed out a portion of Manzanita Rd. The initial total cost estimate including design and construction is \$160,000. Staff is recommending that TAM Measure A funds (\$96,554) for FY14-15 be reallocated to this project. The funds were originally for the repaving of Tamalpais Road, but the project has been placed on hold so as to occur after PG&E completes its pipe replacement project in the road. The General Fund will need to transfer about \$64,000 to CIP Fund 53 to cover the balance of slide repairs for the Manzanita Road project. We anticipate that expenditure savings in the Public Works Department should be able to absorb these costs.

Equipment Replacement Fund

The Police Department has purchased a new Logging Recorder and Body Cameras as well as upgraded its server from departmental salary savings. The Department would also like to purchase a new vehicle to replace the old undercover car. This is estimated to cost approximately \$25,000 and can be covered with projected departmental savings. While the purchases could occur within the Police Department budget without any adjustments, the cost should be reflected in the Equipment Replacement fund and, thus, the need for the appropriations. The total of costs of \$57,000 will be covered by department savings of approximately \$64,000.

Equipment Replacement Fund

The Town budgeted for computer replacement in both FY13-14 and FY14-15. However, the expenditures for all the computers and related expenses occurred in FY14-15 which necessitates the appropriation of funds. The total additional costs of \$10,000 can be covered by departmental savings.

Five Year Forecast

This Report does not include a revised Five Year Forecast. Staff intends to provide revised Five-Year Forecast to the Council at their April meeting.

Summary of FY14 Mid-Year Budget Adjustments

(1) Appropriate \$3,000 for personnel adjustments (3) after adoption of budget.

Source of appropriation – General Fund current year savings

Dept 211 Town Manager	\$ 3,000
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(2) Appropriate \$60,000 for Skyranch Purchase from existing Open Space fund balance
(previously approved by the Council in December 2014, this is a “clean-up” for budgetary purposes)

Source – \$50,000 in Measure A Park funds and \$10,000 donation

Fund 73 Land & Bldgs	\$ 60,000
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(3) Appropriate \$160,000 in Fund 53 for storm damage repairs on Manzanita Road

Source of appropriation –

(a) Transfer \$60,000 from General Fund current savings:

Park Maintenance	\$ 15,000
Street Maintenance	\$ 25,000
PW Admin	\$ 20,000
Other GF savings	<u>\$ 3,446</u>
Subtotal GF sources	\$63,446

(b) Reallocation of \$96,554 TAM funding

Fund 53	<u>\$ 96,554</u>
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Total Sources	\$160,000
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Use of Funds:

Engineering	\$ 40,000
Construction	<u>\$ 120,000</u>
Total Appropriation	\$160,000

(4) Appropriate \$56,935 in Equipment Fund (03) for police equipment.

Source of appropriation – transfer from General Fund current savings in Police Dept.

Police Dept. savings	\$ 56,935
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Use of Funds:

Logging Recorder	\$ 15,400
Body Cameras	\$ 15,000
Server Upgrade	\$ 1,535
Police Vehicle	<u>\$ 25,000</u>
Total Appropriation	\$ 56,935

(5) Appropriate \$10,000 in Office Equipment Replacement (08) for computers

Source of appropriation – transfer from General Fund current savings in Police Dept.

Use of funds:

Computers	<u>\$10,000</u>
Total Appropriation	\$10,000

PLEASE NOTE

Resolution will be distributed to the Council prior to the meeting as a supplemental item.