



# TOWN OF FAIRFAX

## STAFF REPORT

### July 15, 2015

**TO:** Mayor and Town Council

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

**SUBJECT:** Discuss/consider revisions to the FY15-16 Proposed Operating and Capital Improvement Budget with the goal of adopting the Budget in August

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#### **RECOMMENDATION**

Discuss/consider revisions to the FY15-16 Proposed Operating and Capital Improvement and direct staff as appropriate

#### **DISCUSSION**

On May 28th, the Council held a budget workshop to discuss the draft FY15-16 Operating and Capital Improvement budget. At the workshop, the Council discussed the operating budget, but due to time constraints, deferred the discussion on the 5 Year Capital Improvement Program (CIP) and future funding issues to the June 3<sup>rd</sup> public hearing.

At the June 3<sup>rd</sup> meeting, the Council considered the revisions to the budget from the workshop, discussed the 5 Year CIP, and conducted the public hearing. After a lengthy discussion, the Council decided that it would continue the budget discussion to this meeting, with the goal of adopting the budget in August. As a matter of practice, since FY11-12, the Council has adopted the budget in July or August.

The attached proposed budget incorporates revisions based on Council direction received from the budget workshop and the June 3<sup>rd</sup> meeting. *Table A* lists the specific Council revisions to the proposed budget including a description of the revision and the source of funding. It should be noted that the budget message as well as many of the other narratives have not yet been revised. Given the potential for additional revisions, staff wanted to wait until after this meeting and then revise all the narratives as needed prior to the budget adoption in August.

This proposed budget also reflects updates to the FY14-15 year end estimates. We are pleased to report that year end revenues were higher (approx. \$100,000) and expenditures were lower (approx. \$50,000) than initially estimated. The net result is that the beginning balance for the General Funds reserve (after adjustments for transfers) for FY15-16 is approximately \$140,000 higher than initially projected.

The overall revised proposed budget has increased by approximately \$440,000 from \$10.38 million to \$10.82 million. Of the overall budget, the General Fund operating budget is \$8.19 million which is slightly higher than the initial proposed budget. General Fund expenditures increased by approx. \$50,000 or 0.6%, primarily due to increases in the workers compensation insurance premium and Ross Valley Fire Services. These costs are partially offset by an

increase in the Town's property tax revenue estimates (Approx. \$30,000) based on updated information received from the County Assessor's office.

The CIP budget increased from approximately \$1.69 million to \$2.07 million. The \$380,000 increase is primarily related to the inclusion of two capital projects: Manzanita Rd reconstruction (\$145,000) and Azalea Bridge replacement (\$223,000). Both projects have been previously approved by the Council, but they were to occur in different fiscal years. The proposed CIP budget does require the Town to dip into General Fund reserves to fund a portion of the Manzanita Road project. It should be noted that the General Fund expenditure savings from FY14-15 were a result of the Manzanita Road reconstruction project being carried-over to FY15-16.

*Table B* identifies the revisions (highlighted in bold) made by staff in the proposed budget based on the above. In essence, the revisions are known expenditures that will occur in FY15-16. *Table B* describes the revision in detail including the source of funding.

*Table B* also contains additional budget recommendations by staff, but they are not included in the proposed budget since they are more discretionary in nature.

At its June meeting the Council also discussed allocating more funding for trail improvements or other programs. A possible source of funding would be the Measure J reserves. The proposed budget created a reserve to be used for anticipated future capital project expenditures in FY17-18. Measure J has approximately \$40,000 in reserves not allocated for proposed or recommended budget revisions. As FY17-18 is two years away and the Town's estimated beginning fund balance for FY 15-16 is much higher than anticipated, allocating the Measure J funds at this time shouldn't create a problem in the future.

The Council also discussed the Public Works Director functions and ability to search for and apply for grants. As clarification, the Town does contract out for an engineer to perform the Public Works director functions. Part of his duties does include review and preparation of grants as needed. It should be noted that many grants are competitive, complex, do not cover administrative costs, and/or can have significant matching requirements. Often times the most significant cost isn't the preparation of the grant application, but the matching requirement or the cost of the special studies/reports (e.g., engineering, design) required by the grant. Staff can discuss this in more detail at the Council meeting.

Overall, the revised proposed budget shows that the Town will end FY15-16 with over \$2.08 million in General Fund reserves which will continue to meet the Town's 25% recommended reserve requirement.

The final budget will incorporate all Council revisions discussed this evening and will be brought to the Council for approval at its August meeting.

### **FISCAL IMPACT**

n/a

**ATTACHMENTS:** Revised Proposed FY15-16 Budget

**TABLE A- COUNCIL DIRECTED BUDGET REVISIONS (included in proposed budget)**

<b>Budget Fund and Activity</b>	<b>Description and \$ amount</b>	<b>Source</b>
Fund 01-616 Community Services (aka Volunteers for Fairfax)  Amount: \$2,000	Added \$2,000 for Volunteer Board Activities (line item 842)	General Fund
Fund 01-621 Recreation Classes  Amount: \$2,000	Added \$1,000 for youth (item 821) and \$1,000 for senior activities (item 843)	Measure J reserves
Fund 20-715 Measure J- Municipal Services  Amount: \$6,000	Added \$6,000 for trail improvements; reflected as a transfer into CIP No. 51-841 Misc. Park and Trail Improvements	Measure J reserves
Fund 23-715 Measure A- Parks  Amount: No impact	Adjusted Measure A workplan to allocate \$5,000 for park equipment repair	Measure A (park funds)
CIP no. 53-804 Sidewalk replacement/repair  Amount: No impact	Up to \$10,000 will be allocated for sidewalk repair program out of existing budget (i.e., no net impact)	Measure J (absorbed within existing budget)
CIP No. 53-804 Sidewalk replacement/repair  Amount: \$5,000	Added \$5,000 for new recycling containers downtown; the existing \$10,000 for tree trimming will also be reallocated for recycling containers as tree trimming costs are charged to street maintenance; if the Town is successful in obtaining a grant, these funds will not be used.	Measure J reserves
Fund 01-510 Public Works Admin  Amount: No impact	\$5,000 for intern; reallocate funding from operating expenses to personnel costs (i.e., no net impact)	General Fund (absorbed within existing budget)
Fund 01-511 Street Maintenance and Public Works  Amount: No impact	\$10,000 for supplies/material for improvements to Center Blvd. by the Gardening Alliance	General Fund; staff indicated could be absorbed into the existing budget

**TABLE B- STAFF PROPOSED BUDGET REVISIONS**  
**(Note: Bold indicates included in proposed budget)**

Item	Description	Source:
<b>Fund 01 Workers Comp- all departments</b>  <b>Amount: \$23,000</b>	Added \$23,000 for increase in worker's comp premium; this cost is allocated on a prorated basis across all department (item 492)	General Fund
<b>CIP No. 53-819 Manzanita Rd Reconstruction</b>  <b>Amount: \$145,000</b>	This project was anticipated to be completed in FY14-15, however, it is now being incorporated into the FY15-16 CIP budget as a project.	TAM Measure A from FY14-15 and General fund savings from FY14-15 carried-over to General Fund reserves for FY15-16
<b>CIP No. Azalea Bridge</b>  <b>Amount: \$223,000</b>	Caltrans has approved the project for FY15-16. The CIP initially anticipated the project would not be authorized by Caltrans until FY16-17.	This project is 100% funded with a combination of Federal Highway Bridge Program and Flood District 9 funds
<b>Fund 01-421 Ross Valley Fire Department</b>  <b>Amount: \$20,000</b>	Reflects anticipated adjustment to the adopted Fire budget by RVFD Board	General Fund
<b>BUDGET REVISIONS RECOMMENDED BY STAFF</b> <b>(Not Included in Proposed Budget)</b>		
Fund 01-621 Recreation Classes  Amount: \$1,000	Requesting an additional \$1,000 to cover costs of senior programs.	Measure J reserves
CIP no. 53-804 Sidewalk replacement/repair  Amount: \$5,000	Requesting an additional \$5,000 for general Town sidewalk repair, in the event the sidewalk program uses the entire \$10,000 allocated to the program	Measure J reserves
Fund 01-311 Planning  Amount: \$15,000 (reallocation of funds with Planning Division)  Amount: No Impact	Requesting reallocation of \$15,000 to fund part-time zoning/building technician; this would alleviate burdensome workload of principal planner and building official, would improve processing times and customer service	Reallocate funding from operating expenses to personnel costs, so no net impact
Fund 01-511 Street Maintenance and Public Works  Amount: No Impact	Requesting only \$5,000 be allocated for supplies/material for improvements to Center Blvd. by the Gardening Alliance; the other \$5,000 will be needed for landscape contractor to make repairs and clean-up of landscaped areas; no net impact	General Fund; at the meeting it was expressed that if volunteers could offset a portion of the costs for the Claus Circle park maybe some of those funds could be allocated to other uses; staff's understanding is that the Gardener's Alliance cannot

		commit its resources to Claus Circle at this time
Fund 20-715 Measure J  Trail Improvements  Amount: at Council's discretion	Allocate additional funding for trail improvements. Currently, funded at \$30,000 using a combination of \$24,000 in Measure A (Park) funds and \$6,000 in Measure J funds.	\$40,000 available in Measure J reserves