



TOWN OF FAIRFAX

STAFF REPORT

June 5, 2018

TO: Mayor and Town Council

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

SUBJECT: Discuss/consider FY19-20 Proposed Operating and Capital Improvement Budget

RECOMMENDATION

- 1) Open/Close Public Hearing
- 2) Discuss/consider revisions to the FY19-20 proposed budget

DISCUSSION

The proposed FY19-20 Operating and Capital Improvement Budget is approximately \$13.7 million of which \$10.7 million is allocated for general fund operations, \$1.9 million for the Capital Improvement Program (CIP), and \$1.1 million for special fund expenses/debt service. While the amount of the FY19-20 total operating and capital budget is approximately the same as last year's adopted budget, there are significant differences.

The Proposed FY19-20 operating expenses are approximately 5.8% or \$570,000 higher than the those of the adopted FY18-19 budget. Overall, the increased expenses are offset by projected increases in General Fund revenues and transfers. Specifically, General Fund revenues are projected to increase by approximately \$300,000 or 4.3% above the adopted FY18-19 budget. Transfers to the General Fund from other revenue sources (e.g., Retirement Fund 06) is approximately \$275,000 more than the adopted FY18-19 budget.

Table A below compares the FY19-20 proposed General Fund (GF) budget to the adopted FY18-19 budget.

Table A

APPROPRIATIONS by Object	Salaries & Wages	Benefits & Payroll Cost	Retirement & Sidefund	Professional Services	Supplies & Tools	Other Operating	FY 2019-20 PROPOSED
FY19-20 PROPOSED GENERAL FUND BUDGET	\$ 3,234,785	\$1,059,864	\$1,189,361	\$ 3,707,209	\$ 113,528	\$ 1,206,837	\$ 10,511,584
FY18-19 ADOPTED GENERAL FUND BUDGET	\$ 3,126,543	\$1,009,906	\$1,115,733	\$ 3,509,689	\$ 112,528	\$ 1,065,056	\$ 9,939,456
Variance	\$ 108,242	\$ 49,958	\$ 73,628	\$ 197,520	\$ 1,000	\$ 141,781	\$ 572,128
Variance in %	3.3%	4.7%	6.2%	5.3%	0.9%	11.7%	5.8%

The expenditure **increases** are summarized as follows:

- Salaries and wages increased by 3.3% which reflects the approved MOU for bargaining groups and the restructuring of the Recreation and Community Services department.
- Benefits & payroll costs increased by 4.7% which is primarily related to increases in health costs.
- Retirement costs increased by 6.2% reflecting the reduction in the CalPERS discount rate and corresponding increase in the contribution rates.
- Professional services increased by 5.3% reflecting significant increases for Fire services related to retirement and health care. Fire services are provided by the Ross Valley Fire Department (RVFD) JPA. The cost for RVFD represents approximately 70% of the professional services budget. Approximately 59% (\$120,000) of the total increase in professional services is for Fire. The \$120,000 also includes an additional \$25,000 for vegetation management activities (e.g., goats, tree contractors). Election cost increase of \$40,000 is also significantly higher for the last odd-year local election.
- Other Operating expenses increased by 11.7%. Specifically, the Town's contribution for yellow bus services in Ross Valley increased by \$20,000, the Chipper Day budget increased by \$70,000, and increases in insurance and other outside agency costs. The Chipper Day budget reflects the additional \$30,000 the Council allocated at its May 10th budget workshop.

The \$570,000 does not include \$100,000 for a one-time purchase of new financial software for the Town. This purchase comes from the Office Equipment Replacement Fund (Fund 08) in which the Town has been saving for the software purchase over the past 6 years.

At year end FY19-20, we anticipate the Town will draw down on GF fund balance by approximately \$118,000 for one-time expenses while maintaining an operating reserve of 36.3% of operating expenses which is well above the Town's policy to maintain a 25% reserve. It should be noted that the Town is projected to begin FY19-20 with \$4 million in General Fund reserves, which is \$200,000 higher than we estimated in the FY18-19 adopted budget.

With regard to the Capital Improvement Program (CIP), the proposed CIP is about \$1.5M less than the CIP presented at the budget workshop on May 10th. The primary difference is that the bridge replacement and repair projects have been updated to reflect the current design and construction schedules. However, staff did indicate at the workshop that the CIP did not reflect the updated schedule. For example, the Creek Road bridge project was shown to begin construction in FY19-20 instead of FY21-22.

For more detail on revenues and expenditures, please refer to the budget message in the front of FY19-20 proposed budget. The front of the budget also contains the Five-Year Budget Forecast with includes a discussion of Future Challenges. Please note that the final budget will incorporate all Council revisions discussed this evening. The Council will consider the budget for final approval at its July 17th meeting.

ATTACHMENT

Proposed FY19-20 Budget