




TOWN OF FAIRFAX

STAFF REPORT

May 10, 2019

TO: Mayor and Town Council

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

SUBJECT: Conduct workshop to discuss FY19-20 Proposed Operating and Capital Improvement Budget

RECOMMENDATION

Conduct workshop

BACKGROUND

Attached is the Town's FY19-20 Proposed Operating Budget. The Five-Year Forecast, Fund Balance review, and Capital Improvement Budget will be presented at the workshop. Typically, the budget workshop is held later in May allowing staff a few more weeks to prepare the proposed budget. The budget transmittal message will be included in the budget prepared for the public hearing.

At the budget workshop, the discussion will include the following topics:

- Proposed FY19-20 Operating and Capital Improvement Budget
- General Fund and Special Revenue Fund Reserves
- Five-Year General Fund Forecast
- Five-Year Capital Improvement Program
- Renewal of Measure J Special Municipal Tax
- New programs/projects

DISCUSSION

This section provides an overview of General Fund Operating Expenses and Revenues. Overall, the Town will dip into General Fund reserves to cover one-time expenditures such as financial software and higher costs for an "odd year" election. The mid-year budget report projected higher revenues and lower expenses than budgeted. This resulted in a budget surplus which was added to year-end General Fund reserves. In essence, this proposed budget uses the budget surplus from FY18-19 to pay for the one-time expenses in FY19-20.

General Fund Operating Expenses

The proposed FY19-20 general fund operating budget is approximately \$10.6 million. This is approximately \$640,000 higher than the adopted FY18-19 budget. Of this \$640,000, \$100,000 is for a one-time purchase of new financial software for the Town.

The remaining \$540,000 are increases in the Town's primary General Fund operating budget (Fund 01). Table A below shows the increases in FY19-20 by category compared to the FY18-19 budget.

Table A: GENERAL FUND BY USE

	Salaries & Wages	Benefits & Payroll Cost	Retirement & Sidefund	Contract Services	Supplies & Tools	Other Operating	FY 2019-20 DRAFT
Proposed FY19-20	\$ 3,234,785	\$ 1,059,864	\$ 1,189,361	\$ 3,707,209	\$ 113,528	\$ 1,176,837	\$ 10,481,584
Adopted FY18-19	<u>\$ 3,126,543</u>	<u>\$ 1,009,906</u>	<u>\$ 1,115,733</u>	<u>\$ 3,509,689</u>	<u>\$ 112,528</u>	<u>\$ 1,065,056</u>	<u>\$ 9,939,455</u>
Increase	\$ 108,242	\$ 49,958	\$ 73,628	\$ 197,520	\$ 1,000	\$ 111,781	\$ 542,129
Increase in %	3.5%	4.9%	6.6%	5.6%	0.9%	10.5%	5.5%

Overall, operating expenses have increased by approximately 5.5%. Specifically, Table A shows the following approximate increases:

- Salaries and wages increased by 3.5% which reflects the approved MOU for bargaining groups.
- Benefits & payroll costs increased by 4.9% which is primarily related to increases in health costs.
- Retirement and sidefund costs increased by 6.6% reflecting the reduction in the CalPERS discount rate and corresponding increase in the contribution rates.
- Contract services increased by 5.6% reflecting significant increases for Fire services related to retirement, health care, and salary increases. Approximately 59% of the increase is for Fire Services. Fire services are provided by the Ross Valley Fire Department
- Other Operating expenses increased by 10.5% primarily due to increases in yellow school bus service, chipper days, and insurance premiums.

Please note that Table A does not include the expenses in the vehicle (Fund 03) and equipment (Fund 08) funds. As stated above, the office equipment replacement fund (Fund 08) reflects the \$100,000 purchase of a new financial software system for the Town. Over the past several years, the Town has been "saving" approximately \$20,000 per year in Fund 08 reserves in anticipation of this purchase. It should be noted this is a one-time expenditure for budgetary purposes.

Table B below shows the increases by department/activity. The Recreation and Community Services (RCS) budget has the largest percentage increase in its operating budget. This reflects changes in the proposed structure of the department and reclassification of staff based on their responsibilities. Specifically, one position will be assigned to communications and marketing which includes the maintenance and continued refinement of the Town's website. A portion of these costs were previously included under the Town Clerk's budget. Staff will present the details at the budget workshop.

Table B- General Fund Expenses by Department/Activity

Activity	Department/Division	Proposed FY2019-20	Adopted FY18-19	Var	Var in %
111	Town Council	32,035	\$ 32,080	\$ (45)	-0.1%
112	Town Treasurer	4,926	\$ 4,800	\$ 126	2.6%
116	Independent Auditor	60,638	\$ 57,750	\$ 2,888	5.0%
121	Town Attorney	190,000	\$ 190,000	\$ -	0.0%
	Total Town Council	287,598	\$ 284,630	\$ 2,968	1.0%
				\$ -	
211	Town Manager	205,461	\$ 198,980	\$ 6,481	3.3%
221	Town Clerk	176,836	\$ 213,289	\$ (36,453)	-17.1%
222	Elections	45,000	\$ 5,000	\$ 40,000	800.0%
231	Personnel	78,242	\$ 76,748	\$ 1,494	1.9%
241	Finance	329,717	\$ 312,328	\$ 17,389	5.6%
	Total General Administration	835,257	\$ 806,345	\$ 28,912	3.6%
				\$ -	
311	Planning	544,068	\$ 528,350	\$ 15,718	3.0%
321	Building Inspection & Permits	253,160	\$ 245,150	\$ 8,010	3.3%
	Total Development Services	797,228	\$ 773,500	\$ 23,728	3.1%
				\$ -	
411	Police	3,615,037	\$ 3,338,412	\$ 276,625	8.3%
418	Disaster Preparedness	16,700	\$ 14,700	\$ 2,000	13.6%
421	Ross Valley Fire Service	2,544,210	\$ 2,426,918	\$ 117,292	4.8%
	Total Public Safety	6,175,947	\$ 5,780,030	\$ 395,917	6.8%
				\$ -	
510	Public Works Administration	270,665	\$ 277,016	\$ (6,351)	-2.3%
511	Street Maintenance	422,605	\$ 399,578	\$ 23,027	5.8%
512	Street Lighting & Traffic Signals	110,000	\$ 98,000	\$ 12,000	12.2%
513	Pollution Prevention	-	\$ -	\$ -	
	Total Public Works	803,269	\$ 774,594	\$ 28,675	3.7%
				\$ -	
616	Community Services	35,082	\$ 32,171	\$ 2,911	9.0%
617	Recreation	61,356	\$ 56,372	\$ 4,984	8.8%
621	Fairfax Recreation	152,171	\$ 123,820	\$ 28,351	22.9%
622	Summer Camps	15,100	\$ 14,400	\$ 700	4.9%
	Total Recreation & Community Services	263,709	\$ 226,763	\$ 36,946	16.3%
				\$ -	
611	Park Maintenance	261,737	\$ 254,510	\$ 7,227	2.8%
625	Rental Facilities-WC & Ballfield	77,812	\$ 75,504	\$ 2,308	3.1%
911	Building Maintenance	-	\$ -	\$ -	
	Total Parks & Facility Maintenance	339,550	\$ 330,014	\$ 9,536	2.9%
				\$ -	
715	Non Departmental	979,026	\$ 963,583	\$ 15,443	1.6%
		-		\$ -	
TOTAL GENERAL FUND APPROPRIATIONS		10,481,584	\$ 9,939,456	\$ 542,128	5.5%

General Fund Revenues

Overall, Table C indicates General Fund Revenues are projected to increase by approximately \$300,000 or 4.3% above the FY18-19 adopted budget. While property and sales taxes are projected to increase, the largest percentage increases are in recreation/class fees and LAIF interest rate. Recreation fees reflect increases in contract fees and user participation. In March 2019, LAIF was at 2.55% which is approximately 1% higher than it was one year ago.

TABLE C- PROJECTED GENERAL FUND REVENUES

Revenue Detail	Adopted Budget	Proposed Budget	Variance	Var. in %
	FY18-19	FY19-20		
Property Tax	\$ 4,265,964	\$ 4,369,900	\$ 103,936	2.4%
Sales Tax (1%)	\$ 756,594	\$ 756,300	\$ (294)	0.0%
Measure D&C Sales Tax (0.75%)	\$ 681,000	\$ 724,000	\$ 43,000	6.3%
Utility	\$ 360,000	\$ 361,000	\$ 1,000	0.3%
Subtotal Taxes	\$ 6,063,558	\$ 6,211,200	\$ 147,642	2.4%
Other Revenues				
Franchise Fees	\$ 392,000	\$ 430,000	\$ 38,000	9.7%
Business License	\$ 130,000	\$ 132,000	\$ 2,000	1.5%
Fines	\$ 124,000	\$ 130,000	\$ 6,000	4.8%
Rental & Maintenance Fees	\$ 25,000	\$ 25,000	\$ -	0.0%
Revenues from other Agencies	\$ 48,812	\$ 50,700	\$ 1,888	3.9%
Recreation/Class Fees	\$ 105,130	\$ 125,600	\$ 20,470	19.5%
Interest/LAIF	\$ 41,300	\$ 126,300	\$ 85,000	205.8%
Charges for Svc/Other	\$ 111,500	\$ 114,500	\$ 3,000	2.7%
Subtotal Other Rev	\$ 977,742	\$ 1,134,100	\$ 156,358	16.0%
TOTAL GENERAL FUND REVENUE	\$ 7,041,300	\$ 7,345,300	\$ 304,000	4.3%

NEXT STEPS

All Council revisions discussed at the workshop will be incorporated into the proposed budget to be discussed at the public hearing at the Council's June 5th meeting. Any additional revisions from the June meeting would be incorporated into the final budget brought to the Council for consideration at its July 17th meeting.

ATTACHMENT

Proposed Budget