

**TOWN OF FAIRFAX  
STAFF REPORT**

**To: Mayor, Members of the Town Council**  
**From: Michael Vivrette, Finance Director**  
**Date: March 6, 2013**   
**Subject: 2012-13 Mid-Year Budget Review**

**RECOMMENDATION**

Accept and file reports.

**DISCUSSION**

Cash basis financial statements for the six months ended December 31, 2012 have been distributed in this month's packet. This report reviews key FY 12-13 revenue and expenditure activity. Specific recommendations for adjustments to budget are detailed in each section. Budget adjustments will be presented in a separate action.

**Revenues:**

**Property Taxes:**

The outlook for property values has improved according to recent news articles which put the improvement year-over-year for the Bay area in December at 14.4%. This will affect property tax revenues in Fairfax for new sales and for revaluation of properties which were previously written down in future years but are unlikely to have an effect on current revenues.

Net Secured Property Taxes: December property tax receipts were slightly higher than projected. The Teeter Plan distribution, projected to distribute 55% of the property tax, yielded 55.1% of budget, which is about \$2,400 more than was projected. The Town will collect another 40% in May and the remainder in July. The total Levy for 2012/13 is \$ \$5,735 less than budget last fiscal year.

In addition, the County is refunding overcharged property tax administration charges (assessed by the County under Senate Bill 2557). Currently, the refund is anticipated to be \$10,640 for FY13 and \$9,587 for FY12 which is good news for the Town.

ERAF: The Town receives secured property tax reimbursements from excess monies distributed under the Educational Revenue Augmentation Fund (ERAF) shifts from 1992-1994. Excess ERAF fund amounts received in January 2013 were \$198,111 (compared to \$207,716 in January 2012) representing 55% of the amounts we will receive under the Teeter formula. Total ERAF receipts are projected to be \$360,202 which will be \$10,202 (2.9%) more than the budgeted ERAF of \$350,000.

Overall, staff projects that total secured property taxes will have positive change from budget of \$32,800.

Source:	Projected Variance:
Net Secured Property Tax	+ \$ 2,400
Reduced Property Tax admin charge	+ 20,227
ERAF distribution	+ 10,202

**Sales Taxes:**

The Town has had nine consecutive quarters of increased sales tax collections which is a hopeful sign the economy continues to improve. The Town sales tax receipts increased 14.2% year-over-year from June 2011 to June 2012 compared to a 9.2% increase in sales tax receipts statewide for the same period.

The Town's base sales tax (referred to as Bradley Burns) is at 52.4% of budget. This could indicated annual revenues ending \$18,000 over budgeted if the trend continues.

In November 2011, the Town passed a five year ½ percent increase in the sales tax rate which took effect on sales after April 1, 2012. The Measure D add-on sales tax is at \$161,365 (80.7% of budget), which we conservatively projected at \$200,000. This could indicate annual revenues ending \$120,000 over budget if the trend continues at the same rate through June 2013. Staff will work with our sales tax consultant at Muni Services to more accurately project this total.

**VLF & Triple Flip**

The Town received the first half of its "Triple Flip" (in-lieu sales tax) in January of \$67,110 which was 50% of the annual disbursement projected to be \$134,219. Staff budgeted \$100,000 For FY13 and projects the revenue to be \$34,219 higher than budgeted. In FY12, the Town received \$100,983 in in-lieu sales tax.

The Town received the Property Tax in-Lieu-of-VLF (Motor Vehicle License Fee Swap) in January of \$278,663, which was 50% of the annual disbursement. This equates to total expected revenue of \$557,325 against a budgeted amount of \$560,000 resulting in lower than projected revenue of (\$2,675) for the year.

Source:	Projected Variance:
Sales Tax collections	+ \$138,000
VLF Swap distribution	- ( 2,675)
Triple Flip distribution	+ 34,219

**Expenditures:**

**General Fund**

At mid-year, through December 2012, General Fund expenditures were \$3,584,446 which is 49.65% of budgeted expenditures.

At December 2013, six departments had exceeded 50% of budget:

- Volunteers for Fairfax 51.71%
- Recreation 75.64%
- Fire 58.36%
- Public Works Admin 59.13%
- Pollution Prevention 97.23%
- Miscellaneous/Non Departmental 53.53%

Last year, four departments had expended over 50% of budget at December 2011.

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.

### Personnel

The costs of personnel salary and benefits are very close to the budget projections for FY 2013. Salaries for permanent and temporary employees are \$1,155,739 of the \$2,337,715 budgeted (49.44%) through December 2012. Health insurance is at 50.19% of budget and retirement costs are at 51.31%. Overtime costs are significantly under-budget, showing 26.4% used through December 2012.

Several changes in personnel have affected the budgeted costs in FY13:

- The new Town Manager hired in February 2013.
- The Interim Town Manager position was backfilled by the Town Clerk through January 2013.
- The addition of a new Deputy Town Clerk in February 2013
- The projected retirement of our present Town Clerk in March 2013.

As a result of these changes, The Town should realize cost savings of approximately \$80,000 in salary and associated benefits for FY13.

### Debt Service Funds (Fund 44)

Subsequent to the budget adoption, the Town received an invoice for a principal payment of \$55,900 on the 2008 General Obligation Refunding Bonds which was not budgeted in addition to the principal payment of \$78,000 on the 2008 General Obligation Revenue Bonds. Consequently, the budgeted principal payment on the 2008 bond will need to be increased by \$55,900. The funds for the principal payment are available in the debt service reserve kept in the debt service fund.

### Capital Improvement Funds:

Staff will be reviewing the expenditures and revenues in the Capital improvement funds to determine the availability of funding for additional projects. Staff anticipates there will be adjustments to available funding resulting from adjustments by FEMA and CalEMA to prior requests for reimbursement for storm related projects which are being considered.