

**TOWN OF FAIRFAX
STAFF REPORT**

To: Mayor, Members of the Town Council

**From: Michael Rock, Town Manager
Laurie Ireland-Ashley, Finance Director**

Date: October 7, 2009

Subject: Town Budget Update

RECOMMENDATION

Accept and file the report.

DISCUSSION

On July 1, 2009 the 2009-2010 Budget was adopted by Council. Since that time there have been a couple questions asked of staff that required clarification. This is the first part in a two part report. The second more in depth review will be presented to Council on November 4th with the complete review of the first quarter of the year.

When Council adopted the 2009-10 budget it was with the anticipated reduction of 8% in property taxes. The Town of Fairfax used the Dry Period Fund Reserves to cover this expected shortfall in the revenues generated by the State's property tax grab. This property grab has become a reality that will take effect in December, 2009. The Town is taking steps to mitigate this in any way it can. One of the items on the agenda tonight is the Prop 1A Securitization that if successfully completed would return the Town's entire 8% shortfall to the Town in the 2009-2010 fiscal year. At the point of receipt of revenues of the Prop 1A funding the 8% would be returned to the Dry Period Fund.

An additional challenge will be created for the Town if the State does in fact keep the HUTA (Highway Users Tax, also known as the Gas Tax). The HUTA revenue is approximately \$120,000 for the fiscal year. Staff hopes to have more information on that issue at the first quarter review.

In the printed budget, the percentage numbers in the pie chart for the "Operating Revenue – General Fund" for the 'Other' revenue category was unreadable. The chart has been modified and is reprinted as an attachment to this report with the 'Other – 15%' printed off to the side. Revenue currently recognized within the 'Other' category is as follows:

- Vehicle Code Fines, Parking & Other Fines, Rental & Maintenance Fees, POST, Sales of Maps & Publications, Special Police Services, Public Works Services, Miscellaneous Revenue, and Carryover from the General Fund

One of the additional questions, asked of staff was the number of personnel historically for the Town, and the associated cost of personnel, % of the overall budget, and % increases over the last several years. Staff has compiled a seven year comparison history of the associated personnel costs of the Town. Some of the highlights are as follows:

- The number of personnel on the Town staff has varied little between 2003 and now.
- The Salaries /Payroll cost has gone up an average annual rate increase of 3.71%. The associated cost of living increase for the same time span was an annual average of 3%.
- The Fire Service contract has an annual average of 5.23%.
- Other Contract Services increased an annual average of 3.88%.
- Medicare increased an annual average of at 4.94%.

Some of the lowlights are:

- The Retirement costs for the same time period have gone up an annual average of 17.39%.
- The Health care costs have gone up an annual average of 11.30%.

Fairfax has already started (with the new labor agreements) the process of developing a fiscally sustainable policy to deal with the expanding Health Care and Retirement costs.

Outside Consulting & Contract Services

In the category of Outside Contract within the General Fund Expenditures the following services are budgeted:

<u>Department Name</u>	<u>Dept Number</u>	<u>Amount</u>	<u>Purpose</u>
• Attorney	121	90,000	Legal Services
• Manager	211	2,500	Janitorial, Meter
• Town Clerk	221	8,100	Copier, Record retention Software, Janitorial, Meter, Website
• Elections	222	8,300	Election Exp
• Personnel	231	7,000	Recruiting costs
• Finance	241	59,740	Payroll Fees, Bank Fees, Muni, Janitorial, GASB 34-CPA Review, BDS, AssetMaxx, Admin Fees COM,

• Planning	311	88,900	Janitorial, Meter, GP Update- Prime consultant and subs.
• Building Inspection	321	15,928	Civil Engineer, Janitorial Exp
• Police	411	35,000	Major Crimes, Website, Alarm, DOJ, Firearms, Janitorial
• Public Works Admin	510	10,000	Legal Notices, Meter, Street Saver, Janitorial
• Streets	511	80,000	Street Sweeper Contract
• Lighting	512	20,000	Light & Signal Maint
• Pollution Prevention	514	20,000	MC Stormwater Program
• Park Maintenance	611	20,000	Tree Maintenance
• Rental – WC	625	11,000	Janitorial, Pest Control
• Rental – Pavillion	626	8,000	Janitorial, Pest Control, Alarm
• Miscellaneous	715	98,000	Animal Control, Tam, LAFCO, ABAG, LCC, MERA
• Building Maintenance	911	12,500	Maintenance

Staff will return in November with a complete first quarter review of the financial state of the Town.