

TOWN OF FAIRFAX

STAFF REPORT

TO: Mayor and Town Council

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

DATE: September 11, 2010

SUBJECT: Discussion/Consideration of recommendations to balance the FY 2010/11 Budget

RECOMMENDATIONS

Direct staff to incorporate the following changes into the Draft FY 2010/11 Budget for consideration of adoption at the October 6, 2010 Town Council meeting:

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| 1. Leave the Senior Maintenance Worker position unfilled (3 months) | \$ 18,000 |
| 2. Delete the Proposed Equity Adjustments for managers | \$ 14,000 |
| 3. Utilize the vacancies of staff positions during recruiting-Sergeant | \$ 50,000 |
| 4. Reduce Public Works Director to part-time | \$ 46,000 |

Budget Shortfall	\$205,560
Total considered additional adjustments (1-4 above)	\$128,000
Increased Revenues (Master Fees and Encroachment Permits)	\$ 77,560

General Fund Expenditures and Revenues Balance **\$ 0**

DISCUSSION

The four cost saving items above and the increased revenues will balance the budget for the 2010/11 fiscal year. However, there still is a structural deficit inherent within the budget. This is represented primarily by the out-of-balance retirement and health care benefit coverage currently provided to Town employees.

- Rate increases by PERS and enhanced retirement 2.5% @ 55 and 3% @ 50 and salary increases (approved four years ago) have resulted in Retirement benefits increasing 18.9% annually each year for six years – net cost to Town - \$712,368
- Enhanced Health Care benefits (approved four years ago) and rate increases have resulted in an 11.6% increase annually each year for six years – net cost to Town - \$173,374

FISCAL IMPACTS

Adopting recommendations above balances the budget for the FY 2010-11. Items 1, 2, and 3 are already producing savings to the budget. Item 4 will produce savings following adoption of the FY 2010/11 budget.

In order to address the structural deficit, I recommend that we take the fiscal year 2010/11 (July 1, 2010-June 30, 2011) to work with the community, the Town Council, and staff to find long term solutions to the structural deficit. This will allow time to meet and confer with all labor groups and discuss with the community and the Town Council recommended changes to the organizational structure of the Town government to assist with the goal of a long term, sustainable budget.