



TOWN COUNCIL STAFF REPORT

To: Honorable Mayor & Town Council
From: Curtis Yakimow, Director of Administrative Services
Date: May 22, 2013
For **Council** May 28, 2013
Meeting:
Subject: **FY 2013-14 Proposed Budget Public Hearing**

Recommendation: It is recommended that the Council;

- Receive and file the staff presentation of the proposed budget for the General and Special Revenue funds for fiscal year 2013-14.
- Review the proposed Authorized Position Listing for fiscal year 2013-14 and provide comment or direction as appropriate.
- Review and accept the staff recommendation of allocating revenues in excess of expenditures in an amount ranging from \$180,000 - \$190,000 to be reserved for use in meeting a portion of the Town's infrastructure deficit.
- Direct staff to incorporate the proposed changes into the Town's final proposed budget plan for fiscal year 2013-14, and return a proposed balanced budget for adoption with the implementing resolutions on June 18, 2013.

Order of Procedure:

Staff Report
Open Public Hearing
Receive Public Comment
Close Public Hearing
Council Discussion/Questions of Staff
Motion/Second
Discussion on Motion
Call the Question (Roll Call Vote)

Reviewed By:

Town Manager

Town Attorney

Admin Services

Dept Head

____ Department Report

____ Ordinance Action

____ Resolution Action

Public Hearing

____ Consent

Minute Action

Receive and File

____ Study Item

Discussion:

The development of the annual spending plan for the Town begins with the Council's Strategic Planning efforts in January and will end with the actual budget adoption on June 18, 2013. Important steps in this critical process include the following:

1. *Strategic Planning Workshop*
2. *Strategic Planning Public Input and Comment*
3. *Town Manager Evaluation and Goal Setting*
4. *Executive Management Team Work Plan Development*
5. *Development of Goals and Objectives*
6. *Team Development of Departmental Budgets*
7. *Executive Management Review of Budget Requests*
8. *Town Manager review/revision of Line Item Budgets*
9. *Council update on Major Initiatives*
10. *Council review of preliminary Budget Plan*
11. *Final Budget Adoption*

Through this process, the annual spending plan is modified and refined through multiple revisions until a spending framework is developed that best addresses the Council's Strategic Plan and accompanying annual work plan, and aligning those plans with available resources, current and future needs, and adequate financial reserves.

In accordance with the Council's desire for multiple public review, input and discussion opportunities, Town staff has revised the traditional budget cycle to accommodate financial discussions earlier in the process. The first budget review was presented in Budget Workshop #1 on February 19, 2013, and included a presentation of the initial baseline budget. Budget Workshop #2 & #3 were conducted on April 2 and 6, 2013, and included a revised budget that reflected pending retirements and reduction in force. Special Revenue Funds was the focus of Budget Workshop #4 at the April 30, 2013 council meeting, and extended presentation and summary was provided regarding the Town's multiple special revenue funds.

In Budget Workshop #5, staff presented the budget plan incorporating the latest changes as implemented by the departments and revised by the Town Manager. The revised plan indicated revenues exceeding expenditure by \$275,000, reflecting a decrease of \$18,000 from Budget Workshop #4. Staff provided a recap of the various adjustments comprising the total.

In this final public hearing and review prior to adoption, staff will be presenting the final draft budget incorporating all changes, direction and comments from council throughout the budget development cycle. A summary of these changes and the differences from Budget Workshop #5 are recapped below.

Baseline Budget Update (Update changes in bold)

Assumptions used in baseline budget update

- No GF contribution to infrastructure.
- No COLA – Merit limited to one step.
- Incorporation of Other Post Employment Benefit Charge of 3%
- 6 Positions affected by ERI Program
- 3 RIF Positions w/ modifications
- 2% sales tax growth rate
- **Flat property tax growth rate**
- Revised partnership budgets
- Public safety increase of 3.8%
- **No election expense provision**
- Revised programming for Community Services
- Incorporation of Brehm Parks
- **Incorporation of Proposed Authorized Position listing**
- **Addition of DRTA Budget**
- **Reconciliation of Animal Shelter Contract with SB County**

Updated Baseline Budget Results

During the budget workshop, staff will walk through the updated baseline budget summary and provide an overview of the various components and their impacts on the baseline budget. A topline summary of the updated budget follows:

Revenues

(In thousand \$)

Sources	FY 2012-13 Projected	FY 2013-14 Proposed	\$\$ Change	% Change
Property Tax	\$ 4,358	\$ 4,135	\$ (223)	-5%
Sales Tax	2,957	3,010	53	2%
Franch/TOT	967	970	3	0%
Svc/Other	1,536	1,057	(479)	-31%
Transfer In	-	134	134	100%
Total	\$ 9,818	\$ 9,306	\$ (512)	-5%



Expenditures

(In thousand \$)

Uses	FY 2012-13 Projected	FY 2013-14 Proposed	\$\$ Change	% Change
Personnel	\$ 3,456	\$ 2,915	\$ (541)	-16%
Public Safety	3,610	3,738	128	4%
Supplies & Services	2,306	1,979	(327)	-14%
Partnerships	108	55	(53)	-49%
Capital	403	438	35	9%
Total	\$ 9,883	\$ 9,125	\$ (758)	-8%

Baseline Budget Surplus (Deficit)

Based on the tables above, the proposed budget presents revenues over expenditures as follows:

Total Revenues	\$9,306
Total Expenditures	<u>9,125</u>
Budget Surplus (Deficit)	\$ 181

Changes from Budget Workshop #5 in the General Fund

The following table reconciles the changes in the current proposed budget from the prior version last reviewed by Council at the May 16 meeting.

Change in Fund Balance-General Fund as of BW5	275,243
Net Changes to Fund Balance reflected in PH1	
Revenue	
Property Tax decrease	(41,783)
Animal Shelter reimb from SBCO increase for capital	103,000
Total Change in Revenue	61,217
Expenditures	
Recycling and Solid Waste Dues decrease	2,000
Human Resources salary and benefit increase	(8,580)
Facilities Maint- Increase alarm for reporting ability	(1,000)
Animal Shelter-Salary and benefits changes for prior restructuring	(6,460)
Animal Shelter-SBCO Contract vehicle repl expense	(7,000)
Animal Shelter-SBCO Contract Initial Start up costs	(267,500)
Animal Shelter-SBCO Contract contingency and admin correction	(777)
Animal Control-Salary and benefits changes for prior restructuring	10,130
Increase in DRTA/Chamber Contracts	(10,000)
Total Change in Expenditures	(289,187)
Transfer from (to) other funds	133,750
Net Change in Fund Balance	(155,437)
Increase(Decrease) in Fund Balance	181,023

Changes from Budget Workshop #5 (cont.)

The changes from the prior workshop are summarized as follows:

1. Staff has revised downward the projected Property Tax revenue to reflect zero growth in assessed value due to recent devaluations that Town staff has observed.
2. Multiple changes have been included regarding the reflection of the Animal Shelter budget. The goal of all shelter related changes was to reconcile the Town's budget with the budget documents included as part of the Town and County joint operational agreement.
3. Additional changes have been included to the Town's labor costs to reflect final staffing adjustments and a re-class for the Payroll/Finance Specialist from a range 135 to a range 150.
4. The Town's partnership contribution to the DRTA has been increased to \$25,000 to accommodate the FY 2013-14 budget request of \$18,000 and an additional \$7,000 to supplement the prior year allocation.
5. The remaining General Fund changes are minor adjustments as additional information became available.
6. The Special Revenue Funds remain largely unchanged with the exception of the Town's Gas Tax Fund (515), which reflects a change in the staffing structure. The fund now reflects a staffing plan that includes one lead Skilled Maintenance and three Skilled Maintenance workers consistent with prior year staffing, while leaving a vacancy in the Town's Parks Department in the General Fund. The vacancy created in Parks will be partially backfilled with a reconfiguration of the Town's part-time maintenance staff.
7. Other Special Revenue Funds changes are limited to an addition of the Town's re-key project in the Capital Projects Fund (\$25,000), and the addition of the current year Dumosa signal project in the Measure I Fund (522) (\$79,800).

Impact on Baseline Budget Surplus (Deficit)

When looking at the additional budgetary requirements coming in the near future, the projected budget "surplus", while positive, remains inadequate to fully fund the many current and future needs of the community. The Town remains in need of a long-term financial solution to address both the backlog and current maintenance needs of its infrastructure assets.

Next Steps

In presenting this updated baseline budget as part of the noticed public hearing, the objective at this stage is to address **any** remaining budget questions as well as lay out a high-level summary that identifies the scope of challenges facing the Town in establishing a long-term viable fiscal plan, and to reflect the impact of the changes coming from reorganization. ***Any final direction from Council as a result of this hearing will be incorporated into the final FY 2013-14 Proposed Budget scheduled for adoption on June 18, 2013.***

Alternatives: Council may wish to provide additional guidance as it deems appropriate.

Fiscal impact: The proposed budget for fiscal year is a balanced budget for all Town funds. General Fund revenues are anticipated to exceed expenditures by approximately \$181,000 with total general fund reserves of \$6,792,725. All special revenue fund budgets are balanced throughout the fiscal year.

Attachments:

FY 2013-14 Proposed Budget

- General Fund & Special Revenue Funds
Authorized Position Listing