

TOWN OF SAN ANSELMO
STAFF REPORT
January 23, 2014

For the meeting of January 28, 2014

TO: Mayor and Members of the Town Council

FROM: Daria Carrillo, Finance & Admin Services Director

SUBJECT: 2013-2014 Mid-Year Budget Review

RECOMMENDATION

That Council approve the attached resolution amending the 2013-2014 Budget.

BACKGROUND

On August 5, 2013, the Town Council approved Resolution No. 4042 adopting the 2013-2014 Budget. Since that time, new information has become available.

MID YEAR BUDGET REVISION RECOMMENDATIONS

- 1. Increase General Fund Property Tax revenue in the amount of \$60,000 to reflect an anticipated refund of Property Tax Administration Fees.**

The California Supreme Court issued a decision that county auditors across the state had incorrectly charged excess Property Tax Administration Fees (PTAF) to cities and towns. The overcharged amount was in regard to the Sales Tax Triple Flip and Vehicle License Fees swap. The payment to the Town for the overcharged fees is estimated to be \$60,000.

- 2. Increase construction permit revenue by \$35,000.**

As of January 18, 2014, construction permit revenue is at 68% of the amount budgeted for the 2013-2014 fiscal year. The original amount budgeted was \$500,000.

- 3. Increase Engineering and Inspection Salaries by \$10,000 to reflect leave buy out payments due to employee resignation and retirement.**

An employee resigned in October 2013 and another employee retired in December 2013 resulting in leave buy out payments which were not budgeted.

- 4. Decrease Engineering and Inspection Salaries by \$40,000 to reflect retirement of the Building Official.**

This position is currently being filled by an outside firm.

5. Increase Engineering and Inspection Outside Services by \$100,000 to allow for the cost of temporary services due to the resignation of a Permit Technician and for plan checking services due to paid leave and retirement of a Building Official.

A temporary employment agency was used for two and a half months following the resignation of a Permit Technician. The temporary employee was eventually hired by the Town, resulting in additional hiring costs. Additionally, an outside plan checking firm is being used by the Town following the retirement of the Building Official.

6. Increase Engineering and Inspection Supply Budget by \$5,000.

The Engineering and Inspection Department needs to update its code books every three years at the cost of approximately \$3,000. This was not included in the Adopted Budget. Additionally, filing cabinets and office furniture need to be purchased.

7. Increase Streets Outside Services by \$20,000 for Clean Water Services.

The Town did not receive a bill in 2012-2013 for storm water services. When the Town learned that the bill for the previous year had not been paid, the bill was paid in the current year.

8. Adjust the Road Maintenance Fund as follows:

- Increase salaries and benefits by \$100,000 to reflect the hiring of a Senior Civil Engineer and a temporary hourly Engineer.
- Increase revenue by \$83,000 to reflect distribution of the Town's share of funding from the City of San Rafael for the Surface Transportation Program.
- Move \$50,000 allocated for bridge work to unprogrammed drainage.

The cost for the Senior Civil Engineer was included in the Adopted Budget in Capital Outlay/Engineering and Project Design as this position was provided by an outside consultant at the time. As of November 25, 2013, the position is filled by a Town employee as previously authorized by the Town Council.

The remaining Capital Outlay/Engineering and Project Design budget will be needed for unprogrammed street work and drainage projects and for outside consultants so that immediate progress on road projects can be made which will help in asset protection required for federal funding implementing Measure D funds.

The Town does not expect to incur expenditures related to bridge work in the current year. However, additional work related to drainage is needed in the current year due to triage work for failing drainage systems and emergency road repairs.

Please see the attached memo from Sean Condry, Public Works Director, which explains the need for this budget item in more detail.

9. Remove \$150,000 Lien Recovery from Emergency Fund

- The Town's independent auditors instructed staff to record the revenue for this item in 2012-2013. The revenue was received in December 2013.

FISCAL IMPACT OF MID-YEAR BUDGET CHANGE

There will be no net impact on the General Fund ending balance as a result of these adjustments. Most of the items are one time in nature and should not affect next year's budget.

The Road Maintenance Fund's general contribution reserve will be reduced by \$17,000 as a result of this adjustment.

The adjustment to the Emergency Fund is an adjustment in timing only and will not have any effect on the ending fund balance.

To assist the Council in their deliberations, staff offers the following assessment regarding the Town's financial outlook for 2013-2014:

- **Property Tax Revenue:** Property tax revenues, the Town's largest source of revenue, have been received as budgeted to date for this fiscal year. Supplemental property tax revenue, an indicator of growth, has nearly doubled as compared to last year at this time. However, the property taxes will not increase by the usual 2% inflator that is in effect most years. This inflator is determined by the inflation rate. It has been announced that the inflator for next year will be .5%. This will result in the Town receiving approximately \$102,000 less in property tax revenue for the general fund than if the inflator had been 2%. Some of this loss may be offset by increases in assessed value.
- **Sales Tax Revenue:** For the next fiscal year, the Town expects to receive an additional \$500,000 in sales tax revenue as a result of the ballot measure that passed in November 2013. Town Council has indicated that these funds should be used for road maintenance.
- **Employee compensation:**

Health insurance rates increased by 11% this year. If rates increase at a similar rate next year, the Town's expenses will increase by approximately \$47,000. This includes Town employees only. Any increases for police and fire health insurance expenditures would be shown in outside services.

Employer PERS rates will increase from 15.865% in the current year to 16.691% next year for Tier One employees. For Tier Two employees, the increase will be from

10.781% to 11.522%. This will result in additional Town expenditures of approximately \$22,000 for all funds. This includes Town employees only. Increases for police and fire retirement expenditures would be shown in outside services.

The Town's labor negotiations with SEIU are unsettled for the current fiscal year as well as for the subsequent year.

CONCLUSION

The Town will not need to use General Fund reserves for this appropriation. The Road Maintenance general fund contribution reserve will be reduced by \$17,000 to approximately \$57,000.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daria Carrillo". The signature is written in a cursive, flowing style.

Daria Carrillo, Finance & Admin Services Director

Attachment #1: Resolution # _____, A Resolution of the Town Council of the Town of San Anselmo Amending the 2013-2014 Budget

Attachment #2: Memo from Public Works Director regarding Road Maintenance budget revision

TOWN OF SAN ANSELMO

RESOLUTION NO.

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF SAN ANSELMO AMENDING THE 2013-2014 BUDGET

WHEREAS, the Town Council adopted the 2013-2014 fiscal year budget by Resolution No. 4042 on August 5, 2013; and

WHEREAS, new information on projected revenues and expenditures has emerged since adoption of the 2013-2014 budget,

NOW, THEREFORE, BE IT HEREBY RESOLVED that the 2013-2014 budget be amended as follows:

GENERAL FUND

The revenue budget is hereby revised as follows:

| | |
|-----------------------------|--|
| Property Tax Revenue | Increase by \$60,000 for refund of Property Tax Administration Fees. |
| Construction Permit Revenue | Increase by \$35,000. |

The expenditure budget is hereby revised as follows:

| | |
|-----------------------------------|--|
| Engineering and Inspection Budget | Increase by \$70,000 to reflect leave buy out payments due to employee resignation and retirement, for outside plan checking services to replace Building Official, and for temporary services and hiring costs Permit Technician replacement. |
| | Increase by \$5,000 for purchase of code books and filing cabinets and other office furniture. |
| Streets Budget | Increase by \$20,000 for storm water services invoice for prior year. |

ROAD MAINTENANCE FUND

The budget is hereby revised as follows:

Increase to Revenue Budget:

Increase by \$ 83,000 to reflect distribution of Surface Transportation Program funding.

Increase to Expenditure Budget:

Increase by \$ 100,000 to reflect hiring of a Senior Civil Engineer, a temporary Engineer and the use of outside consultants for immediate progress on road projects and for asset protection.

EMERGENCY FUND

The budget is hereby revised as follows:

Decrease to revenue budget:

Remove \$150,000 for lien recovery as directed by auditors. This was recorded in prior year.

I hereby certify that the foregoing resolution was passed and adopted by the San Anselmo Town Council at a regular meeting thereof, held on the 28th day of January, 2014, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom McInerney, Mayor

ATTEST:

Barbara Chambers, Town Clerk

TOWN OF SAN ANSELMO INTER-OFFICE MEMORANDUM

DATE: January 22, 2014
TO: Debbie Stutsman
FROM: Sean Condry, Public Works
RE: Midyear Budget Review

We are currently in our 3rd year (design phase) of the Town's 5 Year CIP and while we have made significant progress, there are still many roads that need to be addressed in terms of repaving, complete restoration, and asset protection. Measure D was passed by the voters this past November to help repair our roads and move forward with asset protection. As you are aware, the Town must continue with asset protection in order to be eligible for Federal funding.

Asset protection consists of crack seals, plugging, slurry seals, etc. which prolong the life of our streets which are in good condition and drastically cuts down the cost of future maintenance. While the Town has completed crack sealing (with more currently under way in the next week or two), plugging and a major slurry seal campaign in recent years, there is still much to do. There are plugging, crack seal, and slurry projects that we need to design and/or implement to be ready for this summer's scheduled road projects which will require additional funding now. This work will not only put our roads in better condition now but will provide much needed asset protection, reduce our long term maintenance costs, and prepare us to begin implementing Measure D funds.

In addition to the work described above, we have numerous projects that are in the design phase that require in-house experience and the expertise of consultants. Many of these projects have grants or funds related to them but they also require matching funds and/or labor. These grants include the \$620,000 Safe Routes to School which will add much needed sidewalks and other improvements to and around our schools. The Town was also awarded approximately \$9 million in funding from Caltrans for 3 new bridges which will have a major positive impact on flooding and improving access for bikes, pedestrians, and motorists. There is a \$300,000 OBAG grant for pedestrian, bicyclists, and motorist improvements on Sir Francis Drake and Bolinas, not to mention other pending grants and projects.

In preparation for Measure D funds coming we have begun programming the last 3 years of the 5 Year Plan into 2 years, along with beginning the process for a new 5-Year CIP plan to follow the remaining 2 years on the current CIP.. This fiscal year has also seen a

lot of unprogrammed drainage and street funds spent on triaging our failing drainage system and emergency road repairs.

Based on all of the above work, additional funds are needed in this fiscal year to continue repairing our roads, drainage, and to begin the planning/design process to implement the funds obtained from grants and Measure D. These additional funds would be used on the design and repair of our infrastructure. Along with the current senior engineer we will need to utilize an hourly senior engineer and consultants to keep projects moving. In-house engineers provide us with a very cost effective and bigger picture local design sense than consultants. However, we still require the expertise of specific consultants for soils reports, traffic engineering, surveying, etc. as do the consultants we hire. The additional funds needed to cover these costs are \$100,000 and can come from the Road Maintenance fund reserve balance..