

To Mayor and Ross Town Council
 From: Pat Thompson, Interim Town Manager
 Re: Mid Year Update 2011-12 Fiscal Year Budget; FY 2012-13 Budget Calendar
 Date: February 3, 2012

I. Project Summary

In order to keep the Town Council informed about the financial status of the Town, the Interim Town Manager has provided an update of the revenue and expenditure picture as provided in the current financial statements (Attachment 1) for the six months ended December 31, 2011.. Areas where there appear to be notable differences as compared to the Adopted Budget are discussed. A preliminary meeting calendar is also presented in relation to developing the FY 2012-13 Town Budget. Council is requested to discuss and provide input and direction as appropriate on both items.

II. Discussion

The Fiscal Year 2011-12 Budget (Attachment 2) was adopted by the Town Council in August 2011. Revenue and Expenditure summaries for the budget were projected as follows:

General Fund Revenue	\$5,121, 613
General Fund Expenditures	5,117,504
Excess	4,109
Special Funds-All other Revenues	\$ 677,000
Special Funds-Other Expenditures	1,656,948
Deficiency	979,948*

*Deficiencies are funded by special funds such as gas taxes, impact fees, grants, and other reserves that are secured in advance and deposited or credited into special accounts for specific improvements such as street reconstruction, drainage projects, facility improvements, park maintenance or reconstruction, etc.

General Fund Revenue Discussion:

The following represent areas where there may be some deviation from the original budget projections worth noting.

Property Taxes: Exclusive of the General Services Tax, regular property taxes did come in slightly higher than the projected budget at \$1.472 million compared to the \$1.448 in the budget resulting in a positive variance of nearly \$25,000 over projections through December 30, 2011.

Sales Taxes: These taxes can be seasonal and November and December collections are not included in the end of year report. They show slightly below projections for a negative variance of \$5,980. If a receivable for November and December sales tax had been recorded, this amount would have shown \$3,800 more in revenue.

Building Permits: Did exceed projections by \$26,000 for the first six months, but planning permit applications (see below) which ultimately result in building permits, have been sporadic and therefore this positive trend may or may not continue.

Interest Income: The Towns investment advisors report that the projections in the budget should hold up through the end of June as shown. These earnings are lower overall than a few years ago due to the very low federal interest rates. The yearend income should reach the \$135,000 estimate.

Planning Application Fees: As reported above, these fees have been below projections for the first six months of the fiscal year. Projections showed these fees estimated at \$35,000 to date and roughly \$25,000 was received through the end of December.

Overall, the revenue collections were on the positive side at the end of December by \$2,169.

General Fund Expenditure Summary:

GENERAL GOVERNMENT

Town Manager: This line item has been affected by the departure of the Town Manager in November and the requisite payout of benefits. Currently, showing a negative variance of \$65,337 this number will be reduced as the fiscal year ends due to the hiring of an Interim on a part time basis. The variance could end up closer to \$39,343 in the salary line item. With savings in the PERS and deferred compensation/car allowance line items (no longer paid for the Town Manager) of roughly \$25,000 through the end of the year, the resulting negative variance will be closer to \$14,943. Some smaller savings in health and dental may also be realized but at this point these numbers are not known due to the change in premiums from year to year.

Recruitment Effort: With the departure of the Town Manager a recruitment effort using a professional recruiting firm is now underway. Costs are expected to be around \$22,000 for this service.

Attorney: This budgeted amount was set prior to the new firm being hired. Several legal research efforts have been requested to date, and in the coming months there are others related to the Fire JPA, personnel issues, and other areas of interest to the Council. This line item was budgeted for \$80K in the current year, but actual expenses in prior years have been between \$90K and \$174K. It appears that this year the budget may be overspent by \$20,000. Efforts are being made to contain costs as much as possible. A large portion of this work includes preparation and attendance at the monthly Town Council meetings.

Audit: This year the quote for the Town Audit was \$18,000, slightly over the budgeted amount of \$16,000. However, due to large federal grants being expended in the last fiscal one or more Single Audits must be performed which are required by federal guidelines. These special audits will require not only the auditor's time but also the engineering firm who helped to administer and apply for the federal and state reimbursements. An additional \$10,000 will most likely be required.

FIRE DEPARTMENT

This budget is slightly under budget for the period ending December 31, 2011. However, it is expected that overtime costs which are fairly constant from year to year due to the “constant” staffing requirement of the department, could be over budget by \$5,000-10,000 by the end of the fiscal year.

POLICE

This budget for the department will be over expended in the PERS line items by roughly \$26,397 by the end of the fiscal year due to new hires in the department.

ENGINEERING

The engineering consultant (6440-30) line item is over the amount budgeted by \$22,000. These services were needed early in the fiscal year due to the change over in Department management. Records, schedules, and project timelines for all Town projects needed to be developed so that they could be tracked going forward. Most special engineering costs going forward will be billed against project accounts and grants. In some cases, however, once a grant project is closed out, there needs to be further accounting or other work that must be charged to general accounts. The Town has historically hired an outside Engineering firm to save costs of additional full time staff.

Tree removal costs are also exceeded budget projections for the first six months of the year. These costs are difficult to predict and if additional storms create unstable trees over the next couple of months there may be additional costs. The total budget for the year has not yet been expended.

CAPITAL

Sir Francis Drake Pedestrian Improvements 8436-05 and the new phone replacement system 8515-05 on page 8 of the Balance Sheets show additional costs over budget contributing to the variance to date in these expenditures of \$12,482.

SUMMARY

The General Fund revenues appear to be meeting projections for the first half of the year on balance. Some are exceeding projections and some are falling short. At this point it is still a little uncertain as to how the economy will affect sales taxes, planning fees and building permits in the second half of the year. The expenditures on the other hand appear to be tracking to exceed budget by approximately \$139,000. This is substantially less than last fiscal year when they exceeded budget by over \$325,000. The departure of long term employees often comes with considerable one- time costs for benefits owed. It is not always easy to predict when an employee will decide to leave Town employment. When it is known in advance, it can be budgeted. Ongoing efforts are being made to curtail expenses, but the departmental budgets

have been reduced from prior years making it more difficult to perform basic services without the use of reserves.

Special Revenue and Expenditure Funds Discussion

APPENDIX 1, 2, & 3 Other Funds

The financial statements for these Appendixes show several columns where there appear to be “deficits”. These deficits will be funded by prior year reserves. It is not uncommon for projects to be planned and designed in one year and then put to bid and construction in subsequent years. The big projects which are either nearing completion or underway are the Sir Francis Drake/Lagunitas Intersection, the Bolinas Ave drainage and pedestrian/traffic calming, Creek Bank Stabilization behind Town Hall.

The tennis court improvements have been completed and Ross Rec is expected to reimburse the Town the \$17,500 from their tennis court maintenance account following the collection of the Key sales in the spring.

Ongoing road repair and improvements and Wellington Ave overlay is slated for Gas Tax expenditures this year. The Emergency Reserve is expected to be used only in case of a disaster or major loss to property or equipment which must be replaced immediately. The Facilities Fund has several projects identified including the parking lot at the Post Office and Ross Common, Street Tree and Median improvements, Town Hall Remodel, Ball field legal and environmental review, Ross Common Trees, and 3 Bear Hut. The Town Hall Remodel is slated for additional review this spring. Further, enhancements such as audio and potential video in the Chambers could come out of this fund, and the matter of the final ball field placement will be considered in the spring when the fields are weatherized and additional story poles can be placed to determine potential locations.

Looking Ahead to the FY 2012-13 Budget

- March 1 – 15th Town Manager meets with Department Heads and Staff
- Late March Town Manager meets with Finance Committee
- April 12th Town Council Reviews Special Tax Implications/Options
- May 3rd Town Council Potential Special Budget Workshop
- Departments /Town Manager discuss projects and operations
- Late May Town Manager meets with Finance Committee
- June 7th Public Hearing on Proposed Budget FY 2012-13 Regular Council Meeting
- June 21st Council Adopts Final Budget

III. Recommendation

That the Mayor and Council discuss the revenue and expenditure information presented and provide direction as appropriate; and also review and comment on the preliminary schedule for the FY 2012-13 Budget calendar.

Attachments:

December 31, 2011 Financial Statements
FY 2011-12 Town of Ross Adopted Budget