

To: Mayor and Ross Town Council  
From: Pat Thompson, Interim Town Manager  
Re: Town Council adoption of Resolution No. 1774 adopting Fiscal Year 2012-13 Budget following a Public Hearing  
Date: June 8, 2012

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**I. Description**

The Town Council will receive a presentation on the proposed Fiscal Year 2012-13 General Fund Budget including Special Revenue Funds. Council may wish to ask questions, suggest modifications and consider approval of the Budget following a Public Hearing allowing the public to comment.

**II. Discussion**

At the April 5<sup>th</sup> and May 3<sup>rd</sup> Town Council meetings, Interim Town Manager presented the Council with options for preparing the FY 2012-13 Town Budget. Council concurred that two scenarios should be developed. Budget Plan A was based upon the Special Tax for Public Safety passing on June 5<sup>th</sup>, and the Joint Powers Authority (JPA) for merging the Ross Fire Department with the Ross Valley Fire Department moving ahead on July 1, 2012 as projected. Budget Plan B was prepared as a second option in the event the Special Tax did not receive voter approval with a corresponding reduction of \$642,000 from the General Fund, and the JPA moving ahead on July 1, 2012 as approved by all parties. At the time of agenda preparation, it appears that Measure C did not receive the necessary two-thirds vote to pass. Therefore, Plan B, with minor amendments from previous drafts, is being presented this evening for Council consideration and approval.

**Proposed FY 2012-13 Budget (Plan B— JPA Fire Merger effective July 1, 2012 and Measure C fails)**

Preliminary Opening General Balance July 1, 2012 is: \$1,329,342  
Preliminary Total Revenues Projected in the General Fund for FY 2012-13 to be: \$4,303,226  
Preliminary Total Expenditures in General Fund for FY 2012-13 to be: \$4,565,783  
Projected Operating Imbalance: (\$262,558)  
Projected Interfund transfer to Correct Imbalance: \$262,558 (from equipment replacement fund)  
Projected General Fund Balance June 30, 2013: \$1,329,342

Under Plan B, the proposed budget, the Town will not receive the Public Safety Tax of \$642,000. The projected revenue total for the General fund is \$4,303,226 or a negative 16%, from the current fiscal year budget. As will be shown below, the \$642,000 will require significant cuts to services and operations.

While the recommendation is to use the Equipment Reserve in the amount of \$262,558 for correction of the “operating imbalance” in this Plan, there is still a need to cut costs by the

additional \$642,000 shortfall. Varying options for reducing expenditures were presented in earlier drafts of the budget. Council approved the alternative of having Fire and Police each reduce their department budgets by \$220,000, General Government (Clerk, Attorney, Town Manager, Planning, Grants, Information Services, etc.) reduce its budget by \$100,000, and Public Works/Building reduce by \$100,000.

#### A. Revenue Discussion

With the exception of the loss of the Public Safety Tax (formerly Municipal Services Tax) in the General Fund, revenues remain flat or show a continuing slight decline due to the economy. Property tax is holding steady, but building and planning fees, permits and licenses and sales taxes continue a downward trend that started a few years ago. Investment earnings also reflect the same downward trend. The Town staff has remained vigilant in terms of looking for state and federal grants, many of which appear under Special Revenue funds, but the State of California and the Federal Government are no longer readily approving bonds or continuing “stimulus funded programs” that were available a couple of years ago. The loss of the special tax, which was a per parcel levy of \$775 to be dedicated to public safety, creates a major hole in the Town’s revenue—16% reduction.

#### B. Expenditure Discussion

In terms of expenditures for FY 2012-13, the departments based their budgets on the approved dollar amount in the current FY 11-12 Budget. As reported in the mid-year budget update in February, several departments were expected to spend more than their budget due to unforeseen circumstances in the current year. With the exception of the Fire Department, the proposed budget expenditures target only the “approved budget” figure from the current year as the recommendation for next fiscal year. Even with this hold-the-line target, there are some exceptions that should be noted. The Fire Chief will be retiring in July and a payout of benefits earned must be accounted for. The Town pays for the rental of the fire staff office/sleeping trailer after the transfer to the JPA until the Fire/Police building can be renovated. Savings have been accounted for in the Town Manager category of salaries and benefits and some adjustment has been made to reflect the transfer of responsibilities to the Town Clerk/Administrative Manager. Certain adjustments in the Police Department to salary and benefits are required based upon MOU provisions. On the positive side, partial overhead for Public Safety will transfer to the JPA as part of the Fire Department merger and replacement funds for the fire apparatus will remain with the Town Equipment Fund. After the first year of the merger, it is expected that there will be an annual savings of roughly \$100,000. In summary the proposed expenditures, some of a one-time nature, create an operating imbalance of \$262,558.

#### C. Reductions due to loss of Special Tax (formerly Municipal Services Tax)

As noted above, Plan B has been developed around an alternative that requires the Police and Fire Departments to reduce expenditures by \$220,000 each and General Government and Public Works by \$100,000 each. It requires substantial reduction of operating costs to each department. In General Government the services impacted will be a reduction in public meetings, including possibly one or more council meetings, minutes, office hours, legal services, town events, public information updates, grants, and office supplies. This is a result of expenditure reduction in employee working hours, consultant support for grant writing, and attorney time, use of recording secretary, and Town support for events such as the Town Dinner and or the Fourth of July. In Public Works the services impacted will be office hours,

inspection oversight services, project review and development, maintenance, and some categories of maintenance will be transferred to special revenue funds normally used to rebuild infrastructure and to be used as local matching funds required by state and federal grant programs. In the Police Department two positions would be reduced creating the elimination of school services and patrol staffing. In the Fire Department the Apprentice Program which adds additional staff to the response units will need to be eliminated. The reorganization and merger of the fire service into the JPA will continue, but the Apprentice program will not become an operating part of the program.

### **III. Recommendation**

Council to hear a presentation on the proposed Fiscal Year 2012-13 Budget, open the public hearing and take public comment, and suggest changes as appropriate. Adopt Resolution No. 1774 approving the Fiscal Year 2012-13 Budget or continue the item to a future meeting date for further discussion and adoption. Authorize the Town Manager to initiate layoff procedures and notices for the positions affected in the Plan B Budget as provided herein, and to notify the Ross Valley Fire Department JPA Board that the Apprentice Program will not transfer to the JPA budget for FY 2012-13.

#### **Attachments:**

Resolution No. 1774

Proposed Town of Ross Budget 2012-13 (Plan B)