



TOWN OF FAIRFAX

STAFF REPORT

April 3, 2019

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager *GT*

SUBJECT: Discuss/consider the renewal of the existing Special Municipal Services Tax of \$195 per business occupancy and dwelling unit (Measure J)

RECOMMENDATION

Direct staff as appropriate.

DISCUSSION

In March of 2005 voters approved Measure F, a five-year special municipal services tax of \$125 per dwelling unit and business occupancy. In November 2009, the voters approved Measure I, which was a five-year extension of Measure F. In November 2014, the voters approved Measure J a five-year extension of the special municipal tax. Measure J consolidated an existing general municipal tax of \$50 per unit and the Measure F \$125 per unit into a new, slightly higher \$195 per unit special tax. The Town receives approximately \$710,000 per year from Measure J.

The current five-year extension will expire in 2020. As the special tax is a significant source of revenue to the Town, the Council should begin discussions regarding the placement of an extension of the tax on the November 2019 ballot. The discussions should also include any revisions to the proposed uses or allocation of the funds, length of the extension, exemptions, and/or the amount of the tax including annual adjustments. Staff recommends the Council begin its discussions at its April meeting and continue its discussions at subsequent meetings including the budget approval process.

While the Town's financial position has improved significantly since 2009, the special municipal services tax (Measure J) remains a key financial component of the Town's revenue sources. Measure J provides funding to:

- Keep our local Police Station open 24/7
- Maintain Fire Department services
- Fund Public Works/safety projects such as pedestrian trails and matching grants for capital projects such as street repaving
- Enhance Youth and Senior programs

Without an extension, the Town would face major impacts to service levels.

IMPACT OF MEASURE J

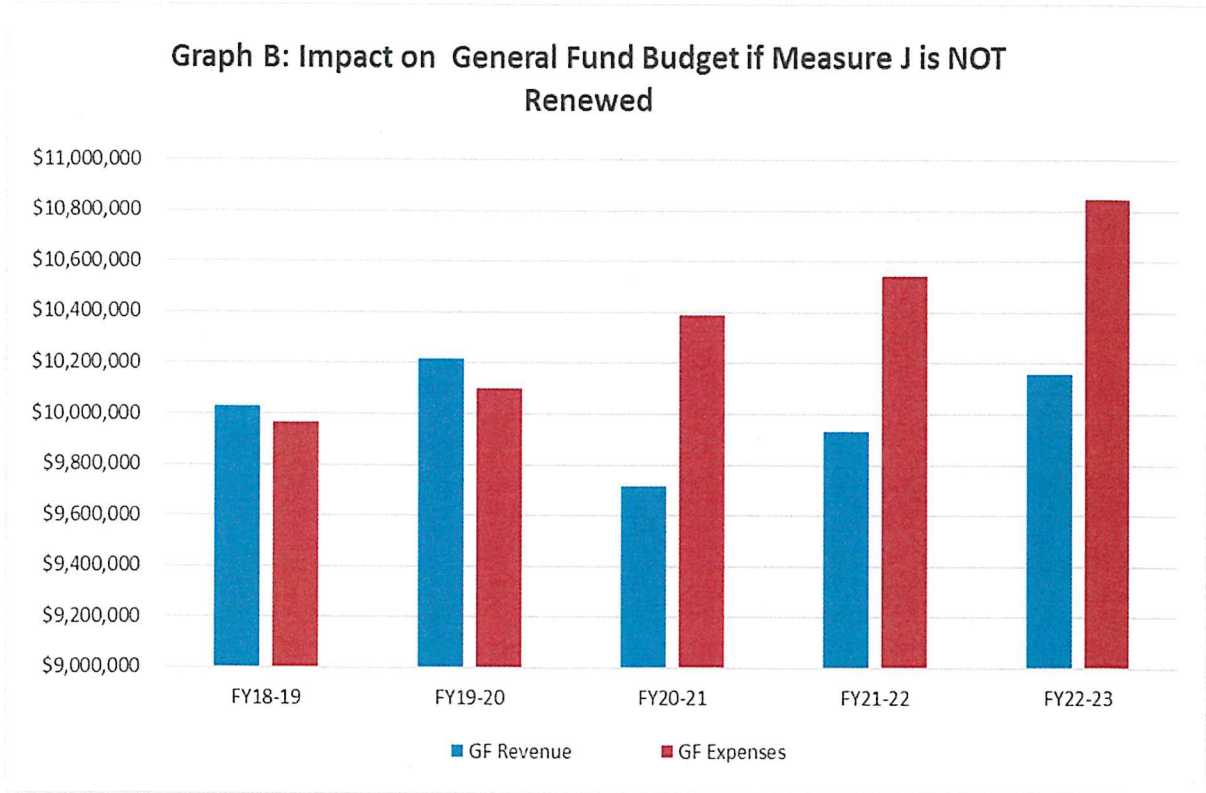
One major assumption of the Five-Year Forecast (see FY18-19 adopted budget message) is the renewal of Measure J, the Special Municipal Tax of \$195 per residential/commercial unit, in 2019. Without a renewal, the tax would expire June 2020 which is reflected in Table D below. Please note all the tables and graphs shown are from the FY18-19 adopted budget message. More significantly, Table D indicates that in FY20-21 the Town would need to fill an estimated \$713,000 gap in revenue which represents approximately 6% of General Fund expenditures. Without a replacement revenue

source, this would necessitate a major restructuring of how the Town provides services such as police and public works.

Table D shows that unless the Town adopted major budget cuts, it would need to dip into GF reserves at an unsustainable pace beginning in FY20-21.

TABLE D						
Revenue Scenarios Five Year Forecast						
	Est. Yr. End					
	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Total GF Appropriations	\$ 9,224,341	\$ 9,948,400	\$ 10,121,620	\$ 10,411,874	\$ 10,562,954	\$ 10,869,852
Total GF Revenues and Transfers	\$ 9,877,561	\$ 10,027,300	\$ 10,215,442	\$ 10,430,127	\$ 10,645,165	\$ 10,873,531
Surplus (Deficit)	\$ 653,220	\$ 78,900	\$ 93,822	\$ 18,253	\$ 82,211	\$ 3,678
Less Special Municipal Tax (Measure J)	\$ -	\$ -	\$ -	\$ (713,000)	\$ (713,000)	\$ (713,000)
Adjusted Surplus(deficit)	\$ 653,220	\$ 78,900	\$ 93,822	\$ (694,747)	\$ (630,789)	\$ (709,322)
Proj. GF Fund Balance	\$ 3,692,536	\$ 3,771,436	\$ 3,865,258	\$ 3,170,511	\$ 2,539,722	\$ 1,830,401
In % of GF Exp	40.0%	37.9%	38.2%	30.5%	24.0%	16.8%

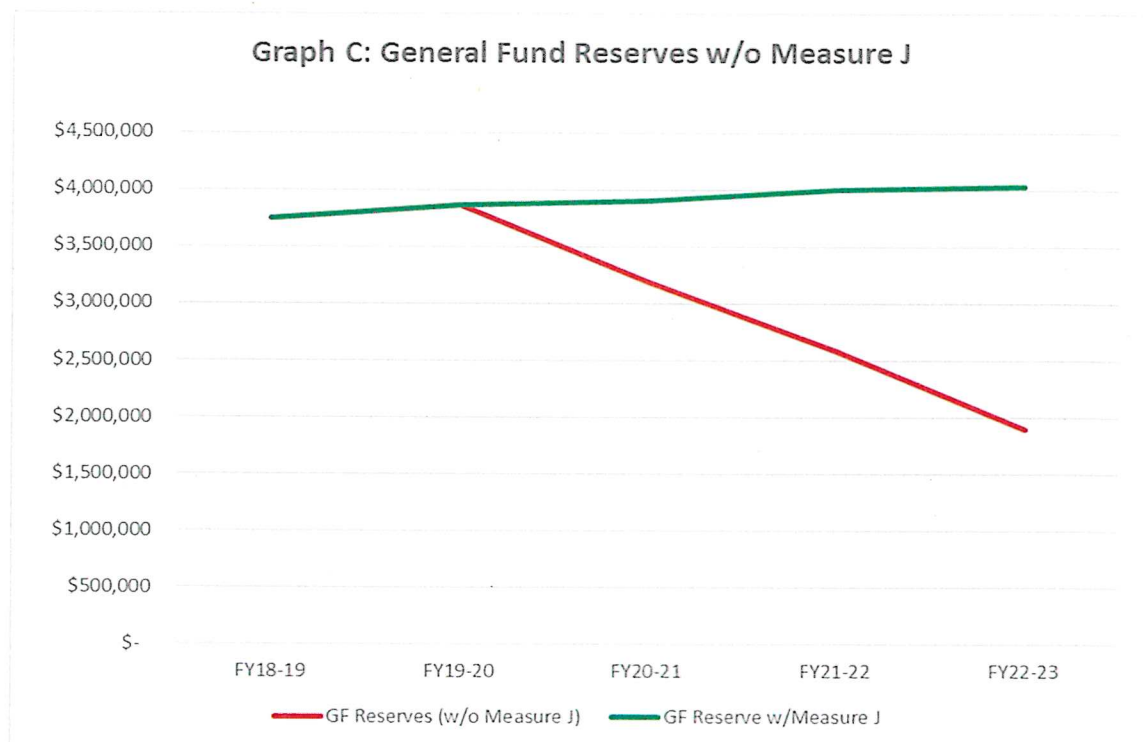
Graph B shows the short fall beginning in FY20-21 between forecasted revenues and expenditures if the Town did not revise its budget to reflect the loss of Measure J revenues.



In FY22-23, if forecasted expenditures did not change (highly unlikely), Table D above indicates that General Fund reserves would be approximately 16%, which is well below the Town policy of maintaining a 25% fund balance reserves and would begin to adversely impact the Town's cash flow and operations. Ideally, communities should maintain a minimum 15% fund balance for cash flow purposes.

Graph C below shows the precipitous drop in GF reserves without the renewal of Measure J.

Presumably, the reductions in service levels would need to be in place prior to FY22-23 before the Town began to dip below its minimum GF reserve policy of 25%



Overall, with the renewal of Measure J, the Five-Year Forecast indicates the Town will be able to manage its resources to maintain a stable financial position with significant reserves to weather downturns in the economy.

Attached is a graph of table showing the distribution of special municipal tax funds over the last 5 years and a tentative timeline for placing an extension on the ballot. Since the tax is a special tax it requires a 2/3rds approval of the voters.

FISCAL IMPACT

There is a significant impact to the budget of \$710,000 each year. Measure J represents approximately 6% of the Town's total general fund revenues of \$10.5 million and is used to cover 6% of the Town's operating budget

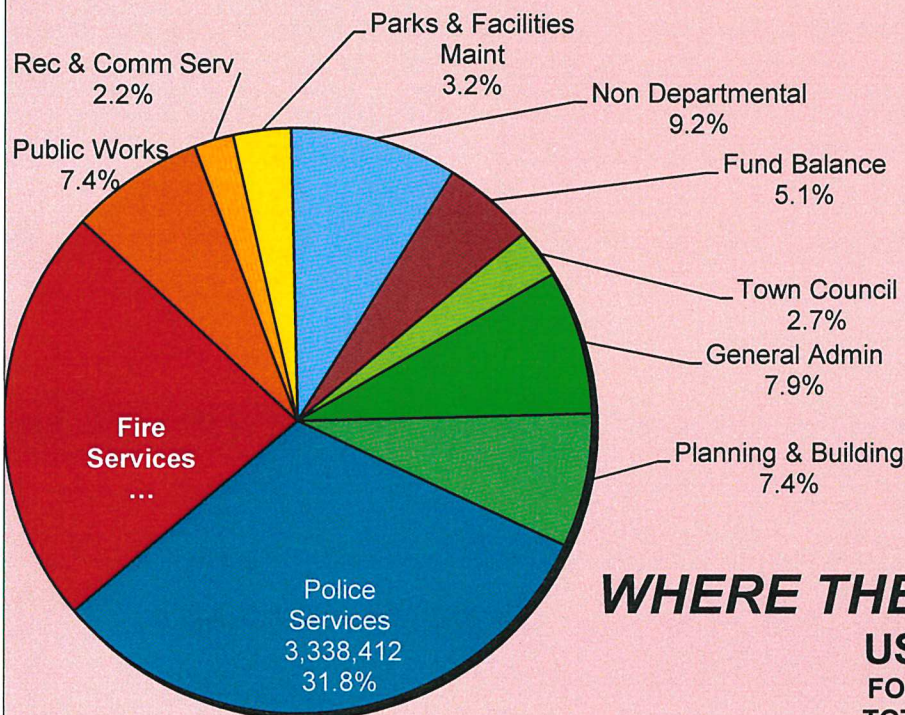
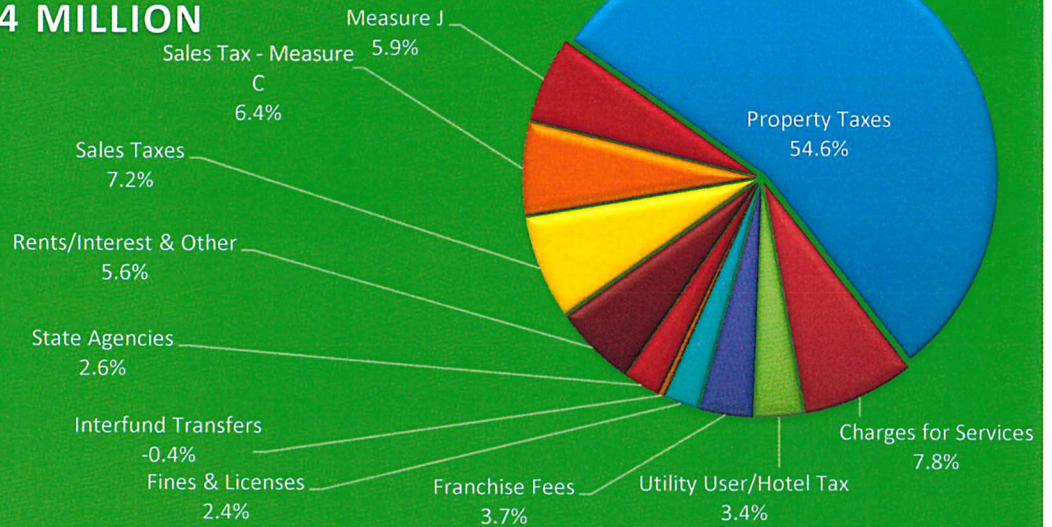
ATTACHMENTS

- A. Graphs from adopted budget
- B. Table of Measure J fund
- C. Tentative 2019 Election timetable

FY18-19 Adopted Budget Graphs

WHERE THE MONEY COMES FROM...

SOURCE OF FUNDS FOR GENERAL FUNDS TOTAL = \$10.4 MILLION



WHERE THE MONEY GOES TO...

USE OF FUNDS FOR GENERAL FUNDS TOTAL = \$10.4 MILLION

USE OF MEASURE J FUNDS

Services	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	5yr Total
BUDGETED						
Police	\$ 148,000	\$ 384,099	\$ 360,600	\$ 272,100	\$ 322,100	\$ 1,486,899
Fire	150,000	150,000	250,000	250,000	262,000	1,062,000
Youth & Senior Programs	25,000	28,000	28,000	38,000	38,000	157,000
Public Works Improvements	69,000	132,000	40,000	100,000	40,000	381,000
Matching funds for grants	68,000	68,000	63,000	81,500	60,000	340,500
Total Budgeted	\$ 460,000	\$ 762,099	\$ 741,600	\$ 741,600	\$ 722,100	\$ 3,427,399
ACTUAL FUNDS RECEIVED						
	456,384	714,576	714,576	704,255		
	99.2%	93.8%	96.4%	95.0%		
DISTRIBUTION:						
Police	\$ 158,300	\$ 384,099	\$ 360,600	\$ 322,100	\$ 322,100	\$ 1,547,199
Fire	150,000	150,000	250,000	262,000	262,000	1,074,000
Youth & Senior Programs	18,000	28,000	28,000	38,000	38,000	150,000
Public Works Improvements	20,000	20,000	40,000	50,000	40,000	170,000
Matching funds for grants	57,000	117,000	63,000	81,500	60,000	378,500
Total Actual *	\$ 403,300	\$ 699,099	\$ 741,600	\$ 753,600	\$ 722,100	\$ 3,319,699

* May include Meas J Reserves

Capital Projects Detail - Budget	\$	137,000	\$	200,000	\$	105,000	\$	136,500	\$	100,000
51-875 Bike Spine				13,000		13,000				
51-841 Misc Parks & Trail Imp		7,000		36,000		50,000		60,000		60,000
53-804 Sidewalk Replace & Repair		10,000		30,000		30,000		35,000		30,000
53-894 Parkade Improvements				14,255		12,000		20,000		10,000
51-871 BPMP - Spruce, Marin...		56,000		28,000				21,500		
51-856 Meadowway Bridge		24,000		14,000						
51-873 Creek Rd Bridge		20,000		16,000						
51-820 Park Facility Imp/WC		10,000		18,745						
53-887 Street Resurface & Repair		10,000		30,000						

NOVEMBER 5, 2019, ELECTION TIMETABLE FOR MEASURES

March/April		Concept of Special Municipal Tax (Measure J) renewal
April / May		Discuss concept; discuss at budget workshop
May / June		Proposed ordinance and resolution calling for election – ballot language, arguments/rebuttals
August 9, 2019	88	Last day (by 4:30pm) to submit Resolution to the Board of Supervisors and Registrar of Voters calling election and requesting consolidation. Measure question is limited to 75 words. EC §1405, §9401, §10002, §13247
August 10 thru August 19, 2019	87 - 78	Ten (10) day public examination period of measures. EC §9190, §9380, §9509
August 12, 2019	85	Measure letters assigned by Registrar of Voters. EC §13116
August 14, 2019	83	Last day to withdraw a measure from the ballot. Written notification must reach Elections Dept. by 4:30 p.m. or the measure will remain on the ballot. EC §9605
August 19, 2019	78	Last day to submit or withdraw ballot arguments (300-word limit) to the Town Clerk. Attorney impartial analysis due. EC §9161-9166, §9601, §9280-9286
August 20 through August 29, 2019	77 - 68	Ten (10) day public examination period of arguments. EC §9190, §9380, §9509
August 26, 2019	71	Last day to submit rebuttals (250-word limit) to the arguments for or against a measure, filed with all documents required by the Elections Office. EC §9167
August 27 through September 5, 2019	70 - 61	Ten (10) day public examination period of rebuttals. EC §9190

*****Deadlines that fall on a weekend or holiday move to the next business day.*****