



TOWN OF FAIRFAX

STAFF REPORT

April 15, 2020

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager

SUBJECT: Discuss/consider preparation of a "baseline" budget for the Town's FY20-21 Operating and Capital Improvement Budget due to the unknown fiscal impacts of COVID-19

RECOMMENDATION

Discuss/consider preparation of a "baseline" budget for the Town's FY20-21 Operating and Capital Improvement Budget.

DISCUSSION

Given the unknown fiscal impacts of COVID-19 on the economy, it is difficult, if not impossible, to assess the effects on local revenues for budgeting purposes. Intuitively, we know revenues such as sales tax, gas tax, and fees for services such as Planning and Building permits will be significantly lower than previously projected. However, it is unclear how these revenues will fare in the future. The possibility also exists that there could be state and/or federal relief to communities, but it is unknown the manner and form in which this would occur.

Typically, the Council would have held its retreat in March and established priorities and goals for FY20-21, which then would be incorporated by staff into the proposed FY20-21 Operating and Capital budget. The proposed budget would include a Five-Year General Fund Forecast as well as a Five-Year Capital Improvement Plan (CIP). The Council would conduct a budget workshop in May, hold a public hearing in June, and adopt the budget in July.

However, based on all this uncertainty, we are recommending the preparation of "baseline" budget for FY20-21. The operating budget would include known increases for items such as CalPERS retirement, health costs, and employee MOU's. The budget would eliminate/reduce known one-time expenses from FY19-20 such as lower election costs. If needed, staff would make cuts in discretionary expenditures. We would not make any major capital equipment/vehicles purchases. With regard to the CIP, we would only budget for those projects with identified grant funding and any matching requirements. We would avoid using General Fund reserves to fund capital projects. There would be no Five-Year forecast.

Revenues projections would either remain relatively flat or reflect decreases. The Town would use dedicated General Fund reserves to fill short-falls if needed. In 4-6 months, we will probably have a better idea of the lasting effects of COVID-19 on the economy. We anticipate that in the Fall/Winter 2020, the Council would be able to conduct a “mid-year” budget workshop to evaluate the budget and make any budget adjustments at that time to implement any priorities and programs. A Five-Year General Fund Forecast and Five-Year CIP would be included as part of mid-year budget workshop.

The Council would still conduct a budget workshop in May. In addition to evaluating the proposed baseline budget at the workshop, Council would have an opportunity to discuss and set priorities and goals for FY20-21, but they would not be considered/funded until the Fall/Winter 2020 budget workshop.

In other words, the proposed FY20-21 budget would be “place-holder” budget until the impacts of COVID-19 on local revenues and expenditures can be better evaluated.

FISCAL IMPACT

n/a