



TOWN OF FAIRFAX

STAFF REPORT

May 6, 2020

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager
Michael Vivrette, Finance Director

SUBJECT: Receive the "baseline" budget for the Town's FY20-21 Operating and Capital Improvement Budget for discussion at the May 15th budget workshop

RECOMMENDATION

Receive the "baseline" budget for the Town's FY20-21 Operating and Capital Improvement Budget.

DISCUSSION

At the April 15th Council meeting, staff reported that given the unknown fiscal impacts of COVID-19 on the economy, it would be difficult to assess the effects on local revenues for budgeting purposes. Based on all this uncertainty, we recommended the preparation of a "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. We would also try to make cuts in discretionary expenditures. We would not make any major capital equipment/vehicles purchases, unless necessary. 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 and a shortened budget message.

The proposed attached operating budget follows the above guidelines. *Please note the department narratives and goals as well as program narratives on budget sheets have yet to be updated. Additionally year end revenue and expenditures projections are still a work in progress. We were also unable to prepare the 5-year CIP prior to this meeting. Not being able to meet in person has made the preparation of the budget somewhat more challenging this year. However, we anticipate that the 5-year CIP and updated budget narratives will be available prior to the budget workshop. This staff report will serve as the budget message on a temporarily basis.*

For FY19-20, we estimate budget savings of approximately \$250,000 which will be offset by \$250,000 in reduced General Fund revenues. Approximately \$200,000 of the reduced revenue is due to estimated COVID-19 decreases in sales tax revenues. The ending FY19-20 General Fund reserve balance of approximately \$3,600,000 reflects a

temporary transfer of \$600,000 to cover Fund 52- Disaster Fund. The General Fund reserve will be reimbursed when monies are received from FEMA and CalOES.

For FY20-21, overall General Fund revenues are projected to be approximately \$85,000 more than FY19-20. We are projecting all revenues to either decrease or remain relatively flat, except for property taxes which will have a slight increase (3%) and the Special Municipal Service tax which we have a slight \$5/unit increase. The largest drop is a 20% decrease in sales tax which is offset by a one-time grant of \$160,000 in State SB2 funds for planning activities and the new local portion of the MWPA tax of \$96,000.

General Fund operational expenses are estimated to be approximately \$400,000 higher than the adopted FY19-20 budget. Over 80% (\$345,000) of the increase is related to contractual payroll costs, retirement obligations, and health/medical benefits. All other non-personnel costs increased by less than 2% (approx. \$80,000) compared to FY19-20. Most of the increase can be attributed to a 3% increase in Fire Services and the expenditure of SB2 funds for professional services in Planning. The increases in Fire and Planning are partially offset by overall reductions in “Supplies & Tools” and “Other Operating” expenses across all departments.

Overall, the budget anticipates dipping into Dry Period reserves by \$375,000 for FY20-21. However, in 4-6 months, we should 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 revenues and expenditures and make any budget adjustments at that time to implement any priorities and programs or, make additional budget cuts, if warranted. A Five-Year General Fund Forecast and Five-Year CIP would be included as part of this mid-year budget workshop.

The Council has a budget workshop scheduled for May 15th. The workshop will be conducted as a remote public meeting. In addition to evaluating the proposed baseline budget at the workshop, Council will have an opportunity to discuss and set priorities and goals for FY20-21. At that time, the Council could consider if any priorities and goals should be funded prior to the Fall/Winter 2020 budget workshop.

As stated above, we anticipate distributing a more finished proposed budget prior to the Council’s workshop. At the workshop, we will provide a more detailed comparison between the adopted FY19-20 and proposed FY20-21 budgets. The workshop is the best forum for the Council and community to discuss the budget in detail.

FISCAL IMPACT

n/a

ATTACHMENT

Proposed Budget