



TOWN OF FAIRFAX

SPECIAL MEETING STAFF REPORT

June 17, 2020

TO: Mayor and Town Council

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

SUBJECT: Discuss/consider the FY2020-21 Proposed Operating and Capital Improvement Budget

NOTE: This item was continued from the June 3rd meeting.

RECOMMENDATION

- 1) Open/Close Public Hearing
- 2) Discuss/consider revisions to the FY20-21 proposed budget

(Note: The Council will consider the adoption of FY20-21 budget at its July 3rd meeting)

DISCUSSION

Attached is the revised budget. It does reflect further revisions of narratives/text and updates to expenditure estimates from the budget prepared for the June 3rd public hearing. There were two (2) significant reductions to the operating budget: 1) The Police budget was reduced to reflect the departure of senior officers due to retirement or a new job and the replacement of the officers with more junior level staff. This has resulted in a savings of approximately \$70,000 and 2) We inadvertently budgeted for health benefits twice in the Parks Maintenance budget which results in a savings of \$36,000.

The budget is a work in progress as we continue to update budget narratives and notes. The challenge has been preparing a budget during COVID-19 with all the other demands on limited staff resources. *It should be noted that the FY20-21 budget message was significantly revised to include a more detailed discussion of proposed revenues and expenditures including a comparison to the adopted FY19-20 budget.*

The proposed FY20-21 Operating and Capital Improvement Budget is approximately \$13.4 million of which \$11.1 million is allocated for General Fund Operations, \$1.3 million for the Capital Improvement Program (CIP), and \$1.0 million for Special Fund Expenses/Debt Service.

This Proposed Operating Budget is in essence a “baseline” budget, until we have better data on the financial effects of COVID-19. Specifically, the proposed budget does not fund any new programs and only includes known increases for items such as CalPERS retirement, health costs, and employee MOU’s. The budget also eliminates/reduces known one-time

expenses from FY19-20, such as the higher cost of the 2019 election. We have also made cuts in discretionary expenditures, when appropriate, and have delayed any major vehicle or equipment purchases, unless absolutely necessary.

With regard to the Capital Improvement Program (CIP), we only included projects with identified grant funding and any matching requirements. We did not use General Fund reserves to fund capital projects. You may note that this budget has a brief budget message which also serves as the Budget Executive Summary, limited CIP. It does not include a Five-Year forecast.

Our recommendation is that the Town Council conduct a mid-year budget review workshop in Fall 2020 to evaluate revenues and expenditures. In the fall, the Council would hopefully be better informed regarding any required budget adjustments, including implementing any priorities and programs or, making 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.

GENERAL FUND REVENUES

Table A below shows the comparison between FY20-21 General Fund (Fund 01) revenue projections and the adopted FY19-20 budget.

TABLE A- REVENUE COMPARISON				
REVENUE DETAIL	FY 2019-20	FY 2020-21	VARIANCE	In %
	Adopted	PROPOSED		
Total Property Taxes	\$ 4,369,900	\$ 4,741,300	\$ 371,400	8.5%
Total Sales Taxes	\$ 1,480,300	\$ 1,184,200	\$ (296,100)	-20.0%
Total User Taxes	\$ 361,000	\$ 304,000	\$ (57,000)	-15.8%
Total Franchise Fees	\$ 430,000	\$ 404,000	\$ (26,000)	-6.0%
Total Fines and Licenses	\$ 262,000	\$ 262,000	\$ -	0.0%
Total Rental & Maintenance Fees	\$ 25,000	\$ 14,300	\$ (10,700)	-42.8%
Total Investment Earnings	\$ 126,300	\$ 51,300	\$ (75,000)	-59.4%
Total Revenue from other Agencies	\$ 50,700	\$ 207,200	\$ 156,500	308.7%
Total Charges for Current Services	\$ 240,100	\$ 223,000	\$ (17,100)	-7.1%
Grand Total	7,345,300	7,391,300	\$ 46,000	0.6%

There are only two categories of revenue that are projected to increase: Property Tax and Revenue from other Agencies. The Property Tax increase are based on the following: 1) a modest 4% increase (\$120,000) in secured and unsecured property taxes, 2) Excess ERAF (Education Revenue Augmentation Fund) based on the actual amount collected in FY19-20 which was \$60,000 higher than estimated, and the inclusion of \$192,000 from the recently passed Marin Wildfire Prevention Authority (MWPA) tax. Revenue from other Agencies reflects the one-time SB2 state grant for planning studies.

The largest significant revenue decrease is a 20% drop (approx. \$300,000) in sales tax revenue due to COVID-19 impacts on the economy. For a more detailed comparison of revenues by line item, please refer to the Budget Message.

Overall, the “true” impact of COVID-19 on General Fund revenues is an approximate decrease of \$480,000 or 6.6% when compared to the FY19-20 adopted budget (note: add up all the negative revenue numbers). In essence, the increase in property taxes, the new MWPA tax, and the one-time SB2 grant mask the losses of General Fund revenues due to COVID-19.

GENERAL FUND EXPENDITURES

General Fund operational expenses are estimated to be approximately \$436,000 higher (4.1%) than the adopted FY19-20 budget. The increases can be generally categorized as follows:

- Approximately \$206,000 for contractual payroll costs, retirement obligations, and health/medical benefits across all departments.
- Approximately \$291,000 for professional service costs for planning studies per the SB2 grant, Fire and MWPA activities, and additional janitorial costs to regularly disinfect town facilities due to COVID-19 (see below for more detail).
- An approximate reduction of \$62,000 combined in the supplies and other operating expense categories.

Table B below shows a comparison between the adopted FY19-20 budget and the proposed FY20-21 budget by department/division.

TABLE B - EXPENDITURE COMPARISON				
	FY 2019-20	FY 2020-21	Budget	
	Adopted	PROPOSED	Variance	In %
Town Council	289,097	291,889	2,791	1.0%
General Administration	835,211	854,402	19,191	2.3%
Development Services	797,228	961,057	163,829	20.5%
Public Safety	6,175,946	6,446,081	270,135	4.4%
Public Works	803,271	801,547	(1,724)	-0.2%
Recreation & Community Services	263,707	269,335	5,628	2.1%
Parks & Facility Maintenance	339,547	349,572	10,025	3.0%
Non-Departmental	<u>1,009,026</u>	<u>974,860</u>	<u>(34,166)</u>	<u>-3.4%</u>
TOTAL	10,513,034	10,948,742	435,708	4.1%

Table B shows that the majority of the increase is in two departmental categories: Development Services and Public Safety (Police and Fire). Development Services consist of Planning and Building Services. The increase is primarily due to the one-time \$160,000 SB2 grant received from the state to prepare planning studies such as objective development standards. Fire reflects a 3% increase in operational costs and defensible space

inspections/vegetation management activities paid for by MWPA. A more detailed comparison of expenditures by department/division is contained in the Budget Message.

POLICE BUDGET

With the tragic death of George Floyd and the resurgence of the Black Lives Matter movement at the local, regional, national and global levels, police services have come under more public scrutiny, and requests for police reform have increased, including defunding police, alternative approaches to public safety, and/or reallocation of funds from police services to other programs.

These matters will require thoughtful and interactive discussions with the Town Council and the community. It is not something that should or can be resolved at one public hearing to discuss the budget.

To provide a starting point from a budgetary perspective, it is important to understand the context of police services in Fairfax.

The police budget is currently based on the community's desire for a 24-hour, 7 days/week, 365 days per year operation. The proposed FY20-21 PD budget is approximately \$3,773,000, which reflects \$3,424,000 for personnel costs (90% of total) and \$349,000 (10%) for non-personnel costs.

The Police Department (PD) has the following staffing:

- 11 Sworn Officers

- 1 frozen Sworn Officer position

- 4 Dispatchers

- 1 Police Service Technician (parking enforcement mainly)

- Part-time staff, such as Cadets

The above staffing allows PD to maintain a 24/7 operation so that we have one dispatcher on duty at all times and a minimum staffing of two officers at all times except in the early morning, when there is only one officer on duty. The above staffing model takes into account staff training, vacation, and sick leave.

We have one officer that is paid for by the COPS grant and one of our dispatchers is basically paid for due to our two dispatching contracts with Ross and the College of Marin.

Public Safety (Police and Fire departments) typically represents 60-70% of a small town's budget. In Fairfax, Police and Fire are approximately 60% (35% and 25%, respectively) of the Town's budget. If we provided more services in other departments such as a library, then public safety would represent a smaller percentage of the budget.

Before cutting or reallocating funding from police services, we recommend the Council first identify the issues/problems to be addressed, establishing the objectives and goals that such reductions will achieve, discussing the impacts to current service levels, and deciding what the alternative service model will look like. Such a discussion would be better served during special Council study sessions, as opposed to a budget hearing. In the interim, if the Town Council would like to consider funding for new social programs, we could look at other funding sources.

GENERAL FUND RESERVES

Overall, the budget anticipates dipping into General Fund Reserves by approximately \$360,000. The Dry Period Fund (Fund 02) is contributing the lion's share (\$200,000). It should be noted that this fund was created for this specific purpose. The other General Fund reserves, such as the equipment fund, were also established to fund expenditures such as vehicle leases and purchases. Over the past several years, we have been building up all General Fund reserves in the event of a major downturn in the economy.

See next page

BUDGET WORKSHOP

At its May 15th budget workshop, the Council offered suggestions as to their budget priorities. Councilmembers each provided a list of their top five (5) service/program/projects to add to the FY20-21 budget. The table below lists the budget suggestions and identifies the Councilmembers who indicated the program/service/project was in their top five. A few Councilmembers offered more than 5 items which we are placed on the bottom of the table. The items are not listed in any particular order and merely reflects the order of the discussion. Below the table is a brief staff analysis of the program/service/project.

Legend:

Mayor Goddard- RG

Vice-Mayor Ackerman- BA

Councilmember Coler- BC

Councilmember Hellman- SH

Councilmember Reed- JR

tbd- to be determined

mid-yr.- review during the mid-year budget review scheduled for Fall 2020 (Sept/Oct)

c/o- carry over to next fiscal year

Program/Service/Project Description	Approx./Est. Costs	Fiscal Year	Council Member Top Five List
Pavilion Battery Backup System	\$15,000	FY19-20	BC, JR, RG, BA
Carbon Offset Grant (CAC)	\$5,000	FY20-21	SH
Neighborhood Resource Group coordinator	\$5,000	FY19-20 c/o FY20-21	BC,SH,JR,RG,BA
Downtown Sidewalks	\$44,000	FY19-20 c/oFY20-21	BC, SH,JR, RG (mid-yr.)
Sidewalk grant program	\$20,000	FY20-21	BC
Women's Club CAC improvement	\$15,000	FY19-20 c/o FY20-21	JR,BA
Trail improvements	\$36,000	FY20-21	BC, JR,RG,BA
TC meeting 2x/month	tbd	FY20-21	SH, BA (explore), RG (mid-yr.)
Intern	tbd	FY20-21	SH, JR, BA
Youth Coordinator	tbd	FY20-21	RG (intern)
Skateboard park	tbd	FY20-21	SH
Other items mentioned but not in Top 5			
Electric bike charging station	tbd- grant funded?		JR (stated 100% grant funded)
DPW Director	\$150,000		RG
Sustainability Coordinator	\$20,000		RG

Below is a brief description and cost of each of the program/service/projects listed. Please note we did allocate more funding to capital projects where some restricted funding (e.g., gas tax) was available. Overall, we added \$40,000 to capital projects. Other items have no costs listed at this time to allow the Council to discuss the concept at a future meeting or special Council meeting, such as a special study session or retreat.

Pavilion Battery Back-up System- This is described in more detail in Council Agenda item #11 on the June 3rd agenda. The estimated cost of \$15,000 is already budgeted in FY19-20. However, Vice-Mayor Ackerman has reported that the CAC is interested in purchasing a newer technology that will not be available until later in FY20-21. Also, the total costs including design could cost upwards of \$25,000. Vice-Mayor Ackerman indicates that MCE (Marin Clean Energy) has expressed interest in providing a grant to cover the cost of this new technology as a demonstration project. As a result, there may only be a minimal cost to the Town.

Est. cost- \$25,000 (re-budget the \$15,000 from FY19-20 to FY20-21)

Carbon Offset- A grant program to encourage residents to reduce their carbon footprint. This was discussed in the CAC workplan presented to the Council in March.

Est. cost- \$5,000

Neighborhood Resource Group (NRG) coordinator- The part-time coordinator would work to develop a database of “at-risk” persons (e.g., seniors, persons with disabilities) in neighborhoods and work with “block captains” to assign volunteers to help these “at-risk” individuals during emergencies (e.g., PSPS, pandemic).

Staff did discuss a shared NRG position with the Town of Ross and San Anselmo to also serve as the NRG/disaster coordinator for Ross Valley. We all agreed that Ross Valley would benefit from a shared disaster coordinator position. However, due to the need to start sooner rather than later, we indicated we may move forward with an NRG position separately. It should be noted that the Ross Valley Fire Department RVFD will be discussing with its board the concept of creating a part-time disaster coordinator position to serve all of Ross Valley as part of its budget discussions.

Est. cost- \$5,000

Downtown Sidewalks- The amount of \$44,000 is staff’s estimate for the following sidewalk improvements: 1) installation of curb ramps on the southwest corner of Bolinas and Elsie and across the street on Bolinas, 2) sidewalk repair on School St adjacent to the ballfield, and 3) sidewalk repair on the east side of Bolinas. We do not have an estimate to repair portions of the sidewalk on the north side of Sir Francis Drake between Taylor and Claus, where the

sidewalks are damaged by tree roots. The FY20-21 CIP budget (53-804) has \$20,000 allocated for sidewalk repair from Gas Tax reserves. We initially only had \$10,000 budgeted. There is also funding in FY19-20 budget to complete additional sidewalk repair this year.

Est. cost- \$44,000.

Sidewalk Grant Program- FY20-21 (53-804) has \$20,000 budgeted for the grant program. We initially had \$10,000 budgeted. In FY19-20 we budgeted \$25,000. In FY19-20, we have issued 3 grants. The grant funds that are not used could be allocated to general sidewalk repair.

Est. cost- \$20,000

Women's Club CAC improvements- The Climate Action Committee (CAC) has proposed improvements to "electrify" the Women's Club which includes replacing the water heater, adding an electric heat pump for the heating system, and the elimination of natural gas (maybe) in the Women's Club. The FY20-21 CIP budget does include \$25,000 for improvements to the Women's Club, but a portion will be needed for ADA stage improvements. However, the portion of the funds for lighting and painting could be reallocated for energy improvements. The primary funding is from Measure A Parks. In FY20-21, the building Improvement Fund 05 has \$10,000 budgeted for miscellaneous improvements.

Est cost- tbd

Trail Improvements- The FY20-21 budget has \$36,000 allocated to trail improvements: \$16,000 from Measure A Parks (carryover from FY19-20) and \$20,000 in Measure F funds. The Measure A Parks fund committee has yet to meet to make its recommendations to the Council. Measure A funds can only be used for capital projects and do not affect the General Fund. Staff added \$20,000 in Measure F funds toward trail improvements in the FY20-21 budget.

Est. Cost- \$36,000, plus any FY20-21 Measure A Park funds allocated.

Town Council meeting 2x per month- The proposal would schedule two regular Council meetings per month. Staff recommends the Council schedule a special study session to discuss this issue, with time to discuss the objectives of having two regular meetings (e.g., get to items sooner) and how to best achieve those objectives within the context of the advantages and disadvantages.

From a staff perspective, the primary issue is the preparation of the materials for the agenda, which are the staff reports and attachments. The final production of the packet on Fridays is

less of an issue. There is also the issue of added outside costs, such Community Media Center of Marin (CMCM) to record the meetings and the Town Attorney to attend the meetings.

Est Cost- tbd

Intern- Typically, the budget contains funding for a summer intern. However, we have not hired an intern because we have no space for an intern to sit. The Mayor also suggested this intern could act as a youth coordinator. That being said, the Council appeared to discuss an intern within the context of assisting staff with two Council meetings per month. As stated above, we recommend the Council conduct a special study session to discuss the 2 regular meetings per month concept and consider the staffing issues to achieve its objectives. We believe an intern level position would not help staff facilitate two Council meetings per month. This would need to be a higher level part-time/full-time professional staff position.

Est Cost- tbd

Skateboard Park- Details would need to be fleshed out, but Council could discuss the concept at a future meeting and determine a course of action at that time (e.g., refer PARC).

Est. Cost- tbd

ATTACHMENT

Proposed FY20-21 Budget