



TOWN OF FAIRFAX

SUPPLEMENTAL STAFF REPORT

June 3, 2020

TO: Mayor and Town Council

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

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

RECOMMENDATION

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

DISCUSSION

The proposed FY20-21 Operating and Capital Improvement Budget is approximately \$13.4 million of which \$11.2 million is allocated for general fund operations, \$1.2 million for the Capital Improvement Program (CIP), and \$1.0 million for special fund expenses/debt service. The FY20-21 total operating and capital budget is approximately \$300,000 lower than last year's adopted budget, primarily due to reductions in the Capital Improvement Program (CIP).

This Proposed Baseline Operating Budget is in essence a "placeholder" budget, until we have better data on the financial effects of COVID-19. Specifically, the 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 lower election costs. 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, and 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, 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.

For FY20-21, overall General Fund revenues are projected to be approximately the same as the adopted FY19-20 budget revenues. We are projecting all revenues to either decrease or remain relatively flat, except for property taxes which will have a modest increase of 4% based on County of Marin projections (secured and unsecured)) and Excess ERAF (Education Revenue Augmentation Fund) will remain the same. It should be noted that property tax is based on assessed value of as January 2020.

The largest significant revenue drop is a 20% decrease in sales tax which is almost offset by a one-time grant of \$160,000 in State SB2 funds for planning activities and the local/regional portion of the new Marin Wildfire Prevention Authority (MWPA) tax of \$192,000. After the first year, this revenue will drop to \$96,000. Half the first year's revenue is a pass thru from MWPA to the Ross Valley Fire Department (RVFD) for regional defensible space inspections/mitigation (D-space) activities. For the second year, we anticipate the revenue will go directly to RVFD or used by MWPA to provide the same service. All other revenues were either kept flat or reduced. For example, TOT (hotel tax) was reduced by 80% and recreation fees were significantly reduced to reflect the effect of COVID-19 on programs.

Please note this budget is slightly different from the budget presented at the May 15th due to the inclusion of additional MWPA D-space revenues and offsetting expenditures (\$96,000), increase in Excess ERAF revenue projections (\$60,000), decrease in Measure F funds (\$18,000) because the \$5/unit increase does not start until July 2021, and recharacterization of insurance costs (increase by \$20,000) which is offset by the use of insurance reserves of \$20,000. With regard to Measure F (Fund 20-Special Municipal Tax), we added \$40,000 for wildfire prevention and trail improvements and another \$10,000 for capital projects. In essence, we reallocated Measure F Funds from Police and Fire.

General Fund operational expenses are estimated to be approximately \$500,000 higher (4.5%) than the adopted FY19-20 budget. Approximately 70% (\$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. \$100,000) compared to FY19-20. The most significant increases can be attributed to a 3% increase approx. (\$70,000) in Fire Services, \$192,000 for MWPA defensible space inspections and local vegetation management activities for this year, and the expenditure of SB2 funds (\$160,000) for professional services in Planning. The increases in Fire and Planning are partially offset by overall reductions (approx. \$150,000) in "Supplies & Tools" and "Other Operating" expenses across all departments.

Overall, the budget anticipates dipping into General Fund Reserves by approximately \$500,000. The Dry Period Fund (Fund 02) is contributing the lion's share (\$325,000). 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.

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BUDGET WORKSHOP

At its May 15th budget workshop, the Council offered suggestions as to their budget priorities. Councilmembers each provide 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 because we believe the Council should discuss the concept more 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. The estimated cost is already budgeted in FY19-20. Unless directed otherwise, staff would work with the CAC to implement this project.

Est. cost- \$15,000 (carry over 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 coordinator would work to develop a database of “at-risk” persons (e.g., seniors, disabled) 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 (begin FY19-20 & complete FY20-21)

If we begin in FY19-20, we will just carryover the funding in FY20-21.

Downtown Sidewalks- The amount of \$44,000 is staff’s estimate for the following sidewalk improvements: 1) to install 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) repair of sidewalks on the eastside of Bolinas. We do not have an estimate to repair portions of the sidewalk on the northside of Sir Francis Drake between Taylor and Claus. The sidewalks are damaged by the 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 the funds would need to be reallocated for type of improvements. The primary funding is from Measure A Parks. In FY20-21, the building Improvement Fund 05 has \$10,000 budgeted for CAC/energy 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 are only 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. The Council needs to have the 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, hiring staff to help with the production of the agenda on Friday isn't the primary issue. The primary issue is the preparation of the materials for the agenda which are the staff reports and attachments. Also, there are added outside costs such CMCM and Town Attorney to attend the meetings. A special study session would allow the Council to discuss and consider the staffing issue to achieve its objectives.

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