

**FAIRFAX TOWN COUNCIL MEETING
JUNE 16, 2021**

SUPPLEMENT TO ITEM #9: Discuss/consider the Fiscal Year 2021-22 Proposed Operating and Capital Improvement Budget and provide direction to staff.

This supplement contains the Town Manager's Budget message.



TOWN OF FAIRFAX
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June 16, 2020

Town of Fairfax Proposed Operating and Capital Budgets for Fiscal Year 2021-22

Dear Mayor and Town Council:

The proposed FY21-22 Operating and Capital Budget reflects the revisions made by the Council at its May 27th budget workshop. This is different than previous budget messages which provided an overview of the proposed budget prior to the Council workshop.

The proposed overall Town budget is approximately \$18.2M:

- \$11.6M for General Fund operations
- \$1.2M for debt service and other special funds
- \$5.4M for CIP projects

The Town will be dipping into General Fund reserves by approximately \$360,000 to pay for one-time capital and operating expenditures such as road improvements. However, Town general fund reserves are projected to be approximately 33% of operating expenses at fiscal year-end, which is significantly higher than the minimal reserve amount of 25%.

At its May budget workshop, the Council discussed and considered the proposed budget and directed staff to make the revisions below (not listed in any order of priority). The revisions added \$345,000 in capital improvements (CIP projects) and \$153,000 to operating costs.

Add \$225,000 for road resurfacing and repair (e.g., slurry seal). This brings the total up to \$400,000 in CIP Project 53-887. Appendix A-8 contains a list of the roads to be repaired/maintained.

Add \$55,000 for the Town to hire a full-time Department of Public Works (DPW) Director. The proposed budget had allocated \$110,000 for a shared-service model with San Anselmo. The entire cost for DPW director was allocated to Fund 01-510 Public Works Administration. The final budget may distribute the costs among the DPW division and reduce the allocation of the Town Manager costs to DPW.

Add \$50,000 (one-time cost) to retain a firm to assist with the recruitment of a Public Works Director and Town Manager. This was added to Fund 01-231 Personnel.

Add \$25,000 for shared Sustainability Coordinator position with San Anselmo. This is contingent on San Anselmo moving forward with such a position. The cost was allocated to Fund 01-616 Community Services.

Add \$15,000 to the RESJ budget. The RESJ had approximately \$35,000 remaining from its initial \$100,000 allocation. The Council allocated an additional \$15,000 for a total of \$50,000 for RESJ programs and activities, but not for facilitation costs. Earlier this evening, the Council will hold a joint meeting with the RESJ to discuss the RESJ's budget requests. The RESJ budget is reflected in Fund 01-715-890.

Add \$100,000 to renovate the kitchen (warming kitchen) in the Pavilion. This will be included as part of the Pavilion Seismic Retrofit project (CIP 51-909).

Add \$8,000 for Climate Action Committee (CAC) program costs. This would bring the total funding available for the CAC's activities to \$10,000. This funding is reflected in Fund 01-111 Town Council budget.

Add \$20,000 for pedestrian trail improvements. This increased the funding for trail improvements from \$50,000 to \$70,000 in CIP Project 51-841.

With regard to the American Rescue Plan (ARP) funding, staff previously recommended that the Council schedule a special workshop to discuss the funding options. The most recent estimate is that the Town is eligible to receive approximately \$1.8M. The Town does not need to specify the use of funds prior to receiving the monies.

REVENUES

For FY21-22, overall General Fund revenues are projected to be approximately 5.6% higher than FY20-21, when adjusted for sales tax projections. We normally compare the proposed budget to the previous adopted budget, for a more apples to apples comparison. However, this approach somewhat skews the comparison of revenue numbers because we projected a 20% decrease in sales revenue in FY 20-21 due to the COVID-19. In actuality, the Town collected slightly more sales tax in FY20-21 than we did in FY19-20.

Pages 1A and 1B of the budget shows the comparison of general fund revenues between the adopted FY20-21 budget and the proposed FY21-22 budget. Below are the highlights.

Overall *property taxes* will experience an increase of 6.3% (approx. \$300,000). Some items of note are:

- Revenues from the Marin Wildfire Prevention Authority (MWPA) only reflects the local share of the tax (\$96,000). In FY20-21, the Town also received our share of the MWPA funds for regional defensible space inspections/mitigation activities while MWPA was getting its operating up and running. This revenue now goes directly to MWPA to provide the same service.
- It should be noted that property tax is based on assessed value of January 2020 and our projections are based on Marin County projections of increases.

Sales taxes will experience modest growth (approx. 2.3%) when compared to actual revenues received in FY20-21. Page 1A shows sales tax to be \$458,000 or 38.7% higher than the adopted budget for FY20-21. As stated above this is because we projected a 20% drop in sales tax in FY20-21 due to COVID-19. However, this increase becomes much more modest when comparing the projection of \$1,642,200 for FY21-22 to the actual of \$1,605,000 for FY20-21.

The difference of \$37,000 represents a 2.3% increase. The sales tax estimates are based on projections from our sales tax consultant.

User taxes consists of the Town's utility user tax of 4% and TOT (i.e., Hotel tax). While we are projecting a net increase of 46,000 (approx. 15%) in these revenues, the increase is misleading because of COVID-19. In FY20-21, we thought there would be large decrease in utility user taxes due to COVID-19. It turns out it was the opposite as people had to shelter in place and/or work from home. The revenue estimate reflects the amount of tax we typically receive in previous years for energy Utility User Tax.

Franchise Fees include fees the Town receives for garbage, PG&E, and cable. In FY20-21, we reduced our estimates due to COVID-19 based on anticipated reductions in commercial garbage accounts. However, this assumption did not occur and revenues collected were much higher than anticipated. The FY21-22 budget reflects a more normalized projection.

Fines and licenses includes business licenses and parking fines which are slightly decreased, reflecting the lingering effects of COVID-19.

Rental and Maintenance fees for Town facilities are projected to remain the same due as FY20-21.

Investment Earnings reflect the significant drop in the interest rates.

Revenue from other Agencies reflects one-time grant revenue for planning activities. Operating expenses also reflect this one-time expenditure.

Charge for Current Services are the revenues the Town receives for its services such recreation activities and dispatch services for the Town of Ross and Community College of Marin. These revenues reflect a decrease in the use of the Pavilion. We anticipate the Pavilion will be closed beginning in January 2020 for 6-8 months due the Pavilion Seismic Retrofit project.

OTHER GENERAL AND SPECIAL FUNDS

The other major funds which contribute revenues towards operating expenses include:

Building & Planning (Fund 04)- Revenues (\$536,000) are projected to be almost the same as FY20-21. This may be somewhat conservative.

Retirement Fund (Fund 06)- Revenues are from a Pension Obligation Parcel Tax which was established in the 1960's. Property owners pay \$.091 per \$100 of assessed valuation. This revenue is estimated to increase by 3.4% or approximately \$59,000 compared to the FY20-21 budget. These funds can only be used for retirement related costs.

Special Police (Fund 07)- This is the annual COPS grant received from the State. The Town is projected to receive \$190,000 this year.

Measure F/J (Fund 20)- This is the special municipal service tax of \$200/residential & commercial unit. It can be used for public safety, youth/senior programs, capital projects, and

wildfire prevention activities. The estimated amount of approximately \$725,000 reflects the 2.5% increase of \$5 per unit.

Gas Tax (Fund 21)- Gas tax revenue collected by the State is distributed to cities/towns based on population. Gas tax can be used for road maintenance/repair and capital projects. The FY20-21 budget projected an approximate 10% decrease in Gas Tax based on State projections which primarily impacts capital projects. The FY21-22 budget reflects a modest increase in gas tax revenue.

Overall, the above funds combine to contribute approximately \$3,100,000 to cover General Fund operating expenses.

EXPENDITURES

General Fund operational expenses are estimated to be approximately \$427,000 higher (3.9%) than the adopted FY20-21 budget. The “Appropriations Budget Comparison Table” (Table) on page 1C shows a comparison between the adopted FY20-21 budget and the proposed FY21-22 budget by department/division. It should be noted that the Town saved approximately \$270,000 in retirement costs from the refinancing of its unfunded pension liabilities. These cost savings are reflected in each department’s budget.

Below is a summary of the comparison by departmental categories.

Town Council reflects the addition of \$8,000 for Climate Action Committee (CAC) activities.

General Administration reflects moving the Communication Specialist position from Recreation and Community Services to under Town Clerk, adding \$50,000 for a firm to recruit for a new Town Manager and Director of Public Works, and no election costs in FY21-22.

Development Services is the Planning and Building Services Department. Almost all of the projected increase is related to professional services for the Housing Element and other studies, such as objective development standards. The Department has received \$205,000 in grants to offset a portion of the costs.

Public Safety consists of Police, Ross Valley Fire Department (RVFD), and Disaster Preparedness. The Police budget reflects significant savings from the Town’s refinancing of our unfunded pension obligations. The Fire budget actually increased by 4%, but the increase was offset by a reduction in the MWPA costs for defensible space inspections (see above for detail)

Public Works reflects the inclusion of the cost of a Public Works Director.

Recreation and Community Services includes \$25,000 for a shared sustainability coordinator with San Anselmo, as well as moving a position to Town Clerk (see above).

Parks & Facility Maintenance reflects more accurate janitorial costs for increasing the cleaning of Town rental facilities from 3 days/week to 5 days/week and includes disinfecting our facilities. In FY20-21, the building maintenance costs were a rough estimate.

CAPITAL IMPROVEMENT PROGRAM (CIP)

The proposed FY21-22 CIP budget is an ambitious program with a significant number of road repair projects. The CIP budget is approximately \$5,430,000 budget:

- \$1,110,000 is for road maintenance and improvement projects,
- \$1,350,000 for bridges,
- \$2,610,000 for the Pavilion Seismic Retrofit projects,
- \$120,000 for sidewalk repair including the downtown area,
- \$140,000 for park and trail and town facility improvements, and
- \$100,000 for storm drain improvements.

Special Thanks

I would like to specifically thank the Finance Director, Michael Vivrette, for his work on the budget; without him, it just wouldn't happen.

This has been one of the most challenging years I have experienced in my many years in government. I especially appreciate the efforts of the Town staff, who have been working remotely and/or on-site during COVID-19 to keep the Town running.

On behalf of Town staff, our "thanks" to all the Fairfax residents for their understanding and patience with the changes to Town operations in response to COVID-19.

This will be my last budget message. I have enjoyed my 8 years plus in Fairfax and the opportunity to interact with the community on many projects. I greatly appreciated the Council's and staff's support during my tenure.

I will always *Smile* ☺ when I think of my time in Fairfax.

Respectfully Submitted,

GARRETT TOY
Town Manager