

**CORTE MADERA TOWN COUNCIL
STAFF REPORT**

REPORT DATE: January 4, 2018
MEETING DATE: January 16, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE TOWN COUNCIL

FROM: TODD CUSIMANO, TOWN MANAGER 

SUBJECT: DISCUSS IMPACTS OF THE PENDING EXPIRATION OF CORTE MADERA'S SALES TAX MEASURE B IN 2020 AND PROVIDE INFORMATION TO TOWN COUNCIL FOR CONSIDERATION AND SEEK COUNCIL DIRECTION TO RENEW THE MEASURE

PURPOSE:

Provide staff direction on initiating an ordinance to renew the transactions and use tax previously approved as Measure B for consideration on the June 5, 2018 ballot.

BACKGROUND:

General Fund Reserve

Nationally recognized standards call for an unrestricted fund reserve of at least ten percent. In 2010, the Town had no reserves and very limited opportunity to maintain or improve its infrastructure needs due to the worst economic down turn it had experienced in 50 years.

<http://townofcortemadera.org/DocumentCenter/Home/View/95>

Over a five-year period from 2005 to 2010, the Town lost \$2.5 million dollars in sales tax revenues as the national economy shrank. More so than any other community in Marin County, the Town is heavily dependent on sales tax revenue, which is a fluctuating funding source tied to regional economies and subject to changes through relocations of businesses comprising the sales tax base. Sales tax revenues (1% of sales tax, not including .5% sales tax measure) have averaged just under \$6,700,000 over the past three years, compared to \$5,500,000 between 2005 and 2010. Looking forward, with a sharp rise in on-line retail and technological changes like the advent of autonomous vehicles, future sales tax revenues are likely to decrease as consumer spending shifts in the coming decade.

Given the vulnerability of retail sales to macro-economic trends, the Town Council deemed it was appropriate to institute a twenty-five percent contingency reserve for sales taxes, along with the standard ten percent general fund reserve. On June 7, 2011, the Town Council passed Resolution 3655 establishing a "Town General Fund Reserve". The 2011, reserve goals were set at ten percent or \$1,300,000. The General Fund Reserve started with less than \$300,000 and the goal was to build the reserve over a period of years until fully funded.

<http://www.townofcortemadera.org/597/Reserve-Policy>

Sales Tax Measure

On November 5, 2013, Corte Madera voters approved Measure B by 68%, the Town of Corte Madera Essential Services Measure, which implemented a half-cent, local transaction and use tax (a local sales tax) that took effect on April 1, 2014. Measure B expires six years after it went in to effect, which means that it expires on April 1, 2020 unless renewed. The measure is a general tax, which is required to be presented to voters in conjunction with an election for seats on the Town Council. The June 5, 2018 and November 5, 2019 ballots are the next Town Council elections before Measure B expires. However, it will be necessary to move the November 5, 2019 election to March 3, 2020 to conform to the new statewide primary elections on even years. As a result, if it is to be renewed without an interruption in the collection of locally-controlled revenue for use on behalf of the Corte Madera residents, the Town Council must place the renewal of Measure B on the ballot in 2018 or 2019/2020 (to be determined).

When the Council placed this measure on the ballot in 2013, it adopted a general guideline that the primary purpose of revenue would be to support and restore the Town's needs in the following areas:

1. Restore and support the Town's General Fund Reserves
2. Flood Control
3. Maintain and rehabilitate local roads
4. Senior and Youth Programs
5. Safe Routes to Schools
6. Disaster Preparedness
7. Fire Prevention

The Town has kept this commitment to voters, with revenue being spent in those areas outlined above. These expenditures are reviewed annually by the Sales Tax Citizens' Oversight Committee. The purpose of the Committee is to review, and annually report on, the revenue and expenditure of the Measure B funds. See Committee reports on Town website:
<http://www.townofcortemadera.org/537/Sales-Tax-Citizens-Oversight-Committee>

DISCUSSION:

The half-cent sales tax measure (2014-present), which brings in approximately \$2,500,000 annually, has been successful in stabilizing the Town's General Fund Reserve, as well as providing the primary source of funding to maintain and improve Town infrastructure. Infrastructure in general (pump stations, flood control channels, roadways, traffic signals, etc.) are not only of critical importance to the functionality and livability of the Town, but are also expensive to maintain and even more costly to replace. As will be discussed in the Town Manager's presentation, the sales tax measure is a critical and necessary source of revenue if we are to continue to maintain and improve our roadways, maintain our \$20,000,000 flood control system, and prepare for sea level rise and increasing frequency and severity of bay tidal impacts to low-lying neighborhoods. The Town also needs to implement key mitigation measures exceeding \$20,000,000 in order to be prepared for coping with natural disasters (Napa Earthquake, Northbay and Southern California Fires, future storm events). The \$20 million estimate is from 2008, so a more realistic number could be closer to \$50m to \$100m in 2020 or 2030. One thing that is certain is that in order to meet our local needs over the next 20 years as

most of the Town's infrastructure goes beyond its useful life, a significant, dependable and locally controlled revenue source will be required.

The Town Council and staff have prioritized how the Town operates financially, both on an annual basis, as well as with a strategic long-term outlook. Examples of this are the recent mergers of our police and fire departments (2013 and 2018 respectively), which improved service delivery and substantially reduced costs. This savings allowed the Town to establish 115 Trust accounts to begin paying down our unfunded retiree health and pension liabilities, as well as reform pension formulas to lower tiers to control costs for public safety staff. This close monitoring, internal evaluation and long-term planning, with an emphasis on working within our means brings the consideration of extending a sales tax measure to the forefront.

In 2014, the Town Council identified the above mentioned seven categories as priorities. As we approach the fifth year of the sales tax measure, staff recommends the Town Council and community consider discussing the following:

1. The need to extend the sales tax measure (at the same ½ cent rate) for a longer period time (i.e. 15 years, 25 years, or as such time it is ended by the voters – See Larkspur measure). To be clear, this is not a tax increase, but rather an extension of an existing measure, which by the very nature of the Town's draw as a North Bay regional shopping center for retail goods and automobiles, draws much of its revenue from non-Town residents.
2. Realizing the tax monies are available to be spent at the discretion of the Council, re-evaluate the priorities and reconsider a more clearly defined scope of uses to possibly include:
 - Multimodal Transportation Improvements (street repair and rehabilitation, safe routes to school, improved sidewalks and bikeways, automobile congestion relief efforts)
 - Flood Control and Related Infrastructure (storm drain improvements, flood channel maintenance, Sea Level Rise Mitigation)
 - Community Programs (senior and youth programs, park and recreation)
 - Town Reserves and Town-owned Buildings (reserves for those instances outlined as appropriate such as natural disasters and recessions)
 - Emergency 911 response for police and fire services

Fiscal and Infrastructure Improvements

Due to a strong economy and fiscal prudence, the Town will have a General Fund Reserve of \$1,800,000 (primarily from end of year surpluses from operating budget). It is an informal practice to set aside a minimum of \$2,500,000 throughout the year to ensure financial expenditures can be covered on any given month.

As of January 1, 2018, the Sales tax measure has generated \$8,919,146.

- \$2,370,879 has been spent within the approved priority categories and confirmed by the Sales Tax Oversight Committee
- \$1,700,000 has been set aside for the Sales Tax Contingency Reserve (Pending Council Approval at end of fiscal year)
- \$4,848,268 is available for Town Capital Improvement Projects to including, but not limited to, the following priority projects (approximate near-term need cost estimate in parentheses showing over \$13,000,000 in needs) :
 - Intergenerational Center remodel at the Community Center for Senior and youth programs (\$160,000)
 - Traffic Congestion Relief and multimodal safety/circulation improvements to Sanford, Casa Buena and Meadowsweet corridors (\$800,000)
 - Pavement maintenance improvements throughout Town (\$1,000,000)
 - Street, curb, gutter and sidewalk improvements (\$1,000,000)
 - Drainage repairs and improvements (\$3,000,000)
 - Bike and pedestrian safety and automobile circulation improvements throughout the Paradise Drive and San Clemente corridors (\$3,000,000-\$7,000,000 depending on ultimate solution)
 - Tamal Vista slurry seal, pedestrian safety crossings, bike lane improvements and restriping plan (\$1,000,000).
 - Nellen, Wornum, and Fifer Central Marin Regional Pathway Gap Closure Project (\$1,000,000).

The Town Manager and Public Works Director will provide the Town Council with a presentation discussing the Town's fiscal status, capital improvement projects, successes and challenges moving forward.

RECOMMENDATION:

That Council consider initiating an ordinance to renew the transactions and use tax previously approved as Measure B for consideration on the June 5, 2018 ballot.