

MINUTES OF JANUARY 30, 2018

MEETING OF THE  
SALES TAX CITIZENS OVERSIGHT COMMITTEE

Chair Gerbosi called the Regular Meeting to order at Town Hall Council Chambers, 300 Tamalpais Drive, Corte Madera, CA on January 30, 2018 at 4:04 p.m.

**1. CALL TO ORDER, ROLL CALL**

Committee members Present: Chair Gerbosi, Vice Chair Flahive and Committee members Greenbaum and Howard. Town Councilmember liaison James Andrews

Committee members Absent: Morton

Staff Present: Town Manager Todd Cusimano, Director of Finance Daria Carrillo, Director of Public Works Peter Brown, Town Clerk/Assistant to the Town Manager Rebecca Vaughn

**SALUTE TO THE FLAG:** Chair Gerbosi led in the Pledge of Allegiance.

**2. OPEN TIME FOR PUBLIC COMMENT REGARDING NON-AGENDA ITEMS**

There was no public comment

**3. GENERAL BUSINESS**

A. Potential Renewal of Measure B Sales Tax Override

Town Manager Cusimano stated that the Sales Tax Citizens' Oversight Committee is an important part of the process going forward with discussions of renewal of the sales tax measure. He explained that he has always approached the budget as it relates to capital improvement projects with an eye toward how to spend money and be fiscally responsible. He wants the process to be open and public. The committee is advisory, but staff has always taken the committee's recommendations to heart. He then introduced the Town's new Director of Public Works, Peter Brown, and Finance Director Daria Carrillo.

He explained that Ms. Carrillo is helping the Town transition to a new financial platform and Open Gov, which will be up and running before the end of fiscal year. It has been a difficult transition over the past year, but that has led to new philosophies and improvements.

Mr. Cusimano then transitioned to providing a history of the sales tax measure and background. The original sales tax measure was brought forward in response to the Town having experienced

the worst recession in 50 years. Sales tax revenue declined \$2.5 million over a 5 year span from 2006-2011.

He described the discussion that took place in 2013 and see how things have changed. The sales tax measure is a general tax that can be used for anything. But the emphasis was on the priorities laid out in the measure. He discussed defining what each of the bullet points means in terms of needs going forward. Safe Routes to School means the same as streets and potholes, they are both concerning roads and infrastructure. Does Disaster Preparedness mean ongoing projects or preparing for a major fire or earthquake? It would be helpful to get the clarification on each of these bullet points, which would help the committee going forward.

The measure that was approved was a 6 year tax, which is set to expire on April 1, 2020.

Chair Gerbosi stated that at the recent Town Council meeting, a member of public stated that passage of the sales tax measure “squeaked by”, but it is important to note that the measure passed by 68% and it only needed a simple majority, not two-thirds, so it was actually approved by a significant margin. Mr. Cusimano agreed and stated that he will add that to the presentation.

Mr. Cusimano explained that it was important to begin talking about the sales tax measure now because it is the most important tax that we have to ensure that our infrastructure is maintained now and in the future. If we know we have this measure going forward, then we can look at having a discussion about the Flood Tax and some of the other taxes.

Mr. Cusimano provided an outline of local sales taxes. The County of Marin has 8.25% tax. The basic sales tax in the state is 7.25%. There are also other sales taxes for Marin Parks, Sonoma Marin Area Rail Transit District and Transportation Authority of Marin,

Chair Gerbosi asked if any of the county sales taxes sunset. Mr. Cusimano responded that the TAM and Marin Parks taxes will expire in 2022 unless renewed. He stated the sales taxes of each of our neighboring jurisdictions and also explained that Larkspur just voted to go to ¾ cent not expiring until voted to be repealed by voters. San Rafael, Fairfax and Larkspur are all at 9.0%

Chair Gerbosi stated that she found that Greenbrae and MV are also at 8.75%

Mr. Cusimano then discussed the language of the ballot measure, stating that the purpose was to maintain essential services including but not limited to:

- Current Levels of Local Fire Protection
- Flood Control
- Streets and Potholes
- Disaster Preparedness
- Safe Routes to School
- Senior and Youth Programs

Facts:

Annual half cent sales tax revenue is approximately \$2.5 million. It was originally estimated to bring in \$1.9-2 million, so it has exceeded expectations and is expected to bring in \$15 million over the 6 year term of the measure. To date, the sales tax measure has generated \$8.9 million, of which we have expended \$2,370,878. There is \$6,548,268 currently approved to be spent on town capital improvements projects. But there is an approximate \$20 million need in the near term for capital improvements.

Mr. Cusimano has directed Peter Brown to look at our infrastructure needs and determine what we can do over the next 18 months as well as look at a five year plan, with a defined scope of projects. Projects can span over four years, and it takes a lot of time to complete major projects. In the past, we have made it difficult to follow our capital improvements projects and managing expectations about what we can deliver on an annual basis.

Vice Chair Flahive had a question regarding what is holding up funding two areas: Senior and Youth Programs and Disaster Preparedness, where not much has been spent?

Town Manager Cusimano stated that we are spending the money. For Disaster Preparedness, we have approximately \$50,000 budgeted for Disaster Preparedness this year, and we have spent money out of the general fund, protecting the sales tax funds. He has put it into our annual operating budget for recurring expenses. Sales tax revenue is used for one time expenditures, for example: bleed kids for the community, radios and trailers.

Vice Chair Flahive stated that \$50,000 is such a disproportionate amount compared to our other categories.

Town Manager Cusimano explained that he took money from the operating budget instead. For example, for Senior/Youth programs, programming was put into the Parks and Recreation budget. He explained that, if he can spend out of general fund and protect sales tax revenues, he does. Staff is currently working on a \$200,000 Intergenerational Center project and \$30,000 in Senior programming right now. Another \$25,000, or a part time employee, dedicated to senior programs in the Parks and Recreation budget.

Mr. Cusimano reiterated that when he thinks about programming, he has to think about where money will come from after the sales tax revenue is gone. He has built important programs into the operating budget.

Committee member Greenbaum asked if, when making those decisions, it is a difference between a capital expenditure versus an ongoing program. Town Manager Cusimano agreed and stated that he would like to see programs and ongoing expenses paid for out of the operating budget and one-time capital projects expenditures paid for with sales tax revenue.

Committee member Howard stated that he feels that what we're doing now is consistent with the intent of the tax. He has been concerned that the tax money might creep into the general fund.

He further stated that perhaps Disaster Preparedness shouldn't have been on the original list, since it is an ongoing need.

Town Manager Cusimano stated that we have donated about \$10,000 over two years toward disaster trailers.

Questions from the Public:

Pati Stoliar stated that she believes that a column is missing from the table: the total, with an asterisk citing that money was spent for this item, but from a funding source other than sales tax override revenue.

Public Works Director Brown stated that we do have to explain how our expenditures go and would also add that, when we spend money, we not only show our current accounting, but also our product delivery (how many projects we've completed, etc.)

Carol Berg stated that she would like to know how we will tell the story of how much we need for future years.

Town Manager Cusimano explained that the discussion should relate to "should you be using this money for equipment"? If it meets the criteria, then yes. This fiscal year, the Town bought \$190,000 in equipment, purchased from another fund. We will end up spending \$70,000 on disaster preparedness.

Mr. Cusimano explained his approach to budgeting and how he encourages staff to work within their means. Sales tax revenues and property taxes are the Town's major revenue streams, along with some other taxes that get us to \$18 million. Anything that we know that is a recurring expense, he tries to work it into the general fund, which is what people already pay taxes for. The operating budget can't support the funding of infrastructure projects. Sales tax, storm drain tax, Measure A Parks tax, and the Transportation Authority of Marin sales tax can all support infrastructure improvements.

He explained that the Tamalpais Drive improvements project cost about \$1 million and was 100% qualified to be funded by sales tax override revenue. But what he chose to do first was to first use some one-time restricted money that could be used for the same thing before touching sales tax override revenue.

Committee member Howard asked if the market had not crashed, would we be financing projects out of the reserve funds. Would we have had to come to this point eventually even without the loss of those revenues?

Town Manager Cusimano responded that, even in previous years, we hadn't been able to put enough money away to complete projects such as the six additional pump stations needed for the flood control system. We had the Flood tax, and a plan for completion of additional pump stations. A pump station costs between \$600,000-\$750,000 each, and we still didn't have enough money to complete those pump stations.

We are in a different situation today than we were in 2013, but now we need to consider focusing this tax even more narrowly to focus on infrastructure. We have a plan for Senior/Youth Programming and Disaster Preparedness, and have been successful with funding these needs out of the operating budget. But now we need a bigger picture approach to our infrastructure needs. The whole conversation about funding starts with this issue.

Committee member Howard stated if all capital expenditures will come out of the override funds, then that frees up money in the general fund for other operational needs.

Town Manager Cusimano explained that we experience a downturn every 5-7 years, and we react the way we always do: by freezing positions and doing more with less. Service delivery goes down. What this measure allowed us to do was focus on infrastructure, and maintain our service delivery. It allowed us to build a reserve of 10% and keep staff at current levels because the capital improvements were being covered with override funds. It also allowed us to plan for future infrastructure projects.

Committee member Greenbaum questioned the increase in property taxes every year, and if the Town is doing really well, then why isn't that being passed on to the taxpayers?

Public Works Director Brown explained that, from an urban planning standpoint, planners call Proposition 13 the fiscalization of land use. It capped the amount of property tax you pay, and the tax can't increase more than 2% each year. On the government side, those revenues had been relied upon. But beginning in 1978, the amount of money cities and counties receive has decreased over time. From the transportation standpoint, the state fuel tax was just raised for the first time since 1993. And since that time, there have been more roads built but fewer resources to maintain those roads.

In the current issue of the Town's newsletter, he included a link of about 146 newly approved sales tax measures, which is a fiscal story that needs to be told and understood.

Finance Director Daria Carrillo explained that, from property tax, Corte Madera receives 13% of the 1% assessed value (that assessed value, under Proposition 13, can only be increased by 2% per year).

Chair Gerbosi explained that, for every \$100 of value, there's \$1 in tax and Corte Madera gets 13 cents.

Committee member Flahive asked when Proposition 13 passed, were Police and Fire budgets the same percentage of the budget as they are now?

Public Works Director Brown stated that very few communities have been willing to look at reduction of Police and Fire services. Also, those departments have a lot of overtime expenses. The safety formula for retirement costs more as well. Police and Fire, for many communities

around California, are around 50-75 % of the total general fund budget. He did not think the percentage was that high in 1978.

Town Manager Cusimano stated that Corte Madera's operating budget is about \$17 million and we pay \$3.1 million for Police Services and \$4.1 for Fire services. We have used our resources and saved money with both Police and Fire Consolidations and improved service while being able to put money toward unfunded liabilities.

Questions from the Public:

Carol Berg observed that our shopping centers must be bringing in a lot of sales tax, and asked where that sales tax revenue goes.

Town Manager Cusimano explained that our two shopping centers bring in a lot of revenue, around \$4 million annually. They also bring in a lot of calls for service, and a lot of parking and traffic issues that put a burden on our Town. The sales tax measure is shared among everyone who purchases things in our community.

Councilmember Jim Andrews stated that, of the sales tax generated, Corte Maderans pay around 10%.

Public Works Director Brown stated that it could also be said that 90% of the revenue is generated by people who don't live in Corte Madera. 25% of sales tax revenue is from auto dealers alone.

#### B. Presentation of Anticipated Capital Improvements

Public Works Director Peter Brown provided a presentation regarding what the Town is doing with this revenue and what we should be doing going forward.

We're looking at how we spend money on capital improvements. He listed the programs he anticipates in the near term:

Flood control: \$1-3 million (street curb gutter and sidewalk improvements)

\$3-6 million in drainage repairs and improvements

Senior and Youth Projects – \$200,000 (Intergenerational Center)

Streets/Potholes – Safe Routes to School: \$1-3 million (maintenance of roadways is incredibly important in order to avoid having to completely rebuild roadways)

He highlighted seven projects currently in progress:

- Intergeneration center (\$200,000)
- Circulation improvements at Sanford, Casa Buena and Conow (\$800,000)
- Casa Buena sidewalk and bike lane improvements (\$2.5 mill)
- Circulation improvements throughout the Paradise Drive and San Clemente corridors (\$3-7 million, depending on the chosen solution)

- Tamal Vista repaving, pedestrian safety crossings, bike lane improvements and restriping plan (\$1 mill, but will also use money from TAM, BAAQMD)
- Nellen, Wornum and Fifer Central Marin gap closure project (\$1 million) bicycle-specific
- He talked about side walk, parking and circulation issues on Paradise Drive. He would like to look at a comprehensive plan for improving that corridor.

Regarding streets and roads in the higher elevations around town, he would like to develop a quadrant approach to street improvements and dedicate a capital improvement program toward residential pavement maintenance.

Mr. Brown displayed some of the improvements planned for the Casa Buena/ Sanford/ Meadowsweet intersection. Improvements such as re-striping and lighting improvements to help pedestrians and improvements to the stop/yield condition in order to delineate how vehicles should behave when in that intersection. He discussed sightline improvements recently completed at the Conow/Casa Buena intersection and stated that he is going to further study how traffic moves through this area.

Regarding improvements to Tamal Vista, he is looking at how to make a smooth pedestrian and bicycle connection through this area. He is working to come up with a two-phase approach to improve Tamal Vista, looking at a cost of \$2-2.5 million, the bulk of which will come from sales tax override funds.

Committee member Howard stated that he has been involved in Disaster Preparedness programs, especially up in the hills. Is there any thought to improving evacuation routes up on the hills? Is there anything that can be done?

Public Works Director Brown responded that there are things that can be done, some of which may be costly. One thing to do, would be to determine if there are one or two or three critical choke points? It is not realistic to widen the roads, but there may be other options.

Town Manager Cusimano also responded that Measure A funds may be available to fund some of the prevention and brush-clearing work, and matching our ordinances to see if we can enforce that. Staff will also work on signage and addressing this more globally.

Public Works Director Brown asked if the neighborhood groups have considered multiple route evacuations. Having gate access to fire roads is important. Committee member Howard responded that those items were at the top of their list.

Councilmember Andrews inquired about someone who was going to rebuild a hotel and fund underground infrastructure work. Will we be redoing Tamal Vista, only to need to dig it up again later?

Public Works Director Brown responded that there are some lateral and sewer line replacements that will be part of that project. Longer term, with the property redevelopments there is some money that will come in to that. The second phase will deal with some of the longer term needs.

Committee member Greenbaum stated that, when going thru budget, she noticed that the storm drainage special tax, equipment replacement fund and sewer operating fund, all seem duplicative. If the sales tax renewal passes, maybe some of these other taxes go away? Fewer items on the property tax bill would be appreciated.

Town Manager Cusimano responded that there is some crossover between some taxes. He has begun these discussion with Council. If he knows we have the continued sales tax, we can have discussion about sunsetting the flood tax. The other tax is the sanitary district fees, will have discussions about that as well. The equipment replacement fund is in our general fund budget and he has also been using this fund to pay for equipment when possible, instead of using sales tax override funds.

Public Works Director Brown stated that he would also add that the flood tax, which is a per unit tax, brings in \$600,000 per year. In terms of our maintenance needs, we have 19 pump stations that need to be repaired, maintained or replaced. Of our ten flood control stations, the newest one was built in 1999. Without a dedicated funding source, between 2020 and 2030, we will have to make hard decisions about what we're going to fund, what we're going to let go and what we're going to try to get more useful life out of. He still sees a \$50 million need in the next 5-12 years.

Town Manager Cusimano reiterated that there will be three conversations coming: Sales tax renewal, Sanitary District and there will be several forums on sea level rise – is it real, is it coming and what it might look like. We will also look at what is the problem, what is the solution and what projects do we need to have funding for. We need to start proactively having these conversations now. It's an important revenue stream.

Chair Gerbosi asked if there has there been any discussion about the interval of the sales tax.

Town Manager Cusimano responded that the issue of interval has not been discussed. He understands why it was originally done for 6 years, but thinks it needs to be a longer term tax, since it really is meant for longer term infrastructure needs.

Councilmember Andrews asked, in terms of preparing budgets, how far in advance do you have to know that the money will be available in order for it to make sense to start the planning process.

Public Works Director Brown replied that industry standard is a 2-5 year time frame, and stated that the Town might want to go to a two year budget in order to know that all of your high priority projects are going to be funded. From a capital projects standpoint, you want a fiscally constrained two year budget. You want to know that your high priority projects can be begun in that two year time frame and that most of them will be fully funded. In talking about the five year need, you have the projects that are currently underway (we currently have 19 underway) and in years 3-5, you know what funding you may need.

The committee completed its discussion and moved on to Item C

C. Summary of FY 2016-2017 Sales Tax Override Fund and Preparation of Annual Report

Finance Director Daria Carrillo provided a summary of FY 2016-2017 expenditures. She showed a table with categories of expenditures as well as a chart, organized by category, with greater detail about each category, what the projects were, etc.

Last year, the Town received nearly \$2.5 million in sales tax override revenue. At the end of last year, the ending balance in this fund was approximately \$6 million.

Through January 9, 2018, approximately \$259,000 has been spent for 2017-2018. Town Manager Cusimano replied that he expects to spend \$1.2 million by the end of the fiscal year. There are numerous projects in progress that are spread over multiple years.

Public Works Director Brown replied that he expects expenditures of more than \$1 million per year on average. Capital planning and project delivery is difficult. There is a lag time on the financial side from what we're doing on the project side. If grant funds are used, you have to go through project close out before you get reimbursed.

Town Manager Cusimano stated that you will see the Public Works Department add 1-3 positions to handle this anticipated project load.

Finance Director Carrillo noted that the Financial System is changing, and the committee will be getting reports in a different format in the future.

Chair Gerbosi referenced the report that was completed last year and asked the committee if the members wanted to do something similar this year. She added that the committee may want to say something about being cognizant that what is being spent from sales tax doesn't represent everything that is being spent in any one of these categories, but that the committee is narrowly focused on how the sales tax override funds were spent in 2016-2017.

Committee member Howard replied that he believed that the committee was only responsible for reporting that the funds were or were not spent according to the intended purposes.

Committee member Greenbaum responded that she felt that if they wanted to explain something to the tax payers, she did not have a problem with that. Any explanation would be a positive thing.

Public Works Director Brown responded that staff can help by starting the draft, since staff has the numbers that were provided in the report. Staff can submit the draft to you for your review and edit.

Chair Gerbosi agreed and replied that she would like to state, like last year, that the Committee has reviewed the revenue and expenditures and found that the funds were spent consistent with the purpose of the tax. She would also want to address a little of what was discussed in this meeting, the other aspects that the Town is being responsible and preserving sales tax revenues when other funding sources are available.

Public Works Director Brown agreed that staff could help with that request. Staff will take some time to work on this and bring it back to the committee at the end of the month, and anticipates that the Committee could present their report to the Town Council at the March 6 meeting.

February 27<sup>th</sup> was suggested as a potential date for the next committee meeting and Town Clerk Vaughn will coordinate with staff and the committee members to confirm the date.

#### Public Comment

Carol Berg stated that she lives in Mariner Cove and the sidewalk differential is becoming a problem. Is the property owner responsible for fixing sidewalks? Or does the Town make the repairs?

Public Works Director Brown replied that the property owner is responsible for the repairs. But because the Town does have access to multiple funding sources, the Town tries to find a way to help property owners when big projects are going on in the neighborhoods.

#### D. Approval of Minutes of June 15, 2017 Meeting

Chair Gerbosi provided typographical corrections to the Town Clerk.

MOTION: Moved by Howard, seconded by Greenbaum, and approved as amended by the following vote:  
(4-0-1 Ayes: Flahive, Gerbosi, Greenbaum, Howard; Noes: None; Absent: Morton)

To Approve the Minutes of the June 15, 2017 meeting.

#### **4. DISCUSSION OF NEXT MEETING AND ADJOURNMENT**

The next meeting was tentatively scheduled for Tuesday, February 27, 2018 at 4:00pm, pending confirmation of staff and committee availability.

The meeting was adjourned at 5:50p.m. to the next Sales Tax Citizens Oversight Committee meeting, to be tentatively held on February 27, 2018 at 4:00pm.