

MINUTES OF MAY 12, 2020

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 May 12, 2020 at 4:01 p.m.

1. CALL TO ORDER, ROLL CALL AND SALUTE TO THE FLAG:

Chair Gerbosi led in the Pledge of Allegiance.

Committee Members Present Via Videoconference: Committee Members Greenbaum and Spurzem

Committee Members Present Via Teleconference: Chair Gerbosi and Vice Chair Flahive

Committee Members Absent: - None -

Staff Present: Town Manager Todd Cusimano, Finance Director Daria Carrillo, Public Works Director R.J. Suokko, Town Clerk/Assistant Town Manager Rebecca Vaughn and Administrative Analyst Lorena Barrera

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

No member of the public addressed the Committee.

3. GENERAL BUSINESS

A. SUMMARY OF FY 2018-2019 SALES TAX OVERRIDE FUND AND PREPARATION OF ANNUAL REPORT

Chair Karen Gerbosi called for the first item on the agenda and Finance Director Daria Carrillo introduced the item. She went over the summary of the fiscal year 2018-2019 Sales Tax Override Fund reading out the revenues and expenditures accounted for so far. She also pointed out the interest adjustment that was made as recommended by the Town's auditor. Additionally, she noted the expenditures and how she has broken them down by category and by project.

The committee did not have questions on the information provided and proceeded to the next agenda item.

B. CONSIDERATION AND POSSIBLE ACTION TO PROVIDE A RECOMMENDATION TO THE CORTE MADERA TOWN COUNCIL REGARDING FORMATION OF A \$2.5 MILLION EMERGENCY RESERVE AND ITS USES

Finance Director Daria Carrillo went over the item and mentioned that the information does not reflect the entire 2019-2020 fiscal year. She pointed out that at the beginning of the fiscal year, the balance was \$9.6 million and that \$2.5 million of that are part of the informal reserve. She noted that the revenue through April is approximately on budget. The Town has received eight of the 12 payments from the State and said the State is usually behind the actual payment date. Chair Gerbosi asked if the committee should be looking at page 22 from the agenda packet. Carrillo pointed out that the numbers reflected on that page were what was calculated in late February when she was preparing her report for the committee meeting that was scheduled for March and was later cancelled due to COVID-19. She then directed the committee to page 23 which is the staff report for item 3.B. and said that report was written in May. Again she mentioned that as of April, the sales tax is on budget and the payments received from the State, which she said are called "The January Advance" and the "February Advance," bring the sales tax to budget. She then said the State will be sending

what is called “The Cleanup” and that is the payment for the quarter ending March 31st. She informed the committee that is the first quarter where she expects to see how the Town has been impacted due to the COVID-19 emergency. Additionally, she pointed out that although the stores in Town were open through mid-March, an impact should be reflected because the State has allowed small businesses to defer their payments until July. This means that it will be difficult to know what the amounts were supposed to be and we won’t know whether businesses are taking advantage of the State’s loan program which allows them to submit payments over a 12 month period.

Carrillo told the committee that the Town’s sales tax consultant, HdL, estimates that the impact for the whole fiscal year will show approximately \$726,000 less, or an 18.2 percent shortage in Measure F revenue compared to the \$4 million that had originally been budgeted for the 2019-2020 fiscal year and she clarified that estimate doesn’t account for the deferrals or the loan program she mentioned the State is providing for small businesses. She also pointed out that because she is not sure when the payment is really going to be made, the numbers might not be reflected within this fiscal year and might be included in the next fiscal year. On a more positive note, she said that approximately 75 percent of the revenue comes from merchants and vendors and they do not qualify for the State’s programs therefore, the State expects them to pay their sales tax.

Carrillo continued by noting that as of April 30th, approximately 49 percent of the budget, or \$2.58 million, had been expended and she pointed out that the expenditures were broken down by category and by project just like the previous agenda item. She also mentioned that a request for use of an extra \$10,000 for senior programs and an extra \$50,000 for the code enforcement officer for disaster preparedness, will be made to provide some relief to the operating fund. Additionally, there will be a request to formalize the \$2.5 million emergency reserve and to carry over an additional \$2 million for future capital projects along with a request to revise next year’s budget.

Town Manager Todd Cusimano explained that the Town is projecting a \$2.6 million hit to the Town’s overall budget for fiscal year 2019-2020 and a loss of \$3.9 million for 2020-2021. To offset some of that, he mentioned the Town can cut down on some costs and expenditures and also use a portion of the \$2 million reserve.

For the following year, he believes the Town can have a balanced operational budget by pushing back some of the capital improvement projects and moving up some of the Sanitary District projects. Cusimano also mentioned that online purchases are counted in the sales tax and the projections for loss in revenue might be lower than estimated. Additionally, he pointed out that originally, the Town was projecting an estimate of \$2.5 million in revenue at the ½ cent rate and when the rate was increased to the ¾ cent rate, the projection was in the \$3.5 to \$4 million range. However, the economy was doing so well that the actual amount collected was more than originally projected. Therefore, the estimated costs for the capital improvement projects were based off the original projections and there should not be an issue with proceeding with them. He did note that the Town Hall Remodel will be delayed because of the unknown costs and will be brought back to the table around 2022. From this information, he noted that the Town is aware that a hit will be taken and for that reason, the Finance ad Hoc Committee has recommended setting aside a reserve in the amount of \$2.5 million for use during a disaster. He stated that the County has projected a revenue loss in the 18-23 percent range, HdL’s projection is in the 22-26 percent range but the Town is making recommendations based on a projection of a 30 percent revenue loss. If that were the case, the \$2.5 million emergency reserve would be used to offset expenses the Town would need to cover, especially in situations where the Town might not have cash or the County defers property tax payments. He mentioned that the recommendation to the Council should include a definition of what constitutes an emergency. Overall, he is working on preparing the Town financially and he thinks that the recommendation on the emergency reserve and the re-scheduling of capital improvement projects will make a significant impact.

Public Works Director R.J. Suokko added to the conversation by pointing out that rescheduling capital projects allows the Town the opportunity to move up other projects that can be funded through grants or from other earmarked money. He also mentioned the Town

has the ability to partner with other jurisdictions like Mill Valley and work with their staff to work on small repairs in order to save money that would otherwise go to a contractor. Additionally, he noted there are some projects that have already been put out to bid or are already scheduled for construction like the Skunk Hollow Project and the Town dog park. Chair Gerbosi brought up the concern from some residents on why the Town is spending money on projects like the dog park. Finance Director Daria Carrillo added that those types of projects don't require much sales tax funding since Measure A park funds can be used for them. Additionally, if the Town did not use Measure A funds within a certain timeframe, the Town would be required to send the money back.

Committee Member Greenbaum asked if there was a sense on how grants would impact some of these projects. Public Works Director Suokko pointed out that some of the projects that are funded with grant money would not have a major impact because those types of projects have very small budgets. However, staff is working on applying for additional grants. Greenbaum asked if it the re-scheduling of capital projects is going to affect the completion rate for projects Town or affect the productivity of the Town. Public Works Director Suokko said that dollars can be a good unit of measurement but when it comes to productivity, there are some types of work that are easier to do like re-paving a road compared to re-designing a pump station but that does not prevent staff from continuing to work. Staff is always looking for things to improve, projects to complete and staying busy so re-scheduling projects or pushing some of them back actually gives opportunity for other types of work like preventative maintenance. Cusimano added to this by clarifying that pushing back some capital projects can be seen as the funds for the projects being secure but the projects simply being re-scheduled. Greenbaum added that her understanding of the purpose of the tax was to be able to catch up on the necessary capital improvement projects that the Town was behind on but also to put the Town in a more prepared position to deal with disasters. Therefore, from the request of recommending to the Town Council that an emergency reserve fund be created, her understanding is that the recommendation would need to include a definition to what constitutes an emergency.

Chair Gerbosi summarized the discussion by stating that the committee seems to be in agreement that an emergency reserve fund should and can be created with sales tax funds.

Committee Member Spurzem asked for confirmation that the intention of the emergency reserve fund is not to cover the cost of projects like the Town Hall Remodel which is no longer being continued at this time. Cusimano confirmed and stated that the only money that will be spent on the Town Hall Remodel is for the design review process part of the project. Spurzem said he is in agreement with having an emergency reserve but he questioned how one would determine when it is appropriate to use money from that reserve. Cusimano said criteria can be made up and ultimately, it would be up to the Town Council to allow the use of funds from that reserve. Spurzem added his concern that future Councilmembers might assume it is appropriate to use funds from that reserve to cover costs outside of the original intent of the sales tax money and therefore, that would defeat the purpose of the oversight committee. Cusimano said criteria can be included in a resolution so that does not occur.

Town Clerk Rebecca Vaughn said there were some questions from the public.

Fred Casissa asked Town Manager Cusimano how the \$2.5 million recommendation came up and he asked Cusimano whether he feels comfortable with the estimated 18.2 percent shortage in Measure F revenue that was projected by HdL. Lastly, he asked whether curbside retail might improve the situation for the Town and lead to a decrease in the estimate given by HdL.

Cusimano mentioned the analysis was done by calculating payroll costs over a period of many months and estimating how long it might take for the Town to receive federal funds if there was a catastrophic situation. He also acknowledged that the intent of the sales tax money is not to create an emergency reserve fund so in trying to find a balance between all of that information that analysis led to the \$2.5 million. Regarding the projection made by HdL for this fiscal year, he and the Finance Director are comfortable with that number. However, he is not in agreement with the projection for the following years and actually thinks the estimate is too low which is why he and the Finance Director are working on the

assumption the shortage is at 30 percent. He believes the analysis he presented is very conservative and reflects a more accurate representation for the Town. Lastly, he does think that curbside retail will be beneficial to the Town even if there are soft openings by the businesses.

Town Clerk Rebecca Vaughn read a comment from resident Pati Stoliar: "It seems like anytime there is an emergency declaration, the funding could be tapped." Pati Stoliar was able to speak and added that in her opinion, it would seem that a declared emergency gives the Council the ability to use funds from the emergency reserve. Town Manager Todd Cusimano thanked her for her comment and mentioned that as a good point to bring up when establishing the criteria for use of the reserve funds in the future.

Cusimano summarized the discussion by stating that he will work with staff and through Chair Gerbosi to finalize the recommendation that will be presented to the Council for possible approval.

Chair Gerbosi asked whether a vote on the item was necessary. Cusimano said a vote was not required.

Committee Member Greenbaum asked that the committee go back to agenda item 3.A. for direction. Chair Gerbosi asked whether a request for a draft annual report would need to be made by the committee. Town Clerk Rebecca Vaughn confirmed. Chair Gerbosi confirmed the official request.

C. REVIEW AND DISCUSSION OF COVID-19 DISASTER RELIEF GRANT PROGRAMS FOR RESIDENTS AND BUSINESSES

Town Manager Cusimano gave a verbal report. He mentioned that he has limited spending authority through his position. However, the emergency declaration for COVID-19 ratified by the Town Council gave him broad authority. In working with the Council and through the Mayor, he mentioned there were two things that were brought up and those were: assisting small businesses and assisting residents. To assist these groups, a grant opportunity would be provided. For the businesses, the Town partnered with the Chamber of Commerce and the County of Marin to create a disaster relief fund where the Town would provide \$1,000 grants to qualifying businesses. Cusimano mentioned 108 applications have been received so far. He stated that he is recommending to the Council that the funding source for these grants come from the sales tax measure. Cusimano pointed out that although he has authority to spend Town funds, his thought is that any expense of more than \$75,000 should come with feedback from the committee prior to moving forward to the Council. With regard to the assistance of residents, he mentioned that the Town was approached by the Corte Madera Community Foundation with a donation of \$25,000 if the Town were able to match that and therefore, he is also going to approve the use of \$75,000 to go towards that. Therefore, the business and residential community will have access to grants from a pot of \$100,000 each. However, he thinks that to really make a small difference for the business and residential community, each fund should have about \$200,000.

Chair Gerbosi clarified that initially, the Town was providing \$75,000 towards the business grants and \$75,000 for resident assistance but that he was proposing an additional \$100,000 be approved for each so that overall, each fund would have approximately \$200,000 to work with. Cusimano confirmed and summarized the application process currently in place for the business grants. He also mentioned his idea of using rental assistance funds to also assist with mortgage payments. Chair Gerbosi asked if there is a way to determine there aren't multiple people living in the same household applying for assistance and being granted the assistance. Cusimano explained that the information provided by the applicants is being compared to the official records of the Finance Department and the information provided by business owners through their annual business license renewals. For the rental assistance, Chair Gerbosi asked how the information will be verified and Cusimano thought it would be appropriate to compare the applications to the lease agreement for each applicant.

Committee Member Greenbaum mentioned her concerns with all of the lost jobs in the economy and how many residents of Corte Madera have been affected aside from people who worked in Corte Madera but did not reside here. She asked whether the Town would be

able to use the residential assistance fund to help individuals even if those individuals did not live in Town. Cusimano mentioned that at the moment, he wants to make sure the Town can keep its lights on and that the Town also be able assist those who live in our community and have a business in our community. Committee Member Greenbaum asked who is reviewing the applications. Cusimano stated that currently, the business applications are being reviewed by the Chamber and staff and he assumes that something similar will be done on the residential side.

Committee Member Spurzem questioned whether the Town is going to approve grants for businesses that have received assistance, for example from the payroll protection program (PPP). Cusimano pointed out it is still fair to accept applications from businesses even if they've received PPP funding. Staff will evaluate all of the applications and make determinations from that. Spurzem also asked how outreach is conducted. Cusimano mentioned outreach has been conducted for the business grant opportunities and staff is still working on the residential grant fund.

Town Clerk Rebecca Vaughn suggested taking public comment on this item.

Pati Stoliar said when outreach is conducted we make sure the media picks up on it.

Chair Gerbosi mentioned her concern with it being too easy for individuals to be approved for a grant. Cusimano said staff is including questions that would allow staff to determine whether an individual has already received assistance from elsewhere.

D. APPROVAL OF MINUTES OF THE JUNE 4, 2019 MEETING

Chair Gerbosi provided typographical and grammatical corrections.

MOTION: Moved by Greenbaum, seconded by Spurzem, and approved unanimously by the following vote: 4-0-0 (Ayes: Gerbosi, Flahive, Greenbaum, and Spurzem Noes: None; Absent: None)

To approve General Business Item 3.D. as amended.

4. DISCUSSION OF NEXT MEETING AND ADJOURNMENT

The meeting was adjourned at 5:28 p.m. to the next Sales Tax Citizens Oversight Committee meeting tentatively scheduled for Tuesday, June 2, 2020 at 4:00p.m. at Corte Madera Town Hall Council Chambers.