



Staff Report

Date: February 25, 2021
To: Mayor McMillan and Council Members
From: Joe Chinn, Town Manager
Subject: Discussion of Five Year Financial Forecast and Upcoming Budget

Recommendation

This report is information only and for Council discussion related to the financial forecast and upcoming budget.

Background and discussion

The purpose of this report is to provide the Council with an update of the five year financial forecast for the Town's Operating Fund and to discuss the upcoming Fiscal Year 2021-22 budget. The financial forecast projects revenues and expenses over the next fiscal years from Fiscal Year 2020-21 through 2025-26. A financial forecast provides an order of magnitude estimate of revenues and expenses based on current Town policies and State statutes. A financial forecast assists the Council and Town management in understanding the Town's ability to fund the current level of services being provided and determine if it is likely to be sustainable in the future under the current Town revenue structure. The financial forecast assumes the Town provides a similar level of services in the future as it does today – there is no attempt to either increase or decrease the current level of services in order to balance the budget with the financial forecast.

The Town's Operating Fund consists of all the Town's General Fund operational services such as the police, fire, recreation, planning and building, public works staff and operations and maintenance, and general government costs and a transfer out related to capital facilities that are funded by the Facilities Fund. The financial forecast thus includes a significant level of capital expenses coming from the Operating Fund each year including the budgeted transfer of funding to the Facilities Fund. That being said, the Town's facilities are physically and functionally obsolete and have numerous structural deficiencies. In the future significant financial resources will be required to update the facilities which will provide for modern code compliant facilities, better organization functionality, and improved public spaces. The financial forecast also includes an additional contribution of \$200,000 per year to pay down the CalPERS Unfunded Accrued Liability (UAL) and reduce future principal and interest costs of the UAL.

Financial Forecast Results

Current estimates for Fiscal Year Ending 2022 (FYE22) show an estimated Operating Fund surplus of approximately \$9,000 on revenues and expenses of \$8.5 million. Revenues and expenses are anticipated to grow at a similar rate over the five year forecast under current conditions and statutes. This is unlike and an improvement from prior years when expenses were projected to grow at a slightly higher rate than revenues over the five year forecast. In this forecast, the FYE22 slight surplus is anticipated to increase slightly to \$56,000 in FYE26, which is breakeven given the surplus for that year is projected to be less than 1% as a percent of expenses.

Town of Ross Operating Fund Financial Forecast

Item	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023	Projected FYE 2024	Projected FYE 2025	Projected FYE 2026
Total Revenues	\$8,316,000	\$8,478,000	\$8,925,000	\$9,209,000	\$9,506,000	\$9,815,000
Total Expenses	\$8,010,000	\$8,469,000	\$8,885,000	\$9,181,000	\$9,475,000	\$9,759,000
Net Surplus/(Gap)	\$306,000	\$9,000	\$40,000	\$28,000	\$31,000	\$56,000
Surplus/(Gap) as % of Expenses	3.8%	0.1%	0.5%	0.3%	0.3%	0.6%

Any surplus that does materialize in any year would provide the Town the opportunity to help fund the capital improvements related to the outdated facilities, fund a greater portion of the growing CalPERS UAL costs to assist the Town's long-term financial position, or fund one-time project or study costs.

At the end of this report, Figure 1 shows the revenues and expenses by major category and Figure 2 shows a more detailed listing of revenues and expenses from FYE20 through the FYE26 period.

Revenues

The growth rate of revenues has been slowing down the last two years even declining last year with the COVID-19 pandemic. The pandemic has caused a significant decrease in recreation and building revenues. In addition, investment income has experienced annual decreases since FYE19 with a decrease in interest rates. With an overall 2% projected revenue growth in FYE22, the Operating Fund total revenue is expected to return to the FYE19 revenue figure of \$8.5 million. FYE23 is projected to see stronger growth as recreation and building department revenues are anticipated to return back to pre-COVID pandemic levels and property tax revenue is anticipated to have a steady increase in the coming years.

Property taxes are the Town's largest revenue source accounting for 71% of the Town's revenue when including the public safety parcel tax (and 60% without the public safety parcel tax). The property tax share of total revenue has been increasing over time and as recently as FYE19 was 64% of total revenues versus the current 71%. The growth rate in FYE22 and FYE23 is lower than the prior six years. There is anticipated to be a slight increase in the growth rates in FYE24

through FYE26 though still lower than 2013 to 2019 growth rates. The assessed value (and property tax) growth rate are estimated to be 4.2% in FYE21, the 3% range in FYE22 and FYE23, and 3.5% to 4% in the years that follow. The Town receives on average 18.8 cents per every dollar of property tax; the other 81.2 cents goes to the County, Schools, and other public agencies.

Other revenue such as business licenses, franchise, property transfer taxes, sales taxes, and intergovernmental revenue are expected to have slow growth in the coming years (in total 1.0% to 1.5% average annual growth). In most California cities, the two largest revenue sources are property taxes and sales taxes. In the case of Ross, sales tax revenues are very minor (\$65,000 projected this year) because there is little retail or other taxable sales occurring in Ross. Overall, total revenues are projected to increase by approximately 2% next fiscal year and then in FYE23 a robust growth rate of just over 5% with the anticipated recovery of recreation, building, and other revenue sources that declined due to the pandemic. The forecast estimates revenue growth of approximately 3.2% in the years that follow.

The Town's second largest revenue category is building revenues. These revenues along with planning department revenues are primarily charges for service and permits related to development activity, and thus are very volatile and are related to the expenses for those services. Recreation revenues, which are slightly lower than Recreation expenses, are the next largest category of revenues.

Expenses

The projected expenses for FYE21 in the Operating Fund are currently estimated to be \$8.0 million and growing to \$9.8 million by FYE26. The average growth rate of expenses is approximately 4% per year. After a 2% reduction in expenses this year related to department expense reductions tied to reductions in recreation and building department expenses with the pandemic, expenses in FYE22 and FYE23 are anticipated to increase by around 5% as more normalized activity occurs post-pandemic for these services. From FYE24 forward the expense rate growth is anticipated to be a manageable 3% to 3.3% per year.

Wages and benefits comprise approximately 43% of total expenses. Wages are estimated to increase at a 3% to 4% per year level moving forward. Benefits particularly pension and medical have been increasing at higher rates than inflation. For the forecast, medical costs are assumed to increase at a 5% annual rate after FYE20.

Pension rates are anticipated to continue to increase at much higher rates than inflation moving forward. In December 2016, CalPERS lowered the discount rate it anticipates earning on investments from 7.5% to 7.0% per year. The effect of this change is being phased in from FYE19 to FYE25 which initially resulted in adding \$7 million of pension costs to the Town over 30 years. The Town took numerous steps to significantly lower future pension costs over the next 30 years as described below. The Town's pension costs were \$502,000 in FYE20 and are estimated to go to \$764,000 by FYE26 (a 7% average annual increase).

The Town has been aggressive in paying down the CalPERS UAL to reduce long-term costs of CalPERS. The Town's numerous steps to reduce total PERS costs include:

- In June 2016, the Town made an additional \$1 million payment to CalPERS to reduce our UAL debt that saved the Town \$1.2 million of interest costs
- Paid an additional \$200,000 down in FYE17 (saving the 7% to 7.5% interest cost a net savings of over \$200,000)
- Paid an additional \$820,000 down in FYE18 that saved the Town approximately \$720,000 of interest costs over 20 years.
- In FYE19 established a Section 115 Trust through PARS to diversify and reduce long-term pension debt and funded it with \$200,000 the last two fiscal years. The Financial Forecast continues to include \$200,000 additional funding each year related to either continue funding the Section 115 Trust for funding long-term pension cost or directly paying a portion of CalPERS UAL costs to reduce the long-term annual interest charged and thus total CalPERS long-term costs.
- Town has also reduced the amortization schedules for PERS costs from 30 years to 20 years which results in higher costs in the short run but much lower total costs due to significantly less interest paid in the long run.
- Police personnel are paying a 3% portion of the employer share of CalPERS reducing the Town's costs.

The positive news is that these additional steps have reduced the long-term pension costs substantially. The pension costs in FYE22 and FYE25 are approximately \$130,000 lower each year compared to prior forecasts due to the steps we have taken in the last several years to reduce our long-term pension costs. The financial forecast does not take into account further lower future PERS costs due to our future additional paydowns of the UAL. That being said, PERS costs can increase if PERS investment returns fail to reach the 7% investment target or actuarial assumptions are modified that increase costs such as if the assumption is changed for longer life expectancies. Pension costs are volatile and staff anticipates these costs will need to be continually analyzed and updated. Town staff is recommending the Town utilize \$500,000 from our Section 115 Trust this fiscal year to reduce PERS UAL debt further. The benefits of this additional debt reduction will be partially offset next year when PERS rates reflects an approximate 4.5% net investment rate of return last year in future PERS rates to employers (compared to PERS 7% target investment rate of return).

The Town's Other Post-Employment Benefits (OPEB) Retiree Health Care cost went from approximately \$63,000 in recent years to \$0 annually in future years as shown in the financial forecast. The Town maintains a Section 115 trust fund dedicated to prefunding our OPEB costs which we have been advance funding to reduce our unfunded liabilities through the California Employers' Benefit Trust (CERBT) Fund. The Total Compensation Systems (TCS) actuarial study results as of June 30, 2019 show the Town has more money in the CERBT fund than the OPEB Retiree Health liability, thus we have a net OPEB asset. As such, we will fund future ongoing cost of Retiree Healthcare cost straight from the CERBT fund and there is no Operating Fund cost.

Outside services that include contracts with outside firms are another significant cost representing approximately 12% of the Town's costs. Many services are provided to the Town through contracts such as attorney, accounting, audit, building plan check and building official, landscape maintenance, and recreation instructors. There are alternative ways of providing many of these various services such as by staffing or contracting. The Town will continually evaluate

the efficiency, effectiveness, and service levels provided by contracts and staff and at times there may be adjustments of whether to staff or contract. For example, in a prior fiscal year the Town hired a Senior Building Inspector to perform building inspection and some building plan review services which has both saved the Town some money and provided more responsive services to our customers. Following full restoration of building contract services and recreation instructors in the coming fiscal years, the forecast includes a 2.5% annual inflation on outside service costs through FYE26.

The Ross Valley Fire services are provided through the Ross Valley Fire Department (RVFD) JPA and at approximately \$2.2 million annually are 27% of total expenses. These costs increased 1.7% this fiscal year after increasing by over 5% annually each of the four prior fiscal years. Fire service costs are anticipated to increase in the 3.5% annual range in the following years with labor and pension cost increases, which is higher than the assumed 2.5% inflation rate. If the Town does not rebuild the fire station in Ross, the RVFD JPA will need to be renegotiated between the four JPA partners to reflect the new service arrangement with three instead of four fire stations. It is likely the Town will have lower annual operational costs for fire services if there is no Ross fire station.

Financial Forecast Summary

- Current level of services is fundable for the next five years. Small surpluses may be available to help fund capital or one-time expenses.
- The passage of the public safety parcel tax measure (Measure K) in November 2016 stabilized the Town's funding of operations for the next eight year period. The current parcel tax is \$1,069 per parcel and increases each year with CPI. The eight year tax measure expires at the end of FYE25. The financial forecast assumes a new parcel tax will be passed as a successor and in similar amounts to Measure K. If a new public safety operation tax measure is not passed by FYE26, there will be an approximate \$1 million a year shortfall in the Town's operating budget.
- The Town's additional payments to CalPERS and OPEB retiree health care costs have generated significant cost reductions that enhance the Town's financial sustainability in future years.
- Revenue growth which is largely property taxes, service charges, and miscellaneous taxes, franchises, and lease and investment income is anticipated to keep up with expense growth in the next few years. That said, strategies should continue to be developed to improve revenue growth and to reduce the rate of expense growth.

Challenges

- Replacing the physically and functionally obsolete and structurally deficient Town facilities which will need substantial additional funding beyond the approximately \$550,000 annual capital maintenance money included in the fiscal forecast. The cost for the new Town buildings range from \$12.2 million to rebuilding a police station and administrative space for other Town staff to \$28.4 million to also include a new fire station with space for paramedics. The Town anticipates that it will have saved approximately \$7 million to contribute to these costs. Following a Town Council decision in 2021 on which facilities to rebuild, the Town will begin a Facilities Master Plan process to design the facilities. This process will include facility design which will

lead to refining the cost estimates and the development of a funding strategy and defining funding sources for the facility costs. It is likely a future bond measure will be needed to pay for future facilities costs but the more that can be cash funded will both reduce the long-term interest costs and tax needed to fund the costs.

- Pension costs have been growing significantly faster than inflation and the challenge will be finding ways to reduce the growth rate including funding the long-term pension UAL. CalPERS decision to decrease the pension discount rate from 7.5% to 7.0% dramatically increased the future pension costs to all CalPERS entities. The Town has been pro-actively dealing with pension and post-retirement medical costs (OPEB costs) and will have to continue to find ways to reduce total retirement cost increases.
- Fire costs until the current budget year have been growing at a higher rate than inflation and as the Town's largest cost item, there is a need to keep future cost increases closer to the inflation rate. The Town working with the other JPA members will need to find strategies to reduce long-term cost increase while providing effective, efficient fire protection and emergency services for our residents. Additionally, if the Town does not rebuild the fire station in Ross, the RVFD JPA will need to be renegotiated between the four JPA partners to reflect the new service arrangement. In this process, the Town will likely lower its future annual operational costs for fire services with no Ross fire station.
- The current public safety parcel tax (Measure K) expires at the end of FYE25. It is critical that a public safety tax is extended in the future to fund police and fire operational costs.

Budget Schedule

Town staff has already begun the process of preparing the FY 2021-22 budget. A Town Council public hearing workshop on the FY 2021-22 draft budget and Capital Improvement Plan (CIP) will be held on April 29. The CIP represents the capital portion of the upcoming budget. Based on the input received at that workshop, staff will update the budget for a Town Council hearing to be held at the June 10 Council meeting for budget adoption.

The Five Year Financial Forecast is also an important part of the budget process as it provides a longer-term overview of Town finances and ability to fund services next year and the following years. As part of this meeting, staff will be discussing priorities for inclusion in the upcoming budget.

Alternative actions

Informational report only

Environmental review (if applicable) – Not applicable

**FIGURE 1
TOWN OPERATING FUND FINANCIAL FORECAST**

Item	Actual FYE 2020	Budget FYE 2021	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023	Projected FYE 2024	Projected FYE 2025	Projected FYE 2026
Revenues								
Property Taxes	\$4,834,000	\$4,993,000	\$5,007,000	\$5,120,000	\$5,267,000	\$5,443,000	\$5,649,000	\$5,864,000
Public Safety Tax	867,000	893,000	893,000	911,000	933,000	957,000	981,000	1,005,000
Other Taxes	411,000	367,000	390,000	386,000	388,000	391,000	395,000	400,000
Investment Income and Rents	446,000	361,000	326,000	316,000	323,000	337,000	352,000	367,000
Building Revenue	692,000	695,000	665,000	758,000	799,000	839,000	859,000	880,000
Public Works Revenue	90,000	88,000	88,000	89,000	91,000	92,000	94,000	96,000
Planning Revenue	113,000	115,000	160,000	124,000	127,000	130,000	134,000	137,000
Recreation Revenue	575,000	492,000	350,000	506,000	725,000	743,000	762,000	781,000
Other Revenue and Transfers In	182,000	257,000	437,000	268,000	272,000	277,000	280,000	285,000
Total Revenues	\$8,210,000	\$8,261,000	\$8,316,000	\$8,478,000	\$8,925,000	\$9,209,000	\$9,506,000	\$9,815,000
Expenses								
Wages	\$2,265,000	\$2,324,000	\$2,308,000	\$2,375,000	\$2,520,000	\$2,620,000	\$2,712,000	\$2,807,000
Benefits	1,056,000	1,135,000	1,116,000	1,199,000	1,268,000	1,331,000	1,396,000	1,445,000
Outside Services	695,000	1,034,000	872,000	1,030,000	1,076,000	1,103,000	1,130,000	1,159,000
Ross Valley Fire Department	2,125,000	2,162,000	2,162,000	2,237,000	2,315,000	2,396,000	2,480,000	2,566,000
Other Services, Supplies, Debt	788,000	807,000	759,000	849,000	906,000	930,000	954,000	978,000
Pension UAL Trust optional payment	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Expenses and Transfer Out	1,041,000	582,000	593,000	579,000	600,000	601,000	603,000	604,000
Total Expenses	\$8,170,000	\$8,244,000	\$8,010,000	\$8,469,000	\$8,885,000	\$9,181,000	\$9,475,000	\$9,759,000
Net Surplus/(Gap)	\$40,000	\$17,000	\$306,000	\$9,000	\$40,000	\$28,000	\$31,000	\$56,000
Surplus/(Gap) as a % of Expenses	0.5%	0.2%	3.8%	0.1%	0.5%	0.3%	0.3%	0.6%

**FIGURE 2
TOWN OPERATING FUND FINANCIAL FORECAST**

Item	Actual FYE 2020	Budget FYE 2021	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023	Projected FYE 2024	Projected FYE 2025	Projected FYE 2026
REVENUES								
Property Taxes								
Property Tax	\$ 4,094,934	\$ 4,250,000	\$ 4,265,000	\$ 4,370,000	\$ 4,501,100	\$ 4,658,639	\$ 4,844,984	\$ 5,038,783
Property Tax In Lieu Vehicle Lic. Fee	296,161	308,000	307,282	315,000	324,450	335,806	349,238	363,207
Property Tax - Excess ERAF Funds	443,182	435,000	435,000	435,000	441,525	448,148	454,870	461,693
Subtotal	4,834,277	4,993,000	5,007,282	5,120,000	5,267,075	5,442,592	5,649,092	5,863,684
Public Safety Tax	866,932	893,033	893,079	910,655	933,421	956,757	980,676	1,005,193
Other Taxes								
Business Licenses	39,634	40,000	38,000	40,000	40,400	40,804	41,212	41,624
Sales Tax	64,412	50,000	65,000	65,000	66,300	67,626	68,979	70,358
Franchise - Cable TV	58,448	50,000	50,000	46,000	43,000	40,000	38,000	38,000
Franchise - Marin Sanitary Service	111,041	109,000	114,000	117,000	119,925	122,923	125,996	129,146
Franchise - PG&E	37,877	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Real Property Transfer Tax	99,216	80,000	85,000	80,000	80,800	81,608	82,424	83,248
Subtotal	410,628	367,000	390,000	386,000	388,425	390,961	394,611	400,377
Intergovernmental Revenue								
Marin County Measure A Parks	20,184	15,400	19,897	20,000	20,400	20,808	21,224	21,649
Marin Wildfire JPA	-	106,000	108,330	110,500	113,263	116,094	118,996	121,971
Marin Zero Waste Grant	9,115	9,000	9,186	9,000	9,000	9,000	9,000	9,000
Homeowner Property Tax Relief	17,875	18,000	17,547	17,700	17,700	17,700	17,700	17,700
Intergovernmental - Other	-	-	50,000	-	-	-	-	-
Prop 172 1/2 Cent Sales Tax	22,719	18,000	18,000	21,000	21,420	21,848	22,285	22,731
State Vehicle License Fee	1,999	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Subtotal	71,892	167,600	224,160	179,400	182,983	186,650	190,406	194,251
Investment Income and Rents								
Interest/Change in Value	207,894	115,000	75,000	60,000	60,000	70,000	80,000	90,000
Rental Income - Cellular	113,377	117,000	121,603	122,500	124,338	126,203	128,096	130,017
Rental Income - Post Office	124,912	129,283	129,283	133,800	138,491	141,261	144,086	146,968
Subtotal	446,183	361,283	325,886	316,300	322,829	337,463	352,182	366,985
Planning Revenue								
Planning Application Fees	94,326	95,000	130,000	100,000	102,500	105,063	107,689	110,381
Planning Construction Review	18,425	20,000	30,000	24,000	24,600	25,215	25,845	26,492
Subtotal	112,751	115,000	160,000	124,000	127,100	130,278	133,534	136,873
Building Revenue								
Appeal Fees	-	5,000	1,800	-	-	-	-	-
Building Permits	405,920	320,000	320,000	360,000	380,000	400,000	410,000	420,250
Building Plan Review	112,689	224,000	224,000	252,000	266,000	280,000	287,000	294,175
Building - BSASRF & SMIP	4,900	4,000	4,000	4,000	4,100	4,203	4,308	4,415
SB-1186 Disability Access Fees	952	1,200	1,000	1,200	1,230	1,261	1,292	1,325
Resale Inspections	35,179	32,000	35,000	35,000	35,350	35,704	36,061	36,421
Fee Program Administration	33,462	19,000	14,000	23,000	24,000	25,000	25,625	26,266
Records Management & Retention	9,051	10,000	5,000	8,000	8,000	8,000	8,000	8,000
Technology Surcharge Fees	89,421	80,000	60,000	75,000	80,000	85,000	87,125	89,303
Subtotal	691,574	695,200	664,800	758,200	798,680	839,167	859,410	880,155
Public Works Revenue								
Earth Grading Permits	729	1,000	1,000	1,000	1,025	1,051	1,077	1,104
Encroachments	42,627	40,000	40,000	40,000	40,400	40,804	41,212	41,624
Public Works Plan Review	9,455	7,000	10,000	10,000	10,250	10,506	10,769	11,038
Ross School - Ross Common maint	21,000	21,600	21,600	22,000	22,550	23,114	23,692	24,284
Tree Removal Permits	16,513	18,000	15,000	16,000	16,400	16,810	17,230	17,661
Subtotal	90,324	87,600	87,600	89,000	90,625	92,285	93,980	95,711

FIGURE 2
TOWN OPERATING FUND FINANCIAL FORECAST

Item	Actual FYE 2020	Budget FYE 2021	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023	Projected FYE 2024	Projected FYE 2025	Projected FYE 2026
REVENUES								
Police Revenue	50,483	43,700	175,700	45,700	46,157	46,619	47,085	47,556
Recreation Revenue								
Kids Classes	584,715	480,000	350,000	500,000	720,000	738,000	756,450	775,361
Other	11,373	29,300	12,000	23,000	28,000	28,700	29,418	30,153
Credit Card Fees	(21,512)	(17,000)	(12,000)	(17,000)	(23,000)	(23,575)	(24,164)	(24,768)
Subtotal	574,576	492,300	350,000	506,000	725,000	743,125	761,703	780,746
Miscellaneous								
Contributions	-	-	-	-	-	-	-	-
Miscellaneous	3,642	3,500	1,000	1,000	1,000	1,000	1,000	1,000
Permits - Film	8,766	1,000	2,000	1,000	1,000	1,000	1,000	1,000
Permits - Special Events	815	1,000	-	500	500	500	500	500
Reimbursement for Town Costs	16,712	10,000	5,000	10,000	10,250	10,506	10,769	11,038
Subtotal	29,935	15,500	8,000	12,500	12,750	13,006	13,269	13,538
Total revenues before transfers in	8,179,555	8,231,216	8,286,507	8,447,755	8,895,044	9,178,903	9,475,948	9,785,067
Transfers In - General Plan Fund	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Revenues	8,209,555	8,261,216	8,316,507	8,477,755	8,925,044	9,208,903	9,505,948	9,815,067
EXPENSES								
Wages	2,264,530	2,323,677	2,307,987	2,374,670	2,519,657	2,620,443	2,712,159	2,807,084
Pension - Normal Cost	219,789	268,028	268,028	263,034	270,046	279,497	289,280	299,405
Pension - Unfunded Liab. Cost	282,253	305,189	305,189	347,049	387,600	418,600	450,600	464,600
Medical	252,858	260,860	253,013	272,471	286,095	300,399	315,419	331,190
OPEB-Retiree Health Care	-	-	-	-	-	-	-	-
Employee Benefits - Other	301,508	301,171	289,436	316,823	324,744	332,862	341,184	349,713
Subtotal	3,320,938	3,458,925	3,423,653	3,574,047	3,788,141	3,951,802	4,108,642	4,251,993
Outside Services	695,252	1,034,158	871,887	1,030,045	1,075,796	1,102,691	1,130,258	1,158,515
Ross Valley Fire Department	2,125,214	2,161,757	2,161,757	2,236,500	2,314,778	2,395,795	2,479,648	2,566,435
Memberships & Organizations	76,765	75,484	67,578	82,248	84,304	86,412	88,572	90,786
Rent	26,632	32,373	19,321	31,500	32,288	33,095	33,922	34,770
Repairs and Maintenance	326,808	317,400	337,015	343,200	351,780	360,575	369,589	378,829
Vehicles	26,335	28,900	25,900	26,900	27,573	28,262	28,968	29,693
Insurance	82,305	90,000	92,330	95,000	98,325	101,766	105,328	109,015
Other (miscellaneous)	239,108	253,346	207,715	260,366	301,875	309,422	317,158	325,087
Debt Service	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
PERS Arrears	-	-	-	-	-	-	-	-
Capital Expenditures	40,580	31,950	42,975	29,450	50,000	51,250	52,531	53,845
Subtotal	3,848,999	4,235,368	4,036,478	4,345,209	4,546,718	4,679,267	4,815,974	4,956,973
Total expenses before transfers	7,169,937	7,694,293	7,460,131	7,919,256	8,334,859	8,631,068	8,924,616	9,208,966
Transfers to Facilities & Equip Fund	1,000,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000
Total Expenses	8,169,937	8,244,293	8,010,131	8,469,256	8,884,859	9,181,068	9,474,616	9,758,966
Net surplus (gap)	\$ 39,618	\$ 16,923	\$ 306,376	\$ 8,499	\$ 40,185	\$ 27,834	\$ 31,332	\$ 56,101

**FIGURE 3
TOWN OPERATING FUND FINANCIAL FORECAST**

	Actual FYE2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023	Projected FYE 2024	Projected FYE 2025	Projected FYE 2026
REVENUES							
Property Taxes							
Property Tax	3.8%	4.2%	2.5%	3.0%	3.5%	4.0%	4.0%
Property Tax In Lieu Vehicle Lic. Fee	5.5%	3.8%	2.5%	3.0%	3.5%	4.0%	4.0%
Property Tax - Excess ERAF Funds	13.8%	-1.8%	0.0%	1.5%	1.5%	1.5%	1.5%
<i>Subtotal</i>	4.7%	3.6%	2.3%	2.9%	3.3%	3.8%	3.8%
Public Safety Tax							
	3.6%	3.0%	2.0%	2.5%	2.5%	2.5%	2.5%
Other Taxes							
Business Licenses	-5.0%	-4.1%	5.3%	1.0%	1.0%	1.0%	1.0%
Sales Tax	-14.7%	0.9%	0.0%	2.0%	2.0%	2.0%	2.0%
Franchise - Cable TV	4.9%	-14.5%	-8.0%	-6.5%	-7.0%	-5.0%	0.0%
Franchise - Marin Sanitary Service	11.7%	2.7%	2.6%	2.5%	2.5%	2.5%	2.5%
Franchise - PG&E	9.5%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Property Transfer Tax	19.7%	-14.3%	-5.9%	1.0%	1.0%	1.0%	1.0%
<i>Subtotal</i>	5.3%	-5.0%	-1.0%	0.6%	0.7%	0.9%	1.5%
Intergovernmental Revenue							
Marin County Measure A Parks	0.4%	-1.4%	0.5%	2.0%	2.0%	2.0%	2.0%
Marin Wildfire JPA	0.0%	100.0%	2.0%	2.5%	2.5%	2.5%	2.5%
Zero Waste Grant	-0.3%	0.8%	-2.0%	0.0%	0.0%	0.0%	0.0%
Homeowner Property Tax Relief	0.1%	-1.8%	0.9%	0.0%	0.0%	0.0%	0.0%
Intergovernmental - Other	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prop 172 1/2 Cent Sales Tax	-2.6%	-20.8%	16.7%	2.0%	2.0%	2.0%	2.0%
State Vehicle License Excess Fee	64.0%	-40.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Subtotal</i>	-9.2%	211.8%	-20.0%	2.0%	2.0%	2.0%	2.0%
Investment Income and Rents							
Interest/Change in Value	-14.3%	-63.9%	-20.0%	0.0%	16.7%	14.3%	12.5%
Rental Income - Cellular	1.8%	7.3%	0.7%	1.5%	1.5%	1.5%	1.5%
Rental Income - Post Office	3.8%	3.5%	3.5%	3.5%	2.0%	2.0%	2.0%
<i>Subtotal</i>	-6.0%	-27.0%	-2.9%	2.1%	4.5%	4.4%	4.2%
Planning							
Planning Application Fees	7.8%	37.8%	-23.1%	2.5%	2.5%	2.5%	2.5%
Planning Construction Review	-13.0%	62.8%	-20.0%	2.5%	2.5%	2.5%	2.5%
<i>Subtotal</i>	3.7%	41.9%	-22.5%	2.5%	2.5%	2.5%	2.5%
Building Department Revenue							
Construction Penalties	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Building Permits	-2.3%	-21.2%	12.5%	5.6%	5.3%	2.5%	2.5%
Building Plan Review	-63.2%	98.8%	12.5%	5.6%	5.3%	2.5%	2.5%
Building - BSASRF & SMIP	19.0%	-18.4%	0.0%	2.5%	2.5%	2.5%	2.5%
SB-1186 Disability Access Fees	-41.0%	5.0%	20.0%	2.5%	2.5%	2.5%	2.5%
Resale Inspections	-3.2%	-0.5%	0.0%	1.0%	1.0%	1.0%	1.0%
Fee Program Administration	19.7%	-58.2%	64.3%	4.3%	4.2%	2.5%	2.5%
Records Management & Retention	7.0%	-44.8%	60.0%	0.0%	0.0%	0.0%	0.0%
Technology Surcharge Fees	0.4%	-32.9%	25.0%	6.7%	6.3%	2.5%	2.5%
<i>Subtotal</i>	-22.5%	-3.9%	14.0%	5.3%	5.1%	2.4%	2.4%
Public Works Revenue							
Earth Grading Permits	0.0%	37.2%	0.0%	2.5%	2.5%	2.5%	2.5%

FIGURE 3
TOWN OPERATING FUND FINANCIAL FORECAST

	Actual FYE2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023	Projected FYE 2024	Projected FYE 2025	Projected FYE 2026
Encroachments	-41.0%	-6.2%	0.0%	1.0%	1.0%	1.0%	1.0%
Public Works Plan Review	61.3%	5.8%	0.0%	2.5%	2.5%	2.5%	2.5%
Ross School - Ross Common maint	0.0%	2.9%	1.9%	2.5%	2.5%	2.5%	2.5%
Tree Removal Permits	-49.9%	-9.2%	6.7%	2.5%	2.5%	2.5%	2.5%
Subtotal	-22.5%	-3.0%	1.6%	1.8%	1.8%	1.8%	1.8%
Police Revenue	-5.4%	248.0%	-74.0%	1.0%	1.0%	1.0%	1.0%
Recreation Revenue							
Kids Classes	-26.0%	-40.1%	42.9%	44.0%	2.5%	2.5%	2.5%
Other	-52.9%	5.5%	91.7%	21.7%	2.5%	2.5%	2.5%
Credit Card Fees	-9.6%	-44.2%	41.7%	35.3%	2.5%	2.5%	2.5%
Subtotal	-34.3%	-39.1%	44.6%	43.3%	2.5%	2.5%	2.5%
Miscellaneous							
Miscellaneous	19.4%	-72.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Permits - Film	460.5%	-77.2%	-50.0%	0.0%	0.0%	0.0%	0.0%
Permits - Special Events	15.0%	-100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Reimbursement for Town Costs	95.4%	-70.1%	100.0%	2.5%	2.5%	2.5%	2.5%
Subtotal	115.8%	-73.3%	56.3%	2.0%	2.0%	2.0%	2.0%
Total revenues before transfers in	-3.3%	1.3%	1.9%	5.3%	3.2%	3.2%	3.3%
Transfers In from General Plan Fund	-25.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenues	-3.4%	1.3%	1.9%	5.3%	3.2%	3.2%	3.3%
EXPENSES							
Wages	5.1%	1.9%	2.9%	6.1%	4.0%	3.5%	3.5%
Pension - Normal Cost	3.0%	21.9%	-1.9%	2.7%	3.5%	3.5%	3.5%
Pension - Unfunded Liab. Cost	3.1%	8.1%	13.7%	11.7%	8.0%	7.6%	3.1%
Medical	-11.5%	0.1%	7.7%	5.0%	5.0%	5.0%	5.0%
OPEB-Retiree Health Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee Benefits - Other	-3.2%	-4.0%	9.5%	2.5%	2.5%	2.5%	2.5%
Subtotal	2.6%	3.1%	4.4%	6.0%	4.3%	4.0%	3.5%
Outside Services	-34.0%	25.4%	18.1%	4.4%	2.5%	2.5%	2.5%
Ross Valley Fire Department	5.2%	1.7%	3.5%	3.5%	3.5%	3.5%	3.5%
Memberships & Organizations	2.0%	-12.0%	21.7%	2.5%	2.5%	2.5%	2.5%
Rent	-15.2%	-27.5%	63.0%	2.5%	2.5%	2.5%	2.5%
Repairs and Maintenance	-11.6%	3.1%	1.8%	2.5%	2.5%	2.5%	2.5%
Vehicles	-12.8%	-1.7%	3.9%	2.5%	2.5%	2.5%	2.5%
Insurance	-5.2%	12.2%	2.9%	3.5%	3.5%	3.5%	3.5%
Other (miscellaneous)	11.8%	-13.1%	25.3%	15.9%	2.5%	2.5%	2.5%
Debt Service	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PERS UAL optional payments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Expenditures	-59.7%	5.9%	-31.5%	69.8%	2.5%	2.5%	2.5%
Subtotal	-8.2%	4.9%	7.6%	4.6%	2.9%	2.9%	2.9%
Total expenses before transfers	-3.48%	4.05%	6.15%	5.25%	3.55%	3.40%	3.19%
Transfers to Facilities & Equip Fund	150.00%	-45.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Expenses	4.36%	-1.96%	5.73%	4.91%	3.33%	3.20%	3.00%