



THE CITY OF
NOVATO
CALIFORNIA

SPECIAL MEETING

AGENDA MEASURE F OVERSIGHT/CITIZENS FINANCE COMMITTEE

Thursday, August 22, 2013: 7:30AM – 9:00AM
75 ROWLAND WAY #200
ATHERTON CONFERENCE ROOM

A. Call to Order

B. Approval of Final Agenda

C. Public Comment

(Anyone wishing to speak on non-agenda items will be recognized at this time. These items can legally have no action as they are not on the agenda. There is a three minute time limit.)

D. Committee Organizational Items

D-1: Approval of July 10, 2013 Meeting Minutes

E. General Business

(Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three minute time limit for public comment per item.)

| <i>Time</i> | <i>Item/Attachments</i> | <i>Purpose and Actions</i> |
|-------------|---|--|
| 15 minutes | E-1: City Council/Executive Staff Committee Recommendations: Boards, Commissions and Committees (BCCs)-Presentation by City Clerk, Sheri Hartz Staff report attached | <i>Provide feedback on recommendations</i> |
| 10 minutes | E-2: Discuss extending Shop Local/Novato Campaign from September 1, 2013-January 31, 2014 with a budget of \$75,000-Presentation by Economic Development Manager, Chris Stewart Handout provided at meeting | <i>Discussion and possible action.</i> |
| 10 minutes | E-3: Discuss marketing campaign to attract Bio/Life Science companies and jobs with a \$250,000 commitment from the City-Presentation by Economic Development Manager Chris Stewart Handout provided at meeting | <i>Discussion and possible action.</i> |

| | | |
|------------|---|--|
| 45 minutes | E-2: Review 2013-2014 Measure F Annual Report Draft report attached | <i>Provide feedback to staff on Annual Report.</i> |
| 10 minutes | E-3: Fiscal Sustainability Process Update and Next Steps | <i>Information Item. No action.</i> |

F. Committee / Staff Comments

G. Adjournment

Attachments:

1. July 10, 2013 Meeting Minutes
2. BCCs Recommendation Staff Report
3. Draft Measure F Annual Report 2013-2014

AFFIDAVIT OF POSTING

I, Carla Hansen certify that on August 15, 2013, I caused to be posted the agenda of the Thursday, August 22, 2013 meeting of the Measure F Oversight/Citizens Finance Committee of the City of Novato, California, on the City of Novato Community Service Boards in City Hall and the Police Department.

/Carla Hansen/
Management Analyst



SPECIAL MEETING

Minutes

MEASURE F OVERSIGHT/CITIZENS FINANCE COMMITTEE

THE CITY OF
NOVATO
CALIFORNIA

Wednesday, July 10, 2013: 6:30PM – 9:30PM
NOVATO CITY HALL, CITY COUNCIL CHAMBERS, 901 SHERMAN AVE

A. Call to Order

The meeting was called to order at 6:05 P.M. In attendance were:

Committee members: Cris MacKenzie, David Bentley, Caitrin Devine, Al Berson, Bob Scott and Bob Ratto. Robert Jordan was absent.

City Staff: Michael Frank, Cathy Capriola, Brian Cochran and Carla Hansen

B. Approval of Final Agenda

The agenda was approved unanimously.

C. Public Comment

(Anyone wishing to speak on non-agenda items will be recognized at this time. These items can legally have no action as they are not on the agenda. There is a three minute time limit.)

There was no public comment.

D. Committee Organizational Items

D-1: Approval of May 16, 2013 Meeting Minutes

The meeting minutes were approved unanimously with a minor editorial change.

D-2: Approval of June 20, 2013 Meeting Minutes

The meeting minutes were approved unanimously.

E. General Business

(Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three minute time limit for public comment per item.)

| <i>Time</i> | <i>Item/Attachments</i> | <i>Purpose and Actions</i> |
|--|--|---|
| 15 minutes | <i>E-1: Measure F Expenditure – Increase Hamilton Base Reuse Director position</i> Increase position from 0.5 FTE to 1.0 FTE effective 7/1/2013. City Manager taking recommendation to the City Council on June 23, 2013. Staff will provide a verbal report to the Committee. | Provide input to staff for Council communication |
| <i>M. Frank updated the Committee on Hamilton Base Reuse projects Scott Ward, Director is working on. M. Frank answered questions from the Committee about progress on the projects and the position's compensation. The Committee voted 5-0-1 to recommend increasing the Hamilton Reuse Director position from 5.0 FTE to 1.0 FTE. Committee member Berson abstained and Committee member Jordan was absent.</i> | | |
| 2 hours and 45 minutes | <i>E-2: Fiscal Sustainability Plan and Options Tool Discussion, Deliberation and Recommendation to the City Council</i> Recap of Council and Town Hall meetings and staff's efforts on fiscal sustainability since the last meeting. (10 minutes) | Discussion and deliberation on Fiscal Sustainability Plan and Options Tool. |

| | | |
|---|---|---|
| | <p>City Manager Recommended Scenario – Brief presentation by the City Manager regarding the rationale for his recommended scenario. Questions and discussion. (30 minutes)</p> <p>Committee Member present their individual preferred fiscal sustainability scenarios; 5 minutes for each member. (35 minutes)</p> <p>Staff presentation of Committee’s compiled preferences and “composite” options based on Committee Member’s preferred scenarios to help focus the discussion and deliberation. Committee discussion of options and alternatives. (1 hour)</p> <p>Committee final deliberation and recommendation(s) (30 minutes)</p> | <p>Committee provides staff with recommendation to City Council</p> |
| <p><i>Staff and Committee Chair MacKenzie guided the Committee’s discussion on the Fiscal Sustainability Plan and Options Tool. Staff answered questions from the Committee. Each Committee member shared their FS preferred option. The discussions lead to the Committee recommending a preferred FS Plan to the City Council. Although there was not a consensus decision, there was majority support for most components of a preferred scenario. The recommendation was summarized in a memo to the City Council and uploaded to the City’s website.</i></p> | | |

F. Committee / Staff Comments

There were no additional comments.

G. Adjournment

The meeting was adjourned at 9:05 P.M.



THE CITY OF
NOVATO
CALIFORNIA

75 Rowland Way #200
Novato, CA 94945-3232
(415) 899-8900
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www.novato.org

STAFF REPORT

MEETING

DATE: June 11, 2013

TO: City Council

FROM: Mayor Pat Eklund
Councilmember Madeline Kellner
Bob Brown, Community Development Director
Pam Shinault, Parks, Recreation and Community Services Director
Sheri Hartz, City Clerk

SUBJECT: **CITY COUNCIL/EXECUTIVE STAFF COMMITTEE RECOMMENDATIONS:
BOARDS, COMMISSIONS AND COMMITTEES (BCCs)**

REQUEST

Review the staff report and provide input to the Committee on its recommendations for improving the working relationship between Council and the City’s Boards, Commissions and Committees and improving the recruitment, training and orientation processes for BCC members.

RECOMMENDATION

Review the report and provide input.

DISCUSSION

In early 2012, Council met in a series of retreats to discuss Council procedures and policies in order to improve the Council’s efficiency and effectiveness, to explore the roles and expectations of the Mayor, Council Members, and staff and to propose revisions to the Council Policy Manual where appropriate. At those retreats, a number of themes rose to the surface that Council and staff wanted to address in greater depth. Three committees were formed, consisting of two Councilmembers each, along with two or three members of the Executive Management team. They were to meet a few times and brainstorm on the topics, gather understanding, look at best practices, and then report their findings to the entire Council.

One of the themes identified for committee exploration was evaluating the roles and effectiveness of the City’s BCCs. The City has established BCCs to provide policy advice to Council. Each is advisory only, unless otherwise specified in the ordinance or resolution by which the BCC was established.

| |
|---|
| Novato City Council Agenda Staff Report Date: _____ File No. _____ |
|---|

The committee met on three occasions, identified the top issues hampering the effectiveness of BCCs and drafted the following recommendations.

ISSUE: Recruitment, Assessment, Appointment and Retention of Members.

Vacancies on BCCs are often difficult to fill, or only one person will apply for an opening. New appointees sometimes do not fully appreciate the commitment, which results in frequent absences or premature resignation. Incumbents have been reappointed as a matter of course, and not evaluated along with the new applicants.

Recommendations:

- Make information available to applicants on what it means to be a Commissioner, what the roles and responsibilities are and what the charge of the specific BCC is, to assure that they fully appreciate what they are undertaking.
- Recruit potential applicants from a broader base: reach out to HOAs, environmental groups, booster's clubs, Mother's Club, sports leagues, Rotary, Soroptimist, Kiwanis, Rotaract, etc.
- Determine whether current appointment process is adequate – refresh applications and update interview questions.
- Continue new process of interviewing incumbents – ask them why they wish to be reappointed, get a sense of their interest and level of participation.
- Enforce existing rules about meeting attendance
- Refresh Council's understanding of the Council policy in place for removal of Commissioners where necessary.

ISSUE: Training/Orientation of Appointees

Training of new commissioners has been inconsistent to non-existent. Some BCCs do a better job than others of training and providing orientation.

Recommendations:

- Create a Guide for Boards and Commissions, to include information on Brown Act, the duty to file Form 700, Conflicts of Interest, Ethics, Roberts Rules of Order, etc. to be issued upon appointment and posted on the City's website.
- Conduct a general orientation meeting for new appointees and invite incumbents. Include City Clerk, City Attorney, City Manager and Department Heads. Mayor to attend and make brief comments on the importance of BCCs. Hold a short session at the end for new chairs on Parliamentary Procedure.
- Seek training opportunities for BCC members, especially Planning Commissioners i.e. online education, planning conferences.
- Have department heads or designees attend commission meetings and give short presentations on what they are working on.
- City Manager to give Government Basics presentation on an annual basis to assist Commissioners in understanding how the City conducts business, its structure and the strategic plan.
- BCCs invite the Mayor and/or Mayor Pro Tem to one of their regular meetings to give a brief presentation.

ISSUE: Fostering Interaction Between Council and BCC Members

BCC members have felt disconnected from the Council and City business, and would like more interaction with Councilmembers. Council is not always aware of the activities of BCCs and would like a more collaborative relationship with them.

Recommendations:

- Hold quarterly lunch meetings to include City Manager, Chairs of BCCs and rotating Councilmembers (2 per meeting). Invite Vice-Chairs if Chairs not available. At each meeting, each Chair will provide a brief (three minute) report on the BCC's activities. The City will provide a modest lunch.
- Consider hosting an annual social event for all BCC members, Council and Executive staff. Determine what the event will be, and whether to allocate budget and staff resources to it.
- Enforce annual reporting requirement for all BCCs. Have the item agendaized for Council, and the entire Board in attendance, with the Chair presenting the report.
- Feature each BCC in the Our Town Newsletter to highlight their work and accomplishments.
- Develop a mechanism for interaction with Novato appointees to other agency's boards (Aviation Commission, Council on Aging, NPAT and Mosquito and Vector Control District), such as inviting them to give brief updates to Council twice year at a Council meeting.

FISCAL IMPACT

None.

ALTERNATIVES

Propose alternative recommendations or strategies.

ATTACHMENTS

1. Sample Table of Contents for Proposed Boards and Commissions Guide



THE CITY OF
NOVATO
CALIFORNIA

Board, Commission and Committee Member Guide

Table of Contents

Chapter 1: Introduction: Participation Information

- Purpose for Advisory Bodies
- Application Process
- How Appointments are Made

Chapter 2: Council Policy on Establishment and Appointment of Boards, Commissions and Committees

Chapter 3: The Ralph M. Brown Act (Open and Public Meetings)

Chapter 4: The Public Records Act

Chapter 5: Meetings

- Quorum
- Agendas
- Meeting Types
- Regular Meetings/Special Meetings
- Adjournment or Continuance
- E-Mail Communications
- Role and Responsibilities of the Chair

Chapter 6: Conflict of Interest

Chapter 7: By-Laws and Robert's Rules of Order

Chapter 8: City Council Adopted Strategic Plan



MEASURE F OVERSIGHT COMMITTEE

FY 2012-2013 ANNUAL REPORT

September 24, 2013

COMMITTEE MEMBERS

Cris MacKenzie,
(Chair)

David Bentley,
(Vice-Chair)

Alan Berson

Caitrin Devine

Robert Jordan

Robert Ratto

Robert Scott



City of Novato



DRAFT

September 12, 2013

Dear Novato City Council,

The Measure F Oversight / Citizens Finance Committee is pleased to submit this annual report for the Fiscal Year ending June 30, 2013.

As you are aware, the City has been engaged in a detailed and thorough research and development phase for the long-term fiscal sustainability of Novato, culminating in the release of the draft Fiscal Sustainability Plan and the web-based Fiscal Sustainability Options Tool in June 2013. The Committee is heartened by the progress made thus far and feels that the Plan represents a solid foundation upon which to make some critical and long-term decisions.

The Committee would encourage any interested Novato residents to navigate to the City's website at www.novato.org and view the extensive set of web pages on Fiscal Sustainability to educate themselves about the process and the information developed thus far. Residents can view all of the past City Council work sessions, read the Fiscal Sustainability plan for themselves, utilize the Options Tool to run their own scenarios, and access a variety of other resources related to the Fiscal Sustainability program. The past year has been highly educational for anybody who has followed these discussions in detail, and the Committee feels that having as many informed residents as possible will make for a more collaborative and community-supported decision.

With all of the above said, the Committee recognizes that, as of this writing, the City Council has yet to formally adopt a fiscal sustainability plan. The Committee would encourage the Council to do so as soon as possible. One significant reason for this is that the Committee realizes that there are still major decisions to be made about the future uses of Measure F, and we believe that having a long-term plan in place will help to inform those decisions. We look forward to being involved in future discussions about additional ways in which Measure F dollars can help move the City forward, both in terms of ensuring long-term sustainability and enhancing quality of life for Novato residents via the key priority areas of Measure F.

Sincerely,

Measure F Oversight / Citizens Finance Committee

DRAFT

Submittal of Report

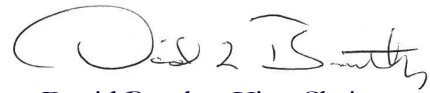
The Measure F Oversight/Citizens Finance Committee has reviewed the allocations, expenditures and appropriations of the Measure F tax revenue. It is the Committee's opinion that all such revenues have been allocated, appropriated and spent consistent with the intent and purpose of the Measure F Ordinance 1551, which governs the tax.

The FY 2012-13 Measure F Annual Report was reviewed and approved by the Measure F Oversight Committee at its meeting on September 12, 2013.

The report is hereby submitted to the Novato City Council.

Respectfully submitted,


Cris Mackenzie, Chair


David Bentley, Vice-Chair

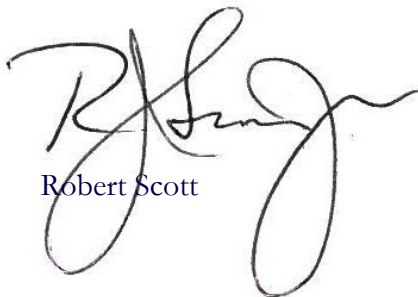

Alan Berson


Caitrin Devine

DRAFT


Robert Jordan


Robert Ratto


Robert Scott

Measure F Background

On July 27, 2010, the Novato City Council adopted Ordinance No. 1551 which approved the placement of a 5-year ½ cent local sales and use tax increase before the voters. The Measure F ballot measure was placed on the November 2010 ballot to ask Novato residents to maintain vital city services during difficult economic times. The ballot language outlined that the funds were to (1) offset and prevent additional budget cuts and (2) maintain and restore vital general city services. The actual Measure F ballot language is included below:

“To offset/prevent additional budget cuts and maintain/restore vital general city services including, and not limited to: neighborhood police patrols, crime prevention programs, 9-1-1 response times; city street/pothole repair; park maintenance; preventing closure or elimination of youth and senior centers/services, shall the City of Novato enact a half-cent sales tax for 5 years, with review by a citizen committee, annual independent audits, and all funds spent locally for the benefit of Novato citizens?”



Measure F was approved by the Novato voters in the November 2010 election. The tax increase took effect on April 1, 2011 and will sunset on March 31, 2016.

As a general tax measure, the revenues are not legally designated to fund particular programs or services and, therefore, can be spent on any City operation. However, the ballot measure identified “priority focus” areas where Measure F revenues would likely be spent. These priority areas of focus included:

1. Enhance Neighborhood Services and Public Safety
2. Support Seniors, Youths and Families
3. Reinvest in Park and Street Maintenance
4. General City Services

As mentioned previously, the tax increase became effective on April 1, 2011, with initial revenue received in June 2011. Originally, city staff estimated that annual revenue generated by this tax would be approximately \$3 million annually. A special revenue fund, separate from the City’s General Fund, was established to track the revenue and expenditures associated with the measure.

The Measure F ordinance also mandated the creation of a Citizens Oversight Committee to review and report on the revenue and expenditure of Measure F funds. The Committee is charged with presenting this report to the City Council and making the report available to the public. The Committee was created on February 8, 2011 by the City Council. The Committee held its first meeting on April 14, 2011.

Measure F Background (continued)

The Committee's responsibilities, related to its role as the Measure F Oversight Committee, are outlined below.

1. Discuss and provide input to staff on Measure F-related budget proposals.
2. Review and report on the revenue generated, expenditures made and use of Measure F funds from the tax adopted by the Measure F ordinance.
3. Present the report referenced in (2) to the City Council and make it available to the public annually.
4. Comment on any concerns regarding the appropriateness of Measure F related expenditure allocations.
5. Comment on the status of efforts to achieve fiscal sustainability.

DRAFT



Measure F Fund Balance by Fiscal Year

Overview:

The Council has been conservative in its use of Measure F revenue and has focused on using the funds for one-time rather than ongoing expenditures until a long-term fiscal and organizational sustainability plan has been developed. As such, a limited amount of the funds has been spent. At the same time, actual Measure F revenue has been higher than budgeted in the past two fiscal years. The limited expenditures and higher revenue levels have created an \$8.0 million balance in the Measure F fund at the close of the 2012-2013 fiscal year.

The Council has been involved in a year-long study of the City's long-term fiscal sustainability, culminating with the release in of a Draft Fiscal Sustainability Plan in June 2013. This plan, once adopted by the Council, will provide a roadmap for future decision-making to ensure a balanced fiscal position into the future. With the long-term plan in place, the Council will begin considering options of how to strategically invest Measure F resources to ensure the City's long-term financial stability in conjunction with investing in priority areas of focus.

The table below demonstrates the Measure F fund balance for the 2010/11, 2011/12 and 2012/2013 fiscal years.

| Table 1 MEASURE F FUND BALANCE | Final Actual 2010/11 | Final Actual 2011/12 | Estimated Actual 2012/13 | Proposed Budget 2013/14 |
|---|-----------------------------|-----------------------------|---------------------------------|--------------------------------|
| Fund Balance - Begin Fiscal Year | 0 | 689,473 | 4,549,415 | 7,989,335 |
| Revenues | | | | |
| Sales Tax | 689,126 | 4,089,401 | 4,406,563 | 4,412,104 |
| Investment Earnings | 347 | 9,491 | 29,000 | 29,250 |
| Subtotal Revenues | 689,473 | 4,098,892 | 4,435,563 | 4,441,394 |
| TOTAL FINANCING AVAILABLE | 689,473 | 4,788,365 | 8,984,978 | 12,430,729 |
| Expenditures | | 164,685 | 451,541 | 801,064 |
| Transfers Out: | | | | |
| General Fund | | 16,784 | 530,999 | 313,594 |
| Debt Service-POB Fund | | 5,748 | 13,103 | 19,492 |
| CIP | | | | 10,000 |
| Equipment Replacement | | 51,733 | | |
| Total Expenditures & Transfers Out | 0 | 238,950 | 995,643 | 1,144,150 |
| Fund Balance - End Fiscal Year | 689,473 | 4,549,415 | 7,989,335 | 11,286,579 |

Measure F Revenue and Expenditures – 2012/13 Fiscal Year

The City Council approved additional Measure F expenditures in the 2012/2013 budget. This budget was approved on June 26, 2012.

Measure F revenue was estimated at \$3.9 million. In addition, the budget estimated approximately \$21,000 in Measure F fund investment earnings. The City Council also approved a total of \$1,242,258 in expenditures from the Measure F fund. Approximately \$594,363 will be transferred to the General Fund to offset the City’s 2012/2013 structural deficit. In addition, the Council approved approximately \$635,420 in specific Measure F expenditures. Finally, \$12,475 was approved to pay debt service. The tables below illustrate the budgeted Measure F revenue and expenditures.

| Table 5 FY 12/13 Measure F Revenues | Amount (Budgeted) | Amount (Estimated Actual) |
|--|------------------------------|--------------------------------------|
| Sales Tax Revenue | \$3,994,406 | \$4,406,563 |
| Interest Earnings | \$20,970 | \$29,000 |
| Total Revenues | \$4,015,376 | \$4,441,394 |

Revenue Explanation:

The 2012-2013 budget proposal includes an estimated increase of 3.6% in Measure F sales tax revenue compared to the projected actual amount received in the 2011-2012 fiscal year. In FY 11/12, the City projected to receive approximately \$3.024 million. In August 2012, the City determined the final actual revenue amount to be \$4,089,401. The City also projects an increase in interest earnings as compared to the actual interest earnings of 2011-2012, which were approximately \$9,500. The projected earnings of \$20,970 are due to the larger fund balance in Measure F as compared to last fiscal year. Therefore, even if the City continues to receive low returns on debt securities and CDs, the actual earnings will be larger due to the larger fund balance. In addition, the City recently entered into a contract with PFM Asset Management, who will manage the City’s investments. It is expected that the professional management and expertise of PFM will result in higher returns for the City’s investment portfolios, including Measure F.

***Priority Focus Areas Include:** 1) Enhance Neighborhood Services and Public Safety; 2) Support Seniors, Youths and Families; 3) Reinvest in Park and Street Maintenance; and 4) General City Services

Measure F Revenue and Expenditures – 2012/13 Fiscal Year

| Table 6 FY 12/13 Measure F Expenditures | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area(s)* |
|--|------------------------------|--|------------------------------------|
| 1. General Fund (Budget Deficit) | \$594,363 | \$530,999 | #4 |
| 2. Measure F Specific Expenditures | \$635,420 | \$451,541 | #1,#2,#3, #4 |
| 3. Administration: Debt Service | \$12,475 | \$13,103 | #1, #2, #3, #4 |
| <u>TOTAL</u> | <u>\$1,242,258</u> | <u>\$995,643</u> | |

MEASURE F EXPENDITURE DESCRIPTIONS

1. General Fund Budget Deficit

Measure F was approved to help preserve and protect existing City services and offset additional budget cuts. The City continues to face a structural budget deficit related to the continuing difficult economic conditions. Therefore, the City allocated approximately \$594,000 to backfill the general fund deficit for the 2012-2013 fiscal year. This allocation will fund existing City services and staff across all departments.

2. Measure F Specific Expenditure Descriptions:

Novato Response Team:

The City Council approved the creation of the Novato Response Team in June 2012. In January 2012, the City received a \$1.095 million grant from the federal Department of Justice to fund the hiring of three officers for the next three years. As a condition of accepting the grant, the City agreed to retain the three officers for an additional fourth year after the expiration of the grant. At its December 15, 2011 meeting, the Measure F Oversight/Citizens Finance Committee adopted a motion that supported spending \$429,000 in Measure F funds for the three police officers in the 2014-2015 fiscal year. The Committee asked the City to further explore the use of Measure F revenue for police vehicles.

The primary goal of the Response Team is to build an interdepartmental and interdisciplinary team between the Police Department and the City Manager's office. The team provides neighborhood police patrols and crime prevention programs and is comprised of two Police Officers, a Corporal and a newly-created Management Analyst position.

In the 2012-2013 fiscal year, Measure F revenue was used to pay for the new Analyst position and provide the necessary training, equipment, supplies and vehicle maintenance for the two officers and the corporal. The grant received by the City did not include funding for opera-

Measure F Revenue and Expenditures – 2012/13 Fiscal Year

tional expenses. The Novato Response Team will not always work traditional hours, so funding was included to pay for overtime costs for the officers and the corporal.

| Table 7 Novato Response Team | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area(s) |
|---|------------------------------|---|-----------------------------------|
| Management Analyst | \$90,771 | \$72,443 | #1 |
| Training, Equipment, Supplies, Vehicle Maintenance | \$26,000 | \$26,044 | #1 |
| Overtime | \$12,000 | \$4,095 | #1 |
| Total Expenditure | \$128,771 | \$102,582 | |

Economic Development Program:

The Council approved positions and operating budgets from the Measure F fund to continue the City's economic development program. With the elimination of redevelopment in February, 2012, the City was left without a functioning economic development program. Council and staff believe economic development is a core local government function. The Council funded two positions: a four-year Economic Development Manager to focus on broad economic development activities and a two-year, part-time position to focus on revitalizing the city-owned properties in the Hamilton region. Corresponding operating budgets for each position were also approved.

| Table 8 Economic Development Program | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area(s) |
|--|------------------------------|--|---------------------------------------|
| Economic Development Manager Position | \$164,446 | \$114,477 | #4 |
| Economic Development Operating Budget | \$40,000 | \$72,441 | #4 |
| Hamilton Properties - Part-Time Program Manager | \$80,890 | \$43,117 | #4 |
| Hamilton Properties – Operating Budget | \$25,000 | \$584 | #4 |
| Total Expenditure | \$310,335 | \$230,619 | |

Measure F Revenue and Expenditures – 2012/13 Fiscal Year

Parks and Recreation After-School Program:

The Council approved an after-school initiative pilot program to be operated by the Parks, Recreation and Community Services department. This program corresponds with the Measure F priority to support youths and families and has proven successful in steering youths away from crime, while improving the academic performance, health and fitness of youths in our community.

| Table 9 After School Initiative | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area(s) |
|--|------------------------------|--|-----------------------------------|
| Pilot Program | \$20,000 | \$14,236 | #2 |
| Total Expenditure | \$20,000 | \$14,236 | |



Public Works – Maintenance and GIS Support Staff:

The Council approved spending Measure F resources to fund a street maintenance position and a park and island/median position for the 2012-2013 fiscal year. These actions support the Measure F priority of “reinvesting in the City’s park and street maintenance.” The Council also funded a one-year, part-time intern position to provide additional support for the geographic information system (GIS) function within the Public Works Department.

| Table 10 Public Works Maintenance & GIS | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area (s) |
|--|------------------------------|--|--|
| Street Maintenance Position (0.5 FTE) | \$44,001 | \$41,587 | #3 |
| Parks and Medians Position (0.5 FTE) | \$44,000 | \$41,584 | #3 |
| GIS Support Intern | \$15,000 | \$9,144 | #4 |
| Total Expenditure | \$103,001 | \$92,315 | |

Measure F Revenue and Expenditures – 2012/13 Fiscal Year

Central Administration – Customer Service Position:

The Council approved funding a front-office customer service clerk position through the Central Administration department for the 2012-2013 fiscal year. This position serves as the primary point of contact for community members when they visit City offices. The City considered alternate ways to staff the front desk. For instance, staff explored hiring a virtual assistant to manage general telephone calls into City offices. Staff also tried to manage the customer service responsibilities by having different employees serve as the initial customer service contact throughout the workday. This strategy proved to be ineffective as it took these employees away from their core duties. Ultimately, the City Manager determined that a designated employee is needed to answer the general City telephone line, greet members of the public and direct them to the appropriate department. The position has assisted the City Clerk's Office in managing and scanning City files in preparation for the move to the new City Administrative Office in September 2013.

| Table 11 Customer Service | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area(s) |
|--|------------------------------|--|-----------------------------------|
| Front-Reception Position & Records/Imaging | \$73,313 | \$59,761 | #4 |
| Total Expenditure | \$73,313 | \$59,761 | |



Measure F Revenue and Expenditures – 2013/14 Fiscal Year

2013/14 Revenue Projections

The amount of revenue collected from the Measure F sales tax continues to outpace expectations, and 2013/14 should continue that trend. As a district transactions and use tax, Measure F generates revenue when Novato residents purchase vehicles at dealerships outside the City limits. Thus, as new auto sales have improved, Measure F revenues have also benefitted. Another trend that the City is beginning to benefit from is the payment of district taxes by internet retailers (notably, Amazon). The collection of sales tax by online retailers is a complicated topic; while Novato does not receive any basic 1% Bradley-Burns tax from retailers such as Amazon, we are receiving Measure F revenues. As internet shopping continues expanding, this trend may continue to benefit Novato through increased Measure F revenues.

| Table 12 FY 13/14 Measure F Revenues | Amount (Budgeted) | Amount (Actual) |
|---|------------------------------|----------------------------|
| Sales Tax Revenue | \$4,412,104 | TBD |
| Interest Earnings | \$29,290 | TBD |
| <u>Total Revenues</u> | <u>\$4,441,394</u> | <u>TBD</u> |

| Table 13 FY 12/13 Measure F Expenditures | Amount (Budgeted) | Amount (Estimated Actual) | Priority Focus Area(s)* |
|---|------------------------------|--|------------------------------------|
| 1. General Fund (Budget Deficit) | \$313,594 | TBD | #4 |
| 2. Measure F Specific Expenditures— approved by City Council in 2012/13 and continuing in 2013/14 | \$504,454 | TBD | #1,#2,#3, #4 |
| 3. Newly Approved 2013/14 Measure F Specific Expenditures | \$296,610 | TBD | |
| 4. Administration: Debt Service on Pension Obligation Bonds | \$19,492 | TBD | #1, #2, #3, #4 |
| 5. Capital Improvement Program—Synthetic Turf Fields Research | \$10,000 | TBD | |
| <u>TOTAL</u> | <u>\$1,144,150</u> | <u>TBD</u> | |

* **Priority Focus Areas Include:** 1) Enhance Neighborhood Services and Public Safety; 2) Support Seniors, Youths and Families; 3) Reinvest in Park and Street Maintenance; and 4) General City Services

Measure F Revenue and Expenditures – 2013/14 Fiscal Year

MEASURE F EXPENDITURE DESCRIPTIONS

1. General Fund Budget Deficit

Measure F was approved to help preserve and protect existing City services and offset additional budget cuts. The City continues to face a structural budget deficit related to the continuing difficult economic conditions. Therefore, the City allocated approximately \$313,000 to backfill the general fund deficit for the 2012-2013 fiscal year. This allocation will fund existing City services and staff across all departments.

2. Measure F Specific Expenditures—approved by City Council in 2012/13

Some of the expenditures approved by the City Council during the 2012/13 budget process were approved for multiple years. To the extent that these positions and programs continue into 2013/14, Measure F continues to fund them. Table 13 shows these budgeted expenditures for the 2013/14 year, and descriptions of the items can be found on pages 8-13 of this report

| Table 13 Measure F Continuing Expenditures in 2013/14 | Amount Budgeted | Priority Focus Area(s) |
|---|------------------------|-----------------------------------|
| Management Analyst for Novato Response Team | \$84,991 | #1 |
| Training, Equipment, Supplies, Vehicle Maintenance for Novato Response Team | \$26,000 | #1 |
| Overtime for Novato Response Team | \$12,000 | #1 |
| Economic Development Manager Position | \$159,401 | #4 |
| Economic Development Operating Budget | \$40,000 | #4 |
| Hamilton Properties - Part-Time Program Manager | \$96,114 | #4 |
| Economic Development: Hamilton Properties – Operating Budget | \$25,000 | #4 |
| Front-Reception Position & Records/Imaging | \$60,948 | #4 |
| Total Expenditure | \$504,454 | |

3. Newly Approved Expenditures for 2013/14

Emergency Services Program

Novato's emergency services and emergency preparedness program has been shepherded for the past few years by a Police captain with deep knowledge and interest in the subject matter, and has helped coordinate significant efforts with the Novato Fire District as well as other regional entities to bolster Novato's preparedness. With the potential retirement of that individual in the next fiscal year, it is important to continue moving the program forward. The budget for Measure F in 2013/14 includes two such items. It contemplates \$30,000 for a part-time

Measure F Revenue and Expenditures – 2013/14 Fiscal Year

emergency services contract position to continue the coordination role. It also includes \$10,000 in funding to create some tactical pre-plan site surveys for active shooter events for high priority buildings such as schools and other government facilities. This item is funded jointly with the Fire District and other agencies, for a total project cost of \$20,000.

| Table 14 Police / Emergency Preparedness | Estimated Actual Amount | Priority Focus Area(s) |
|---|------------------------------------|-----------------------------------|
| Emergency Services Contract | \$30,000 | #1 |
| Tactical Pre-Plan Sites Survey | \$10,000 | #1 |
| Total Expenditure | \$40,000 | |

Continuation of one Parks / Streets Maintenance Worker

This item continues the Maintenance Worker position that was funded in 2012/13 and is discussed on page 11 of this report.

| Table 15 Public Works Maintenance & GIS | Estimated Actual Amount | Priority Focus Area(s) |
|--|------------------------------------|-----------------------------------|
| Street Maintenance Position (0.5 FTE) | \$40,805 | #3 |
| Parks and Medians Position (0.5 FTE) | \$40,805 | #3 |
| Total Expenditure | \$81,610 | |

Parks, Recreation, and Community Services Programs

Several programs focused on youth are funded with Measure F during 2013/14. The afterschool initiative that was begun last year as a pilot program will be continued with \$25,000 from Measure F. The program won a grant and the additional Measure F contribution will partially serve as match funds to fully leverage the grant. The department may also begin exploration of expanding to a second school site. Additional youth program scholarships will be funded, targeted toward low-income youth; this program is budgeted to be \$10,000. Finally, the Department will also host a “youth needs summit” in the upcoming fiscal year. This program is envisioned to bring together a variety of stakeholders, including the City, schools, non-profit entities, and others, to fully explore youth services city-wide and identify gaps. With the \$20,000 funding amount, the program may also initiate the creation of a youth master plan for Novato.

Measure F Revenue and Expenditures – 2013/14 Fiscal Year

| Table 16 Parks, Recreation, and Community Services Programs | Budgeted Amount | Priority Focus Area(s) |
|--|------------------------|-------------------------------|
| Continuation of After-School Initiative | \$25,000 | #2 |
| Program and Camp Scholarships for Low-Income Youth | \$10,000 | #2 |
| Youth Needs Summit | \$20,000 | #2 |
| Total Expenditure | \$55,000 | |

Economic Development and Hamilton Base Reuse

Both the newly hired Economic Development Director and Hamilton Base Reuse Director have been on board for a number of months and continue to move forward on a number of exciting initiatives and possibilities. The 2012/13 budget authorized the positions as limited term positions, and also planned on a certain amount of program / materials / services budget for each position. As the work plans for both have come more into focus, it has become clear that to operate as effectively as possible and to achieve the City's objectives, additional program budget is necessary. Additional Measure F funds will be allocated to these two programs—\$100,000 to the Hamilton project and an additional \$20,000 to the Economic Development effort. For the Hamilton area, the funding is necessary to pay for a variety of studies, appraisals, legal services, etc that may be necessary as potential projects begin to move forward.

| Table 16 Economic Development and Hamilton Base Reuse | Budgeted Amount | Priority Focus Area(s) |
|--|------------------------|-------------------------------|
| Additional Program Budget—Hamilton Base Reuse Director | \$100,000 | #4 |
| Additional Program Budget—Economic Development Manager | \$20,000 | #4 |
| Total Expenditure | \$120,000 | |



Future Measure F Projections

The Fiscal Sustainability Plan, once adopted, will guide decisions about future Measure F expenditures. This will depend heavily on one-time uses of Measure F that are proposed in the Plan, and the size of future projected deficits that may require Measure F as a backfill. As noted on page six of this report, significant amounts of Measure F have yet to be programmed, and this has been a purposeful decision on the part of the City Council. Once the Sustainability Plan has been adopted, more detailed discussions about potential uses of Measure F can focus on ways to both ensure fiscal sustainability and fund programs in the key priority areas. On the next page is a projection of Measure F expenditures and balances over the life of the City's current five-year forecast. As with the forecast itself, we do not assume additional new programs, staffing, or spending will be added, other than what has already been committed or budgeted. As future decisions are made about the uses of Measure F, this picture will change and staff will continue to update the projections.

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Projection of Future Planned Measure F Expenditures

| | Actual | | Projected (figures estimated and rounded) | | | | | |
|---|---------|-----------|---|------------|------------|------------|------------|------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Measure F Annual Forecast | 689,473 | 4,098,892 | 4,435,563 | 4,441,391 | 4,460,000 | 3,655,000 | 0 | 0 |
| Measure F Budgeted Expenditures (approved in 12/13 budget or earlier) | - | (222,166) | (451,541) | (504,064) | (250,000) | (250,000) | - | - |
| Measure F Budgeted Expenditures (Recommended in 13/14 budget) | - | - | - | (326,492) | (10,000) | (10,000) | (10,000) | (10,000) |
| Proposed Future Expenditures (4th year of COPS grant officers) | - | - | - | - | - | (468,000) | - | - |
| Measure F Deficit Infusion | - | (16,784) | (544,102) | (313,594) | (482,000) | (371,000) | (413,000) | (520,000) |
| Measure F Balance | 689,473 | 4,549,415 | 7,989,335 | 11,286,576 | 15,004,576 | 17,560,576 | 17,137,576 | 16,607,576 |

City's Progress Toward Fiscal Sustainability

As discussed in last year's Measure F Annual Report, in July 2012, the City kicked off its Phase 2 process for Fiscal Sustainability. The first phase occurred over a four-year period ending in 2011/12 to address a financial crisis. The second phase has been focused on exploring solutions to achieve long-term fiscal and organization sustainability.

City staff have emphasized throughout this process that Fiscal Sustainability is more than a math exercise where one just focuses on the numbers and works with revenues and expenditures to balance and net to zero. The City Council will decide what the right target is, which services, and to what level those services should be funded by Novato's General Fund. This decision needs to go beyond an annual budget cycle. Novato's fiscal condition must be balanced in the long-term with the funding and services at a level that meets the community's expectations for a quality city and municipal operation. This conversation is about organizational and operational sustainability, in addition to fiscal sustainability.

In order to provide City Council and the community with a better understanding of the various components of our fiscal picture, City staff presented ten public work sessions from July 2012 to June 2013 focused on the individual components of our fiscal landscape. The Measure F Oversight/Citizens' Finance Committee assisted staff and provided input, advice and recommendations.



Based on this research, analysis and the resulting discussions, City staff prepared a written draft *Fiscal Sustainability Plan* for the City Council and community to review, discuss and deliberate. The Plan provides detailed information about revenues and expenditures and highlights policy options that will allow us to develop a road map to create a financially-sound organization. In addition, the City Manager has included a proposed scenario showing the staff recommended solution. This solution is based on the work the City has done during the past year and the feedback received from the community via the recent Community Satisfaction Survey and from meetings and interactions with the

City's Progress Toward Fiscal Sustainability (continued)

community in the last four years. However, it is important to note that, as of the writing of this report, the City Council is still in deliberations about its preferred plan choices, and has not adopted or decided on a plan.

Fiscal Sustainability Report Conclusions

In the executive summary of the report, the City Manager outlines the main conclusions derived from the past year's work. These conclusions guide the decisions recommended in the City Manager's recommended sustainability scenario.

Revenue and Economic Development – Novato is an outlier among cities with respect to its revenue sources. Novato does not have the revenue base that other cities have. Novato is hamstrung by a low property tax share, no Utility Users Tax, a low Real Property Transfer Tax, no waste hauler franchise fees, significant leakage of sales tax to other communities, limited remaining commercially-zoned space, and no ongoing locally-approved sales tax. Staff believes that additional economic development and retail sales tax generation can be accomplished in a manner that still maintains Novato's small town character and sense of place. Yet while some additional revenue can come to the City from economic development, staff does not believe it can be the sole solution. Overall, it is critical to establish additional long-term revenue sources to properly support the key priorities of the City.

Departments – As detailed throughout this report, City departments have endured significant reductions in personnel over the past five years which have directly impacted service. Still other reductions have been absorbed by re-alignments, implementation of technology, and other efficiencies. Overall, the workforce is 24% smaller than it was five years ago. Therefore, staff does not believe that additional reductions in employees, other than those few recommendations contained within the Core Staffing discussion, are feasible at this time. Additionally, one of the key priorities of the Measure F sales tax was to “offset / prevent additional budget reductions”, so it is staff's view that additional reductions at this time does not support the goal presented to the public. Departments did, however, propose several creative options that would expend one-time resources to save ongoing dollars and provide additional community benefit. While additional research and planning is needed to properly implement them, staff feels that these strategies have merit and should continue to be explored. These are listed in the Options Tool.

Employee Compensation – Historically, Novato's City Councils have been fiscally conservative with regard to employee compensation. Novato never offered the additional enhanced pension formulas that most cities offered their employees, did not offer lifetime retiree health, only provided a partial stipend to pay for



City's Progress Toward Fiscal Sustainability (continued)

health benefits, and maintained compensation below market levels. Considering both the locally adopted pension changes as well as statewide pension reform that began in January of this year, there is very little cost-cutting left to be done with regard to pensions. Retirement costs and pensions have been discussed and reviewed thoroughly. For reasons outlined in this report, rates will be increasing over time. While not ideal, with the changes that have been made locally and statewide, they are manageable within the context of our budget. The more conservative assumptions made by ourselves and CalPERS are anticipated to reduce volatility over time.

Furthermore, staff has conducted a variety of research and analysis and determined that Novato's compensation system significantly lags its peers in the marketplace. While in some cases there are intangibles that may bring employees to work for Novato, there is significant concern about recruitment and retention challenges for key positions. While admittedly appearing self-serving, management staff feels that it is important in the long run, particularly if we are to have far fewer employees, to have a compensation package that is competitive in the market.

Service Levels & Core Staffing – Despite the significant reductions in staff incurred over the past few years, Novato is close to having the right mix of personnel and programs to provide a quality level of service to residents. The City organization has been realigned and a “new normal” level of lower staff levels is set for the future. Novato is fortunate to have received some significant grants over the past few years, as well as to have Measure F to help support and backfill some of the most critical community priorities and the associated staff positions. However, staff believes that some key position additions will dramatically assist the entire City. The recent Community Satisfaction Survey outlined preferences for additional services which are generally aligned with staff's prior recommendations. Some of these positions are direct service-delivery personnel like the continuation of the Police Department Novato Response Team (a dedicated team of one Corporal, two Police Officers and one Analyst) and additional maintenance staff for parks and streets. Some of the proposed positions will help advance the City's human resources, information technology, and other administrative areas to increase the level of productivity, efficiency, and best practices of the line departments.

Facilities and Infrastructure – Being a proper steward of the public's infrastructure investments is one of the key responsibilities of local government. To date, the residents of Novato have been quite supportive of maintaining streets and pavement, having approved several bond measures over the past decades. With all Bond Measure B funds having been expended, however, Novato is at a crossroads with its infrastructure funding. Armed with substantial additional information and analysis, plus more on the way, staff is gaining a better understanding of the condition of Novato's infrastructure and what it will take to maintain it into the future. That said, at the same time, funding sources have the potential to dwindle over time, so the question becomes how these key capital projects will be funded. Staff is supportive of dedicating some General Fund

City's Progress Toward Fiscal Sustainability (continued)

resources to maintaining active buildings and other types of infrastructure that may not have another dedicated revenue source. However, staff also realizes that the significant investment and importance of the roadway infrastructure in Novato may require another funding source if significant improvements in quality are to be made.

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