



THE CITY OF
NOVATO
CALIFORNIA

SPECIAL MEETING

AGENDA MEASURE F OVERSIGHT/CITIZENS FINANCE COMMITTEE

Thursday, September 12, 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 August 22, 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: Final discussion of extending Shop Local/Novato Campaign from September 1, 2013-January 31, 2013 with budget of \$75,000 <i>Letters of support attached</i>	<i>Provide recommendation to staff to forward to the City Council.</i>
15 minutes	E-2: Final discussion of marketing campaign to attract Bio/Life Science companies and jobs with a \$250,000 commitment from the City <i>Letters of support attached</i>	<i>Provide recommendation to staff to forward to the City Council.</i>
35 minutes	E-3: Draft FY 12/13 Measure F Annual Report & Draft Executive Summary <i>Draft report attached and Executive Summary to be distributed Monday, September 9</i>	<i>Provide feedback and final direction to staff for communication to Council.</i>

15 minutes	E-4: Refunding of General Obligation Bonds <i>Memo attached</i>	<i>Provide feedback to staff.</i>
	<p><i>Staff Update:</i> The City is moving forward to refund much of its outstanding General Obligation (“GO”) debt. While interest rates have risen over the past few months, and the municipal bond market has been volatile, private banks are still showing very strong interest in private placement opportunities to invest cash in the 5 – 10 year time frame. The City’s recent experience with Bank of Marin’s attractive offer on the Marin Valley refinancing is one example. Banks appear to be especially interested in municipal GO debt that is well-rated and very straightforward. Interest rates from these banks are appearing to be very aggressive; additionally, private placement financing avoids some up-front costs of issuance, is less staff-intensive, does not require an S&P rating, and requires many fewer documents.</p> <p>Attached is a 3-page summary of NHA Advisors’ analysis of the refunding possibilities for our 1997, 2000, and 2004 GO bonds (the 2007 bonds cannot yet be refunded). In a nutshell, our current bonds hold an average interest rate of 4.86% with a weighted average maturity of just under 5 years. Under the recommended “Proportional Debt Service” scenario, we could see fixed interest rates in the ballpark of 2.65%. This interest rate savings would translate to about \$900,000 of savings on a present value basis, or about 8.5% of par. The City itself does not actually see the savings – rather, savings are passed directly on to all property owners in the form of reduced bond levies in future years on their tax bills.</p> <p>The process entails an RFP which has been distributed to interested banks. More information will be provided verbally at the meeting. We hope to bring the final approval of the loan agreement and resolution to the City Council on September 24th, with an anticipated closing date of September 30th.</p>	
10 minutes	E-4: Fiscal Sustainability Communication Plan Staff verbal update at meeting.	<i>Provide feedback to staff.</i>
10 minutes	E-5: Chair and Vice Chair selection and Update on Council appointments.	<i>Selection of new Chair and Vice-Chair</i>

F. Committee / Staff Comments

G. Adjournment

Attachments:

1. Letters of Support for Shop Local/Novato Campaign extension
2. Letter of Support for Bio/Life Science Marketing Campaign
3. Draft Measure F Annual Report 2013-2014
4. Executive Summary of Measure F (to be distributed 9/9/13)
5. General Obligation Bonds Memo

AFFIDAVIT OF POSTING

I, Carla Hansen certify that on Sept 6, 2013, I caused to be posted the agenda of the Thursday, September 12, 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



THE CITY OF
NOVATO
CALIFORNIA

SPECIAL MEETING

Minutes 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

The meeting was called to order at 7:35 A.M. In attendance were:

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

City Staff: Cathy Capriola, Brian Cochran, Maureen Chapman, Carla Hansen and Chris Stewart

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 July 10, 2013 Meeting Minutes

The meeting minutes were approved with incorporation of the July 12, 2013 Measure F Committee Fiscal Sustainability Recommendations drafted by City staff.

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>

City Clerk, Sheri Hartz presented recommendations from the City Council and Executive Staff Committee on how to improve the roles and effectiveness of City Boards and Commissions. Committee member Jordan commented that members of BCCs should have a mechanism to get on the City Council's agenda. Staff explained the two ways Council proposes and sets agenda items- (1)At the first City Council meeting of every month, Council members can propose an item, and with support from two other Council members the item will be placed on the next agenda for a vote to be placed on a future meeting agenda. (2)The City Council also does quarterly agenda planning. The

<p><i>process outlined above applies. Committee members participate in the public comment period of City Council meetings to address the Council directly and/or propose items for consideration. Committee member Bentley suggested the City recruit for BCCs from the broader community (churches, businesses schools etc), set a regular schedule for Department Heads and Council members to attend BCC meetings and develop a new member guide.</i></p>		
10 minutes	<p>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</p> <p>Handout provided at meeting</p>	<p><i>Discussion and possible action.</i></p>
<p><i>Economic Development Manager, Chris Stewart and Kiosk consultant Claire Knowles discussed the progress the Shop/Local Campaign has made in its first three months of implementation (outlined in the handout provided at the meeting-also uploaded on City's website) and explained the need to extend funding and the campaign. Members from the Economic Development Commission, Tourism Committee and Chamber of Commerce attended the meeting and provided supportive remarks for Campaign's extension. Stewart said that the proposed \$75,000 budget would be spent locally. Stewart also said that evidence of the campaign's effectiveness could be obtained from future sales tax reports that the City is privy to. The Measure F Committee will take action on this item at the September 12 meeting. The City Council will hear the item on September 24.</i></p>		
10 minutes	<p>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</p> <p>Handout provided at meeting</p>	<p><i>Discussion and possible action.</i></p>
<p><i>Economic Development Manager, Chris Stewart talked about the need and opportunities for a Bio/Life Science marketing campaign, the specific recruitment and marketing activities and the budget. Committee member Bentley asked about the cost for web and social media management based on six hours per month. Kiosk consultant Claire Knowles explained there was a typo in the report and there will be more hours dedicated to web and social media outreach which will decrease the hourly cost. Details on the marketing campaign are outlined in the staff report provided at the meeting (and uploaded to the City's website. Stewart said that the proposed \$263,000 budget would be spent locally. The Measure F Committee will take action on this item at the September 12 meeting. The City Council will hear the item on September 24.</i></p>		
45 minutes	<p>E-2: Review 2013-2014 Measure F Annual Report</p> <p>Draft report attached</p>	<p><i>Provide feedback to staff on Annual Report.</i></p>
<p><i>C.Capriola and B.Cochran talked through the draft FY 12/13 Measure F Annual Report and requested overall feedback from the Committee. Committee member Scott requested that a one-page executive summary be added to the report. Committee member Bentley requested that the language in the City's Progress Toward Fiscal Sustainability be changed to reflect the Committee's recommendation rather than Staff's. Bentley also requested that the Committee's FY 11/12 Measure F Annual Report recommendation that "the Council adopt a fiscal sustainability plan in 2013 that provides the City with a balanced budget by fiscal year 2015-2016 when the Measure F tax sunsets" be reiterated in the FY 12/13 report. Chair MacKenzie requested a greater explanation of the Committee's involvement throughout the one-year Fiscal Sustainability process. Committee member Devine requested an easy-to-understand summary table to explain the use of Measure F funds. Staff directed the Committee to provide all minor (editorial) edits by email. Staff will incorporate the Committee's feedback and provide an updated draft report at the next meeting.</i></p>		

10 minutes	E-3: Fiscal Sustainability Process Update and Next Steps	<i>Information Item. No action.</i>
<p><i>C.Capriola briefly explained the forthcoming public outreach on Fiscal Sustainability. Staff will tighten the presentation and meet with more community groups at the City Council's request.</i></p>		

F. Committee / Staff Comments

There were no additional comments.

G. Adjournment

The meeting was adjourned at 9:05 A.M. The next meeting will be held Thursday, September 12.

Dear Kiosk

The Shop Local Novato campaign has not only given local businesses like ours a 'feel good' factor (it was a real honor for our store to be featured in the local advertising campaign - thank you!) but has also had a direct impact on our business.

Customers have commented that they have seen us featured in local ads, and it has reminded them to come in and order from us. Other customers have stated that they found us through the ShopLocalNovato.com website. So we are definitely seeing an actual and attributable increase in sales thanks to the campaign and we hope that will continue.

Since the campaign has helped us, we are helping to promote it by giving out flyers and stickers in the store. As well that we have placed the magnets alongside our business cards on every arrangement for the past few months. Hopefully that encourages our customers to shop locally for other products after they pick up their flowers.

We'd love to see this campaign continue and help other businesses as it is helping ours. Good luck with getting the extension!

Best wishes,
Michele & Yvonne

Michele Querin and Yvonne Lanterman, business owners.
Grant Avenue Florist
1129 Grant Ave
Novato, CA 94949
(415) 897-8464

*Partridge Knolls Neighborhood Alliance
Partridge Knolls II – Buck Center District
Novato, CA 94945*

August 28, 2013

To: Christopher Stewart, Economic Development Manager

From: Partridge Knolls Neighborhood Alliance – Executive Committee

Cc: John Williams, Chairman, Economic Advisory Commission;
Robert Eyler, CEO Marin Economic Forum; Michael Frank, City Manager;
Bob Brown, Community Development Director; Measure F Committee;
Mary McEachron, Buck Institute; Ralf O’Rear, Buck Institute
Novato City Council; Novato Planning Commission

Re: **Bio/Life Science Marketing and Recruitment Campaign**

Dear Mr. Stewart,

The Partridge Knolls Neighborhood Alliance Executive Committee, including the majority of homeowners within the Partridge Knolls II subdivision (Buck Center District), is in support of the Novato Economic Advisory Commissioner’s proposal to develop a Bio/Life/Biotech marketing and recruitment campaign that would focus on the San Marin Business Park (Campus) property as a hub and headquarters for this type of industry.

We agree with the Commission’s designation of the Bio/Life Science Marketing and Recruitment Campaign as the City’s top priority for business and job recruitment. We also agree that Novato, in partnership with the Buck Institute, can become a major destination for companies looking to move and/or expand their operations, bringing with them high-paying jobs and desperately needed tax revenue to the City. With the location of the Atherton/San Marin SMART station and the ongoing improvement to the 101 Freeway, the San Marin Business Park and other areas of the Buck Center District is uniquely located to offer Bio/Life Science companies a more cost effective location and alternative to other properties in the Bay Area. The City’s plans to add more retail to the North Redwood Corridor would provide a convenience to amenities and services for the employees of biotech and/or other professional businesses within the Buck Center District. With only 5% available land zoned for commercial/business development throughout Novato, the City should not rezone this land to residential and give up the opportunities which the EDC has proposed in this unique marketing campaign.

We are requesting that the Bio/Life Science Marketing Campaign focus on the San Marin Business Park (Campus) properties as its priority target for business and job recruitment. A complicating factor for Bel Marin Keys is the shortage of space larger than 20,000 ft. Bio/Life companies could have the opportunity to build and expand at the San Marin Business Park vacant properties. The property is already zoned for Business Professional Office/Light Industrial (BPO/LIO). Map plans that were provided to the Partridge Knolls neighborhood on March 21, 2013, at City Hall, shows examples of this type of development. According to the current General Plan, the San Marin Business Park property can accommodate a total of 508,500 sq. feet of BPO/LIO.

In response to the City of Novato's *Notice of Neighborhood Meeting re San Marin Business Park General Plan Amendment, Redwood Blvd. at Wood Hollow & Black John Rd.*, the Partridge Knolls II (Buck Center District) neighborhood formed the Partridge Knolls Neighborhood Alliance (PKNA). This large group of homeowners includes the "Courtyard at Partridge Knolls" condominiums as well as the single-family homes. Public neighborhood meetings, with City Council members and staff, were arranged by the PKNA executive committee at the Margaret Todd Senior Center and Police Department. Partridge Knolls residents met with Pat Eklund, April 22nd; Eric Lucan and Bob Brown, May 30th; Denise Athas & Jeanne MacLeamy, June 13th; and Madeline Kellner, July 15th. Not all residents could attend each and every meeting with council members; however, approximately 100 residents, in total, attended these meetings. Other residents who were not available to attend the meetings were kept informed through a Google-Group account. One of the outcomes of these meetings with City Council is that all council members agreed: *"We need to encourage more biotech, biomed, and other large companies to make Novato their Headquarters."*

A Neighborhood Survey was completed by the PKNA Executive Group and sent out to all residents of Partridge Knolls II by USPS and/or email. The Survey results show that if the "no project/development" scenario could not be achieved in this rural area, PKII residents prefer no change to the General Plan land-use designation applicable to San Marin Business Park. The residents of Partridge Knolls II request that the zoning remain BPO/LIO.

The PKNA Executive Committee and Partridge Knolls II homeowners and residents support the Bio/Life Science Marketing and Recruitment Campaign and requests that your major focus for this business recruitment economic development program be geared towards the San Marin Business Park property located in the Buck Center District.

Thank you,

Partridge Knolls Neighborhood Alliance, Executive Committee:

Gary Levine, Chairman; Lynn Baker, Joseph/Roberta Robinson, Mary Jean Stavish
Robert Atkinson, Jr., Thomas Langley, Mary Ellen Steiger, Kathy Socal, Bertie Freeberg

Michael,

A belated letter of support for the EDA recommendation to extend the Shop Local campaign and begin a Bio/Life Science Marketing and Recruitment Campaign.

I support both campaigns as a local business owner, resident and Chair of the Novato Chamber of Commerce Tourism Committee.

Informing Novato residents and businesses of the positive impact on our community by shopping local is incumbent upon the City. I also believe that when residents and businesses start to utilize our local retailers more frequently they will share their positive experiences with other residents and non residents, therefore creating additional growth in revenues. Retailers growing sales will provide needed revenues to grow and improve their businesses ensuring they remain competitive and grow market share.

Improving our retail community directly aids the promotional efforts of the Tourism Committee's website and Visitor Center. If we have more retail options to offer the City Novato will attract more visitors.

Marketing Novato to Bio/Life Science firms is critical to the growth and quality of a multitude of economic factors in our community such as lodging, real estate, retail, education and more. Taking a **Laissez-faire** approach to rebuilding/growing our commercial business community risks achieving a business mix that does not employ people at high enough wages to reside or support other businesses in our community. I believe once a critical mass of Bio/Life Science businesses choose to locate in Novato demand will no longer require the facilitation by the Economic Development team. Finally, there are several local communities that have benefited greatly from the growth of Bio Life Science businesses to name a few: South San Francisco, Emeryville and Vacaville.

Growing the Bio/Life Science segment of the commercial business community will undoubtedly grow the lodging demand in Novato which will provide much needed general fund taxes to sustain the City of Novato along with increasing the tourism promotional budget.

I look forward to attending the Measure F Committee meeting this Thursday.

John Marshall
Rickey's Restaurant - Proprietor
250 Entrada Drive
Novato, CA 94949
415-883-5952 ext. 562
415-883-9517 Fax
gm@rickeysrestaurant.com

<http://www.rickeysrestaurant.com>
<http://rickeysrestaurant.com/blog/>

RICKEY'S

Inn Marin - Proprietor

250 Entrada Drive

Novato, CA 94949

Voice 415-883-5952 ext. 562

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<http://www.innmarin.com>

<http://rickeysrestaurant.com/blog/>



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MEASURE F OVERSIGHT COMMITTEE

FY 2012-13 Annual Report

City of Novato

COMMITTEE MEMBERS

Cris MacKenzie,
(Chair)

David Bentley,
(Vice-Chair)

Alan Berson

Caitrin Devine

Robert Jordan

Robert Ratto

Robert Scott



September 12, 2013

Dear Novato City Council,

The Measure F Oversight / Citizens Finance Committee is pleased to submit this annual report on the revenue and expenditures for Measure F funding 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's main focus over the past year has been to support staff in their work to develop the Fiscal Sustainability Plan and the Committee is heartened by the progress made thus far and believes that the Plan represents a solid foundation upon which to make some critical and long-term decisions. The work has been extremely informative for the Committee members in understanding the short and long term challenges and the far reaching impact of decisions that are required to be made by Council.

The Committee encourages 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 strongly encourages the Council adopt a plan by the end of calendar year 2013. 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 believes that having a long-term plan in place will help to inform those decisions. The Committee looks 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

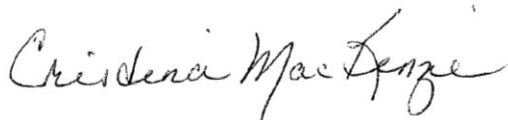
SUBMITTAL OF REPORT

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.

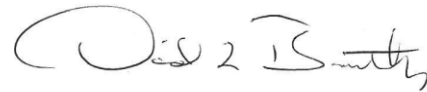
The FY 2012-13 Measure F Annual Report was reviewed and approved by the Measure F Oversight Committee at its meeting on September 12, 2013.

The report is hereby submitted to the Novato City Council.


Respectfully submitted,



Cris Mackenzie, Chair



David Bentley, Vice-Chair



Alan Berson



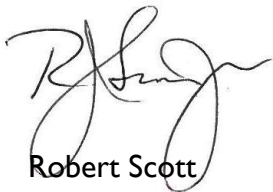
Caitrin Devine



Robert Jordan



Robert Ratto



Robert Scott

EXECUTIVE SUMMARY

Since being adopted by the Novato voters in November 2010, the Measure F sales tax has helped fill a number of crucial gaps in the City of Novato's services, as well as fill the overall budget deficit in the General Fund to prevent additional service reductions. The tax has generated over \$4 million annually in new revenue to the City; thus, over the five-year horizon of the Measure, approximately \$21 million is estimated to be generated for the provision of programs and services to local residents.

As is highlighted elsewhere in the report, much of the money generated to date from Measure F remains unspent, and this has been a deliberate decision on the part of the City and supported by the Measure F Committee to conservatively allocate the funds. The City and the Measure F Committee view Measure F as one-time funds; different options and strategies exist for the use of these funds. Once a long-term fiscal sustainability plan is adopted, additional and final decisions can commence about the use of Measure F funds.

Through FY 2012-13, \$9 million of Measure F funds have been collected. Measure F continues to be used to backfill the City's annual structure deficit. In addition, in FY 12/13, \$1.2 million has been spent directly on programs, staffing, and services to the community that comply with the focus areas described in the ballot language. These expenditures can be broadly described in a few key categories:

- Establishment of a Hamilton base reuse program to move forward with key studies and negotiations on the reuse of City-owned properties;
- Re-establishment of an Economic Development program after the State's elimination of the Redevelopment Agency;
- Equipment, supplies, and a Management Analyst staff person to support the Novato Response Team in the Police Department;
- New afterschool initiative pilot program;
- One Maintenance Worker (streets / landscape) (originally scheduled to be eliminated); and,
- One front desk receptionist to improve overall customer service (originally scheduled to be eliminated).

The 2013-14 fiscal year will see the continuation of many of the above programs. Additionally, some new expenditures are being added, namely:

- Emergency preparedness planning and assistance;
- Low-income youth recreation scholarships and an expansion of the afterschool initiative; and,
- Youth needs summit.

The City Council spent much of 2012-13 engaged in a detailed fiscal sustainability planning effort. This effort will continue into 2013-14 with additional public outreach and communication, resulting in the eventual adoption of an approved Fiscal Sustainability Plan. The approved Fiscal Sustainability Plan will most likely utilize some additional Measure F funds in strategic ways – both to bridge any additional deficits over the next five years and to make some key one-time investments to improve the long-term financial viability of the City. After those deliberations have concluded, there will be additional opportunities to discuss future uses of the remaining Measure F funding, whether for additional programs and services, funding infrastructure and technology improvements, additional one-time strategic investments, or a wide variety of other possible uses. The Measure F Committee looks forward to engaging in these future discussions and helping the City Council and Community plan for the long-

term vision for Novato's sustainability.

INTRODUCTION AND 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:

- Enhance Neighborhood Services and Public Safety
- Support Seniors, Youths and Families
- Reinvest in Park and Street Maintenance
- 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 and is called the Measure F Oversight / Citizens Finance Committee. The Committee held its first meeting on April 14, 2011. The Committee's responsibilities, related to its role as the Measure F Oversight Committee, are as follows: (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 above 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; and (5) comment on the status of efforts to achieve fiscal sustainability.

MEASURE F FUND BALANCE BY FISCAL YEAR

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. Table I shows the Measure F fund balance by fiscal year.

TABLE I – MEASURE F FUND BALANCE				
	Final Actual 2010/11	Final Actual 2011/12	Estimated 2012/13	Adopted 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

Amounts included in this table are from the Proposed 2013/14 Budget document, adopted in June 2013. Other tables on subsequent pages contain information updated through September 2013.

MEASURE F REVENUE AND EXPENDITURES – 2012/13 FISCAL YEAR

The City Council approved the Measure F fund budget 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.

Revenue Explanation – 2012/13 Fiscal Year

Revenues in 2012/13 came in significantly higher than projected, for a few reasons. The economy continued to improve during 2012/13 and the City along with its sales tax consultant has revised projections upward several times in conjunction with the overall economic recovery. In particular, Measure F revenues benefited from the acceleration of new auto sales since all new autos purchased by Novato residents, regardless of the dealership location, generate Measure F sales taxes for Novato. The data showed that auto dealerships in San Francisco, San Rafael, Santa Rosa, and the South Bay Area are all contributing significant dollars via Measure F. Additionally, in an unexpected turn of events, some major online retailers who have begun collecting California sales tax have been directly paying district taxes – this effect is moderated in our basic sales tax collections because online tax revenues are typically distributed through the state and county pools. Finally, while investment yields remained very low for publicly-invested funds, the accumulated balance in Measure F is generated more revenue as those balances grow. As mentioned last year, the City has now engaged an outside investment management firm to maximize the total return on the portfolio.

	Amount (Budgeted)	Amount (Estimated)
Sales Tax Revenue	\$3,994,406	\$4,406,563
Interest Earnings	\$20,970	\$29,000
Total Revenues	\$4,015,376	\$4,441,394

Measure F Expenditure Descriptions – 2012/13 Fiscal Year

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 \$531,000 to backfill the general fund deficit for the 2012-2013 fiscal year. This allocation funded existing City services and staff across all departments.

Measure F Specific Expenditure Descriptions

	Amount (Budgeted)	Amount (Estimated)
General Fund (Budget Deficit)	\$594,363	\$530,999
Measure F Specific Expenditures	\$635,420	\$499,513
Administration: Debt Service	\$12,475	\$13,103
TOTAL	\$1,242,258	\$995,643

Novato Response Team – 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.

With this federal grant and Measure F funding, the City Council approved the creation of the Novato Response Team in June 2012 for four years. The primary goal of the Novato Response Team (NRT) is to focus on prevention, intervention and pro-active problem solving using an interdepartmental and interdisciplinary approach. The team is comprised of two Police Officers, a Corporal and a newly-created Management Analyst position. In the 2012-2013 fiscal year, Measure F revenue paid for the new Analyst position and provided 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 operational expenses. The Novato Response Team does not always work traditional hours, so funding was included to pay for overtime costs for the officers and the corporal.

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 approved positions and operating budgets from the Measure F fund to continue the City’s economic development program. Specifically, 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.

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, since these programs have proven to be successful in steering youths away from crime, while improving the academic performance, health and fitness of youths.

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. These positions were originally slated to be eliminated, but Measure F has allowed the positions to be funded and service levels retained at a higher level.

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 reduced

customer service quality and consistency. 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 also assisted the City Clerk’s Office in managing and scanning City files in preparation for the move to the new City Administrative Office in October 2013. Table 4 outlines the dollar amounts for each of these expenditures, as well which of the Measure F priority focus areas they address.

Table 4 – FY 2012/13 Expenditures		
	Amount (Budgeted)	Actual Amount (Unaudited)
Police / Crime Prevention / 911 Response Times		
Management Analyst	\$90,771	\$72,443
Training, Equipment, Supplies, Vehicle Maintenance	\$26,000	\$26,044
Overtime	\$12,000	\$4,095
Youth and Senior Programs		
Pilot Program – Afterschool Initiative	\$20,000	\$14,236
Streets and Parks Maintenance		
Street Maintenance Position (0.5 FTE)	\$44,000	\$41,587
Parks and Medians Position (0.5 FTE)	\$44,000	\$41,584
GIS Support Intern	\$15,000	\$9,144
General City Services / Offsetting Further Budget Reductions		
Front-Reception Position & Records/Imaging	\$73,313	\$59,761
Economic Development Manager Position	\$164,446	\$114,477
Economic Development Operating Budget	\$40,000	\$72,441
Hamilton Properties - Part-Time Program Manager	\$80,890	\$43,117
Hamilton Properties – Operating Budget	\$25,000	\$584
TOTAL	\$635,420	\$499,513

MEASURE F REVENUE AND EXPENDITURES – 2013/14 FISCAL YEAR

Revenue Projections – 2013/14 Fiscal Year

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 5- FY 13/14 Measure F Revenues	
	Amount (Budgeted)
Sales Tax Revenue	\$4,412,104
Interest Earnings	\$29,290
Total Revenues	\$4,441,394

Measure F Expenditure Descriptions – 2013/14 Fiscal Year

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.

Table 6 - FY 13/14 Measure F Expenditures	
	Amount (Budgeted)
General Fund (Budget Deficit)	\$313,594
Measure F Specific Expenditures (Continuing from 12/13 and newly approved in 13/14)	\$801,064
Administration: Debt Service on Pension Obligation Bonds	\$19,492
Capital Improvement Program—Synthetic Turf Fields Research	\$10,000
TOTAL	\$1,144,150

Measure F Specific Expenditures

(Continuing from 12/13 and newly approved in 13/14)

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 7 shows these budgeted expenditures for the 2013/14 year. Below is a narrative of the new expenditures for FY 13/14 for additional information.

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 retirement of that individual in the 13/14 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 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.

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.

Table 7 - Measure F FY 13/14 Expenditures (Detail)		
	Expenditure Type	Amount (Budgeted)
Police / Crime Prevention / 911 Response Times		
Novato Response Team (NRT) - Management Analyst	Continuing Expense	\$84,991
NRT - Training, Equipment, Supplies, Vehicle Maintenance	Continuing Expense	\$26,000
Novato Response Team - Overtime	Continuing Expense	\$12,000
Emergency Services Contract	New FY 13/14	\$30,000
Tactical Pre-Plan Sites Survey	New FY 13/14	\$10,000
Youth and Senior Programs		
Continuation of Afterschool Initiative	Continuing Expense	\$25,000
Program and Camp Scholarships for Low-Income Youth	New FY 13/14	\$10,000
Youth Needs Summit	New FY 13/14	\$20,000
Streets and Parks Maintenance		
Street Maintenance Position (0.5 FTE)	Continuing Expense	\$40,805
Parks and Medians Position (0.5 FTE)	Continuing Expense	\$40,805
General City Services		
Economic Development Manager Position	Continuing Expense	\$159,401
Economic Development Operating Budget	Continuing Expense	\$40,000
Hamilton Properties - Part-Time Program Manager	Continuing Expense	\$96,114
Economic Development - Hamilton Properties – Operating Budget	Continuing & New	\$125,000
Additional Program Budget—Economic Development Manager	New FY 13/14	\$20,000
Front-Reception Position	Continuing Expense	\$60,948
Total Expenditure		\$801,064

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.

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 6 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.

Projection of Future Planned Measure F Expenditures

	Actual	Actual	Estimated	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)
Total Annual Surplus / (Deficit)	689,473	3,859,942	3,439,920	3,297,241	3,718,000	2,556,000	(423,000)	(530,000)
Measure F Reserve	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 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.

The Committee continues to urge the City Council to adopt a fiscal sustainability long-term plan by the end of calendar year 2013 to help inform ongoing fiscal decisions as well as potential future uses of Measure F resources. The Committee looks 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 key Measure F investments.

Measure F Oversight Committee
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August 21, 2013

Brian Cochrane
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RE: City of Novato – General Obligation Bond Refinancing Strategy

Brian:

Thanks for your time last Monday to discuss the City's opportunity to refinance a portion of the outstanding general obligation bonds. As you are aware, the City has multiple series of bonds outstanding as part of its general obligation bond program. These include the Series 1997A, 2000, 2004 and 2007 bonds. Based on current market conditions, the City has the opportunity to refinance the 1997A, 2000 and 2004 bonds for substantial savings. Our analysis estimates total debt service savings over \$1,000,000 based on a current market interest rate of 2.65%. This represents a present value savings of 8.66%.

Background

The City has issued bonds under two authorizations (elections of 1989 and 2000) to fund various capital improvements including street repairs, storm drains, and parks and recreation facilities. All bond authorizations have been issued and the final debt service payment will be made in tax year 2026/27. The ad valorem property tax levy is calculated annually based on the total debt service required for the following calendar year divided by the taxable assessed value for the upcoming tax year. This calculation takes into consideration any residual tax revenues from prior years.

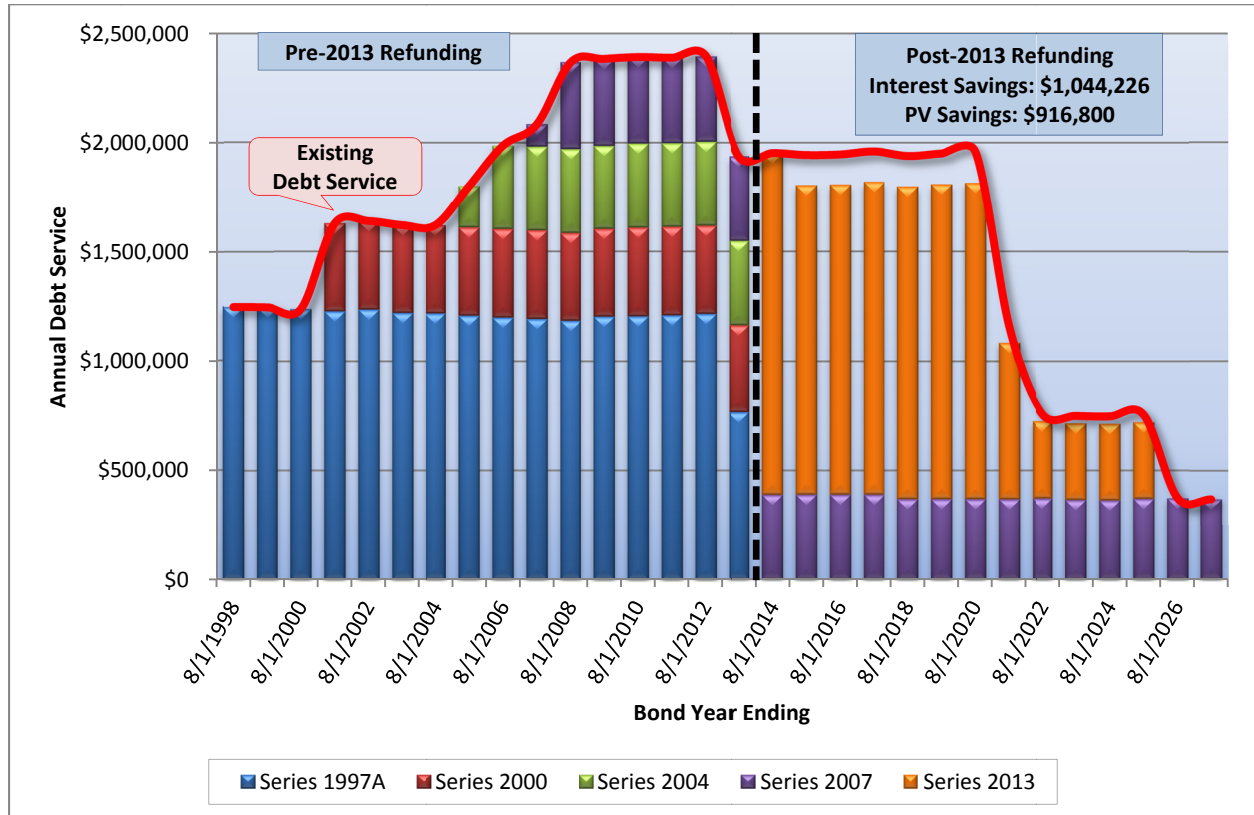
Financing Options

Based on our analysis, the City can capture debt service savings (and therefore lower tax rates) based on a reduction in interest rates for a portion of the outstanding bonds. The 1997A, 2000 and 2004 bonds all have interest rates above current market rates and can be redeemed between today and February 1, 2014. The 2007 bonds have higher interest rates but also include redemption provisions that make any refinancing uneconomical at this time (the 2007 bonds are not redeemable until August 1, 2017).

Summary of the Outstanding Bonds:

	<u>1997A</u>	<u>2000</u>	<u>2004</u>	<u>2007</u>
Outstanding Principal	\$4,485,000	\$2,550,000	\$3,545,000	\$3,975,000
Average Interest Rate	5.24%	5.37%	4.12%	4.02%
Final Maturity	August 1, 2020	August 1, 2021	August 1, 2025	August 1, 2027

Projected Debt Service (with refinancing):



Proposed Refunding Bonds:

	2013
Principal	\$10,837,221*
Average Interest Rate	2.65%
Final Maturity	August 1, 2025

* The 2013 Bonds are proposed to be privately placed with a community bank or other financial institution and not publicly offered. There will be no requirement of \$5,000 denominations, preparation of an official statement, or rating.

Process

Based on the proposed private placement structure of the refinancing, the City would seek bids from community banks and financial institutions to purchase the 2013 bonds. These bonds will not be remarketed to investors but held solely by the institution through maturity. All due diligence and credit review will be based on information provided prior to the bid date.

Steps & Target Dates:

1. Draft RFP for Private Placement Providers – 8/19
2. Submit Credit Package and RFP to Providers – 8/22
3. Proposals Due – 8/29
4. Full Credit Review and Commitment Due – 9/10
5. City Council Approval – 9/17
6. Issue Refunding Bonds – 9/30

Approvals and Documentation

We have discussed the process and required bond documentation with bond counsel (Steve Melikian of Jones Hall) and expect that a single City Council action will be required. The target date is the meeting of September 17th after full credit review and a commitment are provided by the winning bidder.