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MEASURE F OVERSIGHT COMMITTEE FY2013/14 Annual Report



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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 sales and use tax increase before the voters. Measure F 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.

Measure F was approved by the Novato voters in the November 2010 election with 58% voter approval. The increase took effect on April 1, 2011 and will sunset on March 31, 2016. In 2010, and with the recession still in progress, the City estimated Measure F would generate about \$3.2 million annually. As the economy has improved, the measure has been generating over \$4 million per year, and is estimated to provide a total of \$22 million to the City of Novato over its 5-year term. In keeping with the City’s tradition of fiscal prudence and accountability, a special revenue fund was established to track the revenue and expenditures associated with the measure.

Measure F is a general sales tax and the general revenue can be spent on any public purpose. However, the Measure F ballot measure identified vital services and key community priorities for the funds, including:

- Enhance Neighborhood Services and Public Safety
- Support Seniors, Youth and Families
- Reinvest in Park and Street Maintenance

The Measure F ordinance also mandated the creation of an independent Citizens’ Oversight Committee to review and report on the revenue and expenditure of Measure F. All Measure F expenditures have been reviewed by this committee, and recommendations are made regularly to the City Council, and followed up with an annual report. The Committee’s responsibilities, are as follows: (1) provide input on Measure F-related budget proposals; (2) review and report on the revenue, expenditures, and use of Measure F; (3) present an annual report to the City Council and make it available to the public; (4) comment on any concerns regarding Measure F related expenditure allocations; and (5) comment on the status of efforts to achieve fiscal sustainability.

WHY DID NOVATO NEED MEASURE F?

Since the voter adoption of California’s Proposition 13 in 1978, Novato has frequently struggled to balance its budget, often using grant revenues or other one- time revenues, or significantly reducing costs through temporary measures such as holding positions vacant, to stay in the black. Even during boom years, when much of the rest of the State of California was experiencing revenue growth, Novato has lagged behind other municipalities in terms of economic growth, despite a long-term City Council tendency to be conservative with ongoing expenditures and compensation.

It is important to remember our fiscal situation during 2009 and 2010. The Great Recession had eroded City revenues by \$4 million annually, and the City found itself facing massive budget deficits. For example, in a forecast published in August 2009, and prior to implementing a sweeping package of budget reductions, the City was projecting that

INTENT OF MEASURE F

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.



it would be facing a \$6.7 million deficit in 2014/15. In response, the City swiftly took a series of strategic actions to address the shortfall: program and service cuts; elimination of 30% of the workforce in all departments except Police; negotiating multi-million dollar reductions in compensation and benefits for employees, including mandatory furloughs and shifting pension costs to employees; implementing cost-savings through public-private partnerships; realizing more efficiencies, including utilization of technology; and leveraging grant opportunities to supplement City services. Examples of what was lost during the recession:

- 31% of parks maintenance staff eliminated — park and island maintenance levels reduced
- 37% of road maintenance staff eliminated — road maintenance reduced
- Police Department Community Service Officers eliminated
- Police Department School Resource Officers eliminated
- Redevelopment / Economic Development program eliminated
- 36% of Parks and Recreation staffing eliminated — elimination of all free / subsidized recreation programs

Despite significant reductions in services, changes to City operations and reductions to employee compensation, the City was still projecting a multi-million dollar ongoing, growing deficit for the foreseeable future. It is in response to this fiscal situation, and the resulting service and staffing reductions, that the voters of Novato adopted Measure F in 2010. Measure F stopped the bleeding and temporarily filled budget deficits, revived programs that were cut, and provided the City an opportunity to chart its course for the future. Via the leadership of the City Council, Measure F dollars have been used conservatively — and with the recognition that it serves a temporary need to bridge the gap, until a permanent solution is found.

Since Measure F's passage, the City has continued to streamline operations, implement technology, apply for and receive new grants, and experience some benefits of an improving economy.

WHAT MEASURE F HAS DONE FOR NOVATO

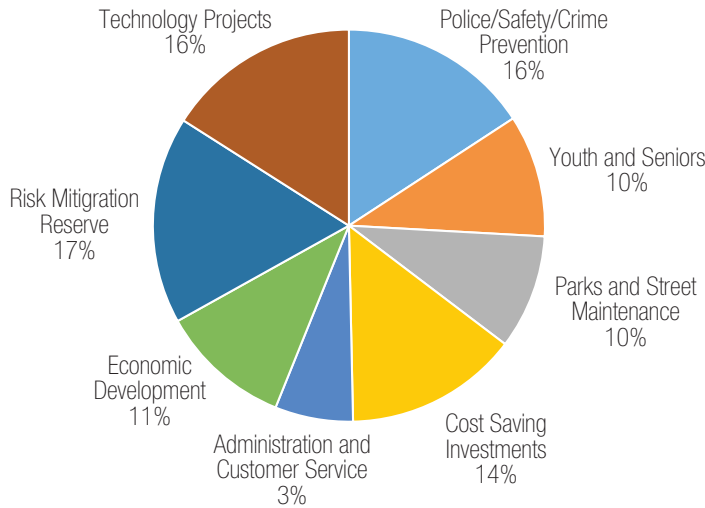
Measure F
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To date, Measure F has delivered a direct, beneficial impact on our community:

- Saved critical City services and temporarily stopped further cuts (and filled the annual deficit);
- Funded, improved, or reinstated key public safety, recreation and economic development programs and services; and
- Invested in one-time projects to reduce on-going costs / increase revenues and invested in City infrastructure and technology to improve efficiencies.

All of the Measure F revenues and expenditures, as well as amounts reserved for the future, can be seen on the "Measure F Funding History Detail" table on the last page of this report.

MEASURE F FUNDING OVERVIEW
Measure F uses to date — \$17.5 million



Saved critical City services and temporarily stopped further cuts

The first six words of the Measure F ballot language make it clear that Measure F funds were to be used “to offset / prevent future budget cuts”. Measure F acts as a supplement to the General Fund to ensure that important general City services, such as street maintenance, police patrol, park maintenance, economic development, and youth and senior programs do not suffer further cuts as they did during the recession. But for the availability of Measure F revenues, additional cuts and service reductions would have been required to balance the General Fund budget over the past four years.

Funded, Improved, and Reinstated Key City Services

Police, Crime Prevention, and 911 Response Times — Measure F has funded a number of programs in our Police department to further the City’s goals and improve safety services Citywide. Most notably perhaps is the formation of the Police Department’s “Novato Response Team”, or NRT. This new concept, initially funded by a 3-year Department of Justice grant, consists of three full-time sworn police officers and a Management Analyst. The team’s goal is to flexibly respond to a variety of neighborhood and quality of life issues, and to address crime trends in Novato as they happen. The NRT team has quickly and capably addressed issues such as gangs, graffiti, prostitution, vandalism, and auto theft. The team has also been working closely with the owners of apartment complexes throughout Novato on the county’s first “Crime Free Multi-Family Housing Program”. The largest Novato multi-family properties that have become certified under this program have seen a 30% - 50% reduction in calls for service in 2015 compared to the prior four years.

The Police Department has funded several other programs with Measure F resources, including an ongoing Emergency Services contract with the Novato Fire Protection District and an additional officer assigned to the Northern California Computer Crimes Task Force (“NCCCTF”). During the recession, the City eliminated its Emergency Services Manager position, leaving no dedicated resources for emergency planning and

MEASURE F SUPPORTS: POLICE & CRIME PREVENTION

Novato’s Crime-Free Multi-Housing Program is the first program of its kind in Marin and Sonoma Counties. This program works with property owners and managers to make improvements to their properties to reduce and discourage crime. Recently, the Villas at Hamilton became the 12th fully-certified property in Novato.



preparedness. Since the City maintains a joint emergency operations center with the Fire District, the two agencies have opted to share the cost of a contract individual to continue organizing and leading Novato emergency response preparedness efforts. Additionally, the City was recently awarded a seat on the NCCCTF, which funds 75% of an officer's salary and benefits and related supplies and equipment. The NCCCTF provides specialized investigative services for high tech crimes, and Novato benefits by having an officer receive this highly technical training. Measure F is funding the 25% that is not funded by the task force.

During the recession, while patrol officers were spared most reductions, non-sworn support staff and records staff were cut in the Police Department. This caused the department to eliminate customer service counter hours for records requests and other in-person transactions. Measure F has allowed the Police Department to add a 0.50 FTE Records Specialist and a 0.50 FTE Office Assistant to restore some of these services that were previously eliminated and keep better customer service hours for the public.

Youth, Senior and Recreation Programs — Services for both Novato's youth and senior populations were another focus of the ballot language of Measure F. Measure F funds brought on-campus afterschool programs to select Novato schools in a partnership with Novato Unified School District. Novato also received a grant from the Kaiser Foundation to further this effort. In 2012/13, the program was tested at one school site; In 2013/14 it was expanded to a second school site.

In 2015/16, the City increased funding for low-income and at-risk youth access to recreation programs. These funds will enhance scholarship opportunities for underprivileged families and increase programs for these important target populations.

The Fiscal Sustainability Plan process identified two park improvements that will increase recreational amenities for residents, reduce ongoing operating costs and generate additional ongoing revenue for Novato. These facilities include a tournament-quality bocce ball facility at the Margaret Todd Senior Center and a synthetic turf sports field to replace an existing grass field (location and other parameters are to be determined). The bocce facility project would construct quality new courts and associated improvements at the senior center. The synthetic turf sports field, would replace one existing athletic field and would reduce watering, reduce maintenance, and increase the year-round availability of the field. Overall, these park improvements are estimated to improve the City's ongoing financial condition by \$130,000 annually, representing a 10% annual return on investment. Measure F funds are funding these two projects, as well as funding a portion of the overall Hill Recreation Area / Margaret Todd Senior Center master plan that is currently underway.

Finally, as part of the City's broader strategy for Hamilton Base Reuse, the City leveraged several different funding sources, including Measure F, to purchase over 90 acres of hilltop open space for a bargain price of \$500,000; 90% less than the appraised value. This property surrounds the Marin Valley Mobile Country Club, an affordable senior community, and overlooks the Hamilton area and the wetlands west of Novato. As an example of another win/win, this beautiful open space can also be utilized to trade development restrictions currently on some of the City's historic dilapidated buildings in Hamilton (such as the old Officers Club and Theater buildings) in order to complete the renovation and improvements

MEASURE F SUPPORTS: YOUTH & SENIOR PROGRAMS

Measure F protected youth-serving programs like our popular "Camp Ton-a-Fun, which serves nearly 1,000 Novato children every summer. Measure F has also kept program fees affordable for Novato's low-income families.



to the Hamilton neighborhood. Once completed, this process has the potential to generate millions of dollars in one-time revenue for the City.

Parks and Street Maintenance — Since its inception, Measure F has funded maintenance workers that have helped offset the 30%+ reductions that occurred in this area during the recession. In 2011/12, two maintenance workers were funded on a temporary basis, and the 2012/13 and 2013/14, that number was reduced to one funded maintenance worker. Beginning in 2014/2015, the original two maintenance workers have been included in the core staffing going forward with the assistance of the new countywide Measure A parks sales tax. These additions have helped supplement and augment the quality of the landscape, park, median, and street maintenance throughout Novato that otherwise would have declined even further had Measure F dollars not been available.

Three new capital improvement projects were initiated in 2014/15, funded by Measure F, to address pedestrian safety, traffic safety, and energy efficiency. The City began a pedestrian crossing safety pilot program to research the safety of crosswalks throughout Novato, recommend the most critical crossings to upgrade, and provide information about what types of crossing upgrades are most suitable to each location. The project also includes funding to install two test sites. Measure F also funded the design of a traffic signal improvement project to install a battery backup and appropriate ADA improvements for all 31 City-owned traffic signals. All of these measures improve streets safety and maintenance for Novato.

Continuing with the theme of pedestrian safety, in 2015/16, several grant-funded projects are moving forward with the assistance of Measure F matching funds to improve pathways to schools. These projects, funded by a combination of regional transportation grants and Measure F funds, will install new crosswalks and controls at two locations on Ignacio Blvd and fill sidewalk gaps near schools on Plum St. and Arthur St.

The City also moved ahead with the third and final phase of its Streetlight Conversion Program, changing out all remaining streetlights to more energy efficient LED bulbs. This project, identified in the Fiscal Sustainability Plan, will translate to significant ongoing energy savings for the City of at least \$130,000 per year and growing over time.

Technology and City Operations — A significant new investment for the City for 2014/15 and the future is the first phase of projects identified in the Information Technology Master Plan. While Novato's network infrastructure is current, a number of Novato's software systems are either non-existent or over ten years old. A full process was undertaken in 2012 and 2013 to identify all City technology needs over a four-year period, prioritize those needs, establish budgets, and stage them for implementation. FY 2014/15 represented the first year of such investment, allotting nearly \$600,000 to the research, planning, and implementation of several major new technologies.

Accomplishments in 2014/15 in City technology projects include:

- **Enhanced customer service:**
 - » A fully revamped City website, including new customer-friendly features such as an online service request system and improved search capabilities;
 - » Roll-out of mobile applications for building inspection and code compliance to improve building inspection services in the

MEASURE F SUPPORTS: PARKS & STREET MAINTENANCE

Annually, the City resurfaces Novato streets to prevent potholes and keep Novato safe and accessible. Our maintenance crews maintain dozens of medians and more than 20 parks to keep our community clean and green.



field; allows inspectors to review and take notes to improve customer communication and efficiency during site visits.

- **Local business support:**

- » Selection of a vendor for new business license software that will improve communication with businesses and allow for online renewal of annual licenses;

- **Increased Public Safety:**

- » Full replacement of in-car video systems for police patrol vehicles; and

To better serve residents, fiscal year 2015/16 will see an additional allocation of \$1.3 million for significant new technology projects. Major initiatives expected to move forward during this year include initial steps to replace the City's inefficient 20-year-old financial / accounting software, including new human resources software functionality; a computerized maintenance management system; and a replacement of the City's recreation class registration software.

Economic Development — Restoring an Economic Development program for Novato has been a strategic use of Measure F over the past few years to replace a program that was eliminated in 2011 with the State's seizure of local Redevelopment funds, resulting in a nearly \$1 million annual loss to Novato's economic development funding. The Measure F-funded economic development program has worked to identify companies looking to relocate or expand, worked with and supported new and existing local businesses to find quality commercial space in Novato, and participated in regional outreach opportunities to targeted industries. In 2014 alone, Novato saw the creation of at least 350 new jobs by several prominent local life sciences companies, generating more than \$100 million in new economic activity locally.

In addition, the City commissioned a retail leakage study to analyze the sales leakage that Novato experiences to surrounding jurisdictions. The program also championed the recent "Shop Local Novato" campaign, featuring a variety of marketing materials, bus shelter ads, banners, and a website encouraging residents to shop at their local Novato businesses.

More recently, the City has led the formation of the North Bay Life Science Alliance, a collaboration between the City of Novato, the Buck Institute, four North Bay counties, UC-Davis, Sonoma State University, and a variety of other stakeholders. The Alliance was formed to accelerate growth in the life science industries in the North Bay and establish the North Bay as a strong, attractive and growing hub for bio-tech and life sciences businesses. The 2015/16 budget continues investment in this strategic partnership, allocating an additional \$100,000 to achieve additional progress and sponsorships from other regional partners.

Another critical program in the City's overall Economic Development strategy is the Hamilton Base Reuse program. With a limited-term Hamilton Base Reuse Director staff position, the program seeks to find the best uses for a variety of City-owned properties in Hamilton, including properties with historic structures. A significant achievement for this program during 2014/15 was the sale of the Hamilton Hospital site to a buyer that will redevelop the parcel into an assisted living / memory care facility while renovating the existing

MEASURE F SUPPORTS: ECONOMIC DEVELOPMENT

To build on the success of our local biotech industry, the City launched the North Bay Life Sciences Alliance to create a biotech hub in the region and bring more higher-paying jobs to Novato.



City sold the former Hamilton Hospital, which had been shuttered for decades, for \$2.5 million. In turn, Novato will gain the historic renovation of the building that will offer 80 units of assisted-living and memory care for seniors.



building to historic standards. The sale of this property will generate approximately \$2 million in one-time revenue for the City.

Similarly, the Senior Housing Triangle, another underutilized site in Hamilton, was also sold to a buyer that intends to develop the site as a seniors-restricted “pocket neighborhood” of approximately 15 residences. This sale will generate approximately \$500 thousand dollars for the City. The Hamilton Base Reuse Director has also finalized the City’s negotiations with federal agencies to remove deed restrictions on other City-owned parcels in Hamilton. With that task nearly complete, the City can then identify private sector opportunities to redevelop these properties for the benefit of the Hamilton community and the City.

INVESTING IN NOVATO’S FISCAL HEALTH AND STABILITY

Future Risk and Economic Reserve Funds — As part of the 2014/15 budget, the City Council set aside \$3 million in Measure F funds as a Risk Mitigation Reserve to guard against some future unknown costs or events. The economy is improving, but the City is proceeding with caution. Separate from the City’s “Emergency & Disaster Response Reserve” reserve, this reserve is set aside for mitigating economic impacts, State takeaways, unexpected pension investment losses, or future unforeseen mandatory expenses, among other contingencies.

Future Technology/Customer Service Projects — Much of the City’s technology is either out-of-date or non-existent. With fewer staff and high customer expectations, the investment in new hardware and software is critical. The breadth of the projects spans virtually all departments and will upgrade outdated systems and put into place new, much-needed systems, that will improve efficiency of operations and enhance customer service to City residents. As previously mentioned, the City Council has, via the 2014/15 budget and the 2015/16 budget, appropriated a total of \$1.9 million in Measure F funds to complete an array of important technology projects throughout the City that will improve Novato’s quality of life, customer service and resident satisfaction. As many of these projects are multi-year, multi-phase, projects, it was important to identify the budgets for the full scope of each project from the outset, and identify a funding source. Of the IT Master Plan’s total \$2.8 million cost, \$900,000 still is left to be appropriated in future fiscal year’s budgets.

Future Community Projects — Consistent with the City’s deliberate and responsible fiscal management of Measure F revenues, an estimated \$4.5 million balance remains that the City Council could appropriate for other projects to benefit the community or plan for future contingencies.

LONG-TERM SUSTAINABILITY FOR NOVATO

Since Measure F was adopted in 2010, the City Council has made it a priority to plan for and ultimately achieve long-term sustainability. Substantial research during 2012 and 2013 for the Fiscal Sustainability Plan highlighted a number of important financial realities for Novato. Several of these facts serve to highlight what is different about Novato’s situation compared to pre-recession times, and what the key fiscal issues will be for Novato as it looks to a sustainable future with high quality of life services.



- Infrastructure is aging and needs proper maintenance and repair at levels desired by residents, requiring an investment of over \$1 million annually to fund pothole repair, street and park maintenance, and maintenance of key City infrastructure.
- Seizure of local redevelopment monies by the State of California eliminated over \$800,000 in annual funding for economic development and redevelopment programs.
- Staff compensation is not competitive in the marketplace and is causing difficulty in attracting and retaining qualified employees who provide services to the public; this problem is exacerbated by reduced benefits for new employees combined with rising employee contributions to benefits and rising retirement costs to the City.
- Regional competition for quality retail and economic development projects is strong, and, as a community, Novato has limited commercially-zoned space remaining.
- As a mostly built-out community, Novato will not have the large infusions of planning fees, permit fees, and development charges that occur with large projects that have historically helped to fund new city capital projects and amenities.

As a response to this set of facts and a recognition of Novato's financial realities for the future, the City recently completed a multi-year planning process to chart the City's future course for both a fiscally and operationally sustainable Novato in the long term. The "Fiscal Sustainability Plan" was adopted by the City Council in February 2014 and the 2014/15 budget began implementation of many of the programs outlined in the Plan.

Finally, the Committee notes that, on July 28, 2015, the Novato City Council elected to place a new revenue measure on the November 3, 2015 ballot. The measure would continue a locally-approved sales tax beyond Measure F's current expiration date of March 31, 2016 while reducing the rate of tax from ½ cent to ¼ cent. If approved by the voters, the measure would provide a critical source of approximately \$2.4 million in ongoing locally-controlled revenue to maintain Novato city services, as outlined in this report.

MEASURE F COMMITTEE

This Annual Report is respectfully submitted to the Novato City Council and the Novato community by the Measure F Oversight / Citizens Finance Committee.

Robert Jordan, Chair
 Robert Scott, Vice-Chair
 David Bentley
 Caitrin Devine
 Alan Berson (Term ended August 30, 2015)
 Cris MacKenzie
 Joshua Chassman (Term began September 1, 2015)
 Robert Ratto

CONCLUSION

Adoption of the Measure F sales tax was crucial in addressing the financial crisis and bringing much-needed interim financial stability to Novato. It has prevented significant budget and service cuts that would have otherwise occurred, reinstated staff positions that were previously cut, and funded important services and programs for public safety, maintenance and infrastructure, economic development and for our community's youth and seniors. Measure F has also helped the City leverage grant opportunities and invest in the City's economic growth and development. An essential component of the City's effort to ensure long-term fiscal and organization sustainability, Measure F has protected vital City services and allowed the City to continue to provide high-quality of life services and programs to its residents.

APPENDIX

MEASURE F FUNDING HISTORY DETAIL

DRAFT	FINAL ACTUAL 2010/11	FINAL ACTUAL 2011/12	FINAL ACTUAL 2012/13	FINAL ACTUAL 2013/14	ACTUAL UNAUDITED 2014/15	ADOPTED BUDGET* 2015/16	CATEGORY TOTALS
Revenues							
Measure F Sales Tax Revenue	689,126	4,089,401	4,473,532	4,422,885	4,750,569	3,493,500	
Investment Earnings	347	9,491	20,872	50,394	58,337	46,000	
TOTAL REVENUES	689,473	4,098,892	4,494,404	4,473,279	4,808,906	3,539,500	22,104,454
Expenditures							
General Fund Deficit Backfill / Prevent Budget Cuts		16,784	411,375		1,198,995	2,398,794	4,025,948
Police / Crime Prevention / 911 Response Times							849,981
Novato Response Team — Staff and Program Support		52,302	105,126	73,582	277,566		
0.50 FTE Records Clerk					12,546	40,173	
0.50 FTE Admin Clerk					5,186	40,173	
Emergency Services Contract				15,053	64,712	37,500	
North Coast Computer Crimes Task Force				12,022	31,741	35,195	
Replacement Fund for Police Technology					25,102	22,000	
Youth and Senior Programs and Projects							1,571,845
Youth After School Initiative / Needs Summit			14,236	17,337	—		
CIP — Synthetic Turf / Bocce Courts				272	—	1,500,000	
Youth Athletics Scholarship Program					10,000	30,000	
Parks and Streets Maintenance / Programs							815,986
Parks, Medians, Streets Maintenance		169,864	86,092	85,542		25,000	
Geographic Info Systems Support			9,144				
CIP — Pedestrian Safety Improvements					34,340	127,225	
CIP — Traffic Signal Improvements Design					2,945	22,055	
Open Space Purchase — 90+ acres Trust for Public Lands				253,779			
Cost Saving Investments							2,515,019
CIP — LED Streetlight Replacement Project					179,347	1,020,653	
Payoff of Corp Yard Lease					1,141,581		
CIP — Hamilton Pool Solar					13,796	159,642	
Technology / Administration / Customer Service							1,967,223
Receptionist / Admin Clerk				63,123			
CIP — Technology Projects Citywide					272,000	1,632,100	
Economic Development							1,895,981
Economic Development — Staff and Program Support			170,982	215,006	—		
Hamilton Base Reuse — Staff and Program Support			107,076	284,663	310,000	311,490	
Shop Local Campaign			19,232	85,522			
Bio—Life Sciences Campaign	—	—	—	157,301	134,709	100,000	
Pension Oblig. Bond Payment — For Measure F Employees		5,748	13,103	19,481	29,938	14,115	
TOTAL EXPENDITURES	—	238,950	923,263	1,263,202	3,714,567	7,502,001	13,641,983
ADDITIONAL RESERVES / FUTURE COMMITMENTS							
Risk Mitigation Reserve					3,000,000		
Future Technology Projects — IT Master Plan						900,000	
MEASURE F ENDING FUND BALANCE	689,473	4,549,415	8,120,556	11,330,633	9,424,972	4,562,471	
Total Staffing \$\$			372,969	546,036	497,446	312,917	

* 2015/16 Adopted budgets for CIP projects include updated carryover budgets based on actual expenditures during 2014/15.