



THE CITY OF
NOVATO
CALIFORNIA

**AGENDA
MEASURE F OVERSIGHT/CITIZENS FINANCE
COMMITTEE**

Thursday, December 17, 2015: 7:30AM – 9:00AM

**922 Machin Ave
City Administrative Offices
Womack 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 September 3, 2015 Meeting Minutes

D-2: Approval of November 19, 2015 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>
<i>10 minutes</i>	E-1: Selection of Committee Chair and Vice-Chair <i>Attachment: Staff Report</i>	<i>Select new Chair and Vice-Chair.</i>
<i>60 minutes</i>	E-2: Review of Draft General Fund Five-Year Forecast <i>Attachments: Staff Report and Draft Forecast</i>	<i>Informational only. No action.</i>

F. Committee / Staff Comments

G. Adjournment/Future Meetings

Attachments

1. Staff report for selection of Chair and Vice-Chair
2. Staff report and attachments for forecast review

AFFIDAVIT OF POSTING

I, Brian Cochran certify that on December 11, 2015, I caused to be posted the agenda of the Thursday, December 17, 2015 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.

/Brian Cochran/
Finance Manager



THE CITY OF
NOVATO
CALIFORNIA

**MINUTES
MEASURE F OVERSIGHT/CITIZENS FINANCE
COMMITTEE**

Thursday, September 03, 2015: 7:30AM – 9:00AM
922 Machin Ave
City Administration Office
Womack Conference Room

A. Call to Order: *The meeting was called to order at 7:30am. In attendance: Committee Members: Robert Jordan, Caitrin Devine, Cris MacKenzie, David Bentley, Bob Scott, Josh Chassman (arrived at 7:35), and Bob Ratto. City Staff: Cathy Capriola, Brian Cochran, Maureen Chapman, and Carla Hansen.*

B. Approval of Final Agenda: *The agenda was approved unanimously – Ayes: 6 (Jordan, Devine, MacKenzie, Bentley, Scott, and Ratto), Noes: 0, Absent: 1 (Chassman, arrived after the vote on this item).*

C. Public Comment

Hutch Turner
Pat Eklund, Mayor Pro-Tem

D. Committee Organizational Items

D-1: Approval of July 16, 2015 Meeting Minutes

The minutes were approved with no revisions. Ayes: 5 (Bentley, Devine, MacKenzie, Jordan, Scott), Noes: 0, Abstained: 2 (Ratto and Chassman).

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.)

Time	Item/Attachments	Purpose and Actions
60 minutes	E-1: Draft Measure F Report Discussion <i>No attachments</i>	<i>Provide feedback to staff</i>

B. Cochran presented the draft 2014/15 Measure F Annual Report to the Committee. Cochran walked through the highlights of the report, modifications that had been made to improve clarity, and the back page containing the full financial data table. The Committee discussed a variety of minor text modifications and clarifications. The Committee provided direction to staff to include a modified pie-chart that reflected the General Fund backfill from Measure F more clearly. The Committee unanimously approved the report in its final format, including the various minor edits / corrections discussed as well as the modified pie chart.

F. Committee / Staff Comments

G.

There were no additional comments.

H. Adjournment/Future Meetings

Staff commented that an additional meeting date would probably not be needed in October and would plan on the Committee meeting sometime in November. The meeting was adjourned at 9:00am.



THE CITY OF
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**MINUTES
MEASURE F OVERSIGHT/CITIZENS FINANCE
COMMITTEE**

Thursday, November 19, 2015: 7:30AM – 9:00AM
922 Machin Ave
City Administration Office
Womack Conference Room

A. Call to Order: *The meeting was called to order at 7:35. In attendance: Committee members: Cris MacKenzie, Bob Scott, Bob Ratto, Josh Chassman, Caitrin Devine (arrived at 7:45am). David Bentley and Robert Jordan were absent. City Staff: Cathy Capriola, Brian Cochran, and Maureen Chapman.*

B. Approval of Final Agenda: *The agenda was approved unanimously – Ayes: 4 (MacKenzie, Scott, Ratto, and Chassman). Noes: 0. Absent: 3 (Bentley, Jordan and Devine).*

C. Public Comment

None

D. Committee Organizational Items

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>
<i>20 minutes</i>	E-1: Measure C Next Steps <i>No attachments</i>	<i>Informational only. No action.</i>
<i>C. Capriola and B. Cochran discussed the initial results of the election resulting in 73% approval of the sales tax measure. There will be future conversations / decisions about the formulation of a Measure C Oversight Committee as well as the accounting for the funds.</i>		
<i>20 minutes</i>	E-2: Annual Investment Report for Fiscal Year Ending June 30,2015 <i>Attachment: Investment Report (City Council Staff Report from September 15, 2015)</i>	<i>Informational only. No action.</i>

B. Cochran presented the fiscal year-end investment report, through June 30, 2015 based on requests from the Committee to review the investments of the City at least once annually. The Committee asked questions of staff.

<i>30 minutes</i>	<p>E-3: Review of General Fund 5-Year Forecast Assumptions</p> <p><i>Attachment: Revenue and Expenditure Forecast Assumptions</i></p>	<i>Informational only. No action.</i>
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B. Cochran presented the draft assumptions for revenues and expenditures in the five-year forecast. The Committee asked a variety of questions of staff. The Committee discussed the conclusion of the “triple flip” process for sales tax and how that affects presentation of revenue figures. The Committee provided feedback to staff with an interest in improving clarity and ease of understanding of the forecast for the general public.

F. Committee / Staff Comments

There were no additional comments.

G. Adjournment/Future Meetings

Staff stated that a meeting in December would occur to review a complete version of the forecast, and that a date for the meeting would be determined in the next few weeks. The meeting was adjourned at 9:00am.



STAFF REPORT

MEETING

DATE: December 17, 2015

TO: Measure F Oversight / Citizens Finance Committee

FROM: Brian Cochran, Finance Manager

SUBJECT: COMMITTEE SELECTION OF CHAIR AND VICE CHAIR

922 Machin Ave
Novato, CA 94945-3232
(415) 899-8900
FAX (415) 899-8213
www.ci.novato.ca.us

REQUEST

Reorganize the Committee to appoint a new Chair and Vice-Chair.

RECOMMENDATION

Conduct the reorganization.

DISCUSSION

The Measure F Oversight/Finance Committee enacting resolution states: "The Committee shall elect a Chair and Vice-Chair in accordance with the best practices of other City committees and commissions established by the City Council."

The Council Policy Manual states that "Any single member of a commission, board or committee will serve as Chair only once in a three-year cycle."

With the appointment/reappointment of new members completed in September, staff recommends the Committee select a new Chair and Vice-Chair.

ATTACHMENTS

None.

STAFF REPORT

MEETING

DATE: December 17, 2015

TO: Measure F Oversight / Citizens Finance Committee

FROM: Cathy Capriola, Assistant City Manager
Brian Cochran, Finance Manager

SUBJECT: Review a Working Draft of the Updated General Fund Five-Year Forecast



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REQUEST

Review the draft Five-Year Forecast and provide input and feedback to staff.

DISCUSSION

As part of its responsibilities, the Committee reviews the financial status of the City at several points throughout the year. This review is typically focused on the General Fund and the Measure F Fund, but also can include various capital project funding sources during the Capital Improvement Program review or other relevant revenue streams.

Last month, the Committee reviewed some of the key revenue and expenditure assumptions in the forecast and asked questions and provided feedback to staff. Attached to this staff report is a working draft of the full version of the Five-Year Forecast. Staff is continuing to refine the numbers, and may make additional changes over the next month in preparation for a presentation of the forecast to the City Council on January 12, 2016.

With a new version of the forecast, it is typically important to address the changes between the prior version and the new version. Staff's discussion of those changes and what they mean for the long-term outlook are discussed below.

Voter Approval of Measure C

It almost goes without saying that the most dramatic financial change for the City over the past 6 months was the approval of the Measure C ¼ cent sales tax on the November ballot. While past forecasts included various "below the line" calculations regarding what a potential ballot measure (either ½ cent, ¼ cent, or otherwise) would generate for the City, this is the first forecast where we formally integrate the approximate \$2.5 million revenue stream into the model. The summary page of the forecast shows that Measure C goes a long way toward solving the City's ongoing deficit and keeps the forecast essentially balanced for the next 4 years.

2014/15 Year-End Results

Year-end results for 2014/15 are available now that our audit is virtually complete. The bottom line for the year is that we ended better than expected by approximately \$800,000. This result is completely due to revenue coming in strong in the last months of the year and exceeding estimates in a number of categories. The major impacts are seen in the tax categories, building permits, and recreation fee revenue. For taxes, virtually all types of tax came in slightly higher than projected; leading the way were property tax and transient occupancy tax, which each recorded year-end revenues about \$100,000 higher than the last forecast. Permit activity in the Community Development Department accelerated in the springtime, leading to building and other permit revenues to exceed expectations by about \$150,000. Similarly, with the rebounding economy and strong interest in the City's recreation programs, spring/summer program registrations caused a spike in recreation fee revenue of about \$200,000. Finally, Novato saw an unusually high year for facility leases by outside groups, leading to a \$100,000 increase in lease revenue for 2014/15.

While great news in terms of revenue for 2014/15, staff does not anticipate that 100% of these revenue gains will continue on an ongoing basis. Forecast revenue assumptions have been boosted in comparison with the adopted 2015/16 budget. However, moving into 2016/17 and beyond, staff estimates that approximately 80% of the revenue surge in 2014/15 will translate to ongoing long-term improvements in the forecast.

Other Revenue Changes

Besides the changes implemented based on year-end results, staff has updated several other categories based on continued positive economic results. Staff continues to extend out the increased growth assumptions for property tax. In 2015/16, we are realizing a 6.7% growth in assessed values. We have included assumptions of 3.5% growth for both 2016/17 and 2017/18. Additionally, based on continued strength and demand in the hotel and tourism sectors, we have not only updated our transient occupancy tax assumptions based on last year's strong results but also included a 4% growth factor for 2015/16.

Overall, based on all of the revenue changes and improvements outlined above, the ongoing long-term augmentation in the revenue forecast is \$850,000 annually.

Expenditure Changes

There is effectively only one important expenditure change in the forecast. Several years ago, staff had done an analysis of the effect that staff merit / step salary increases have on the forecast. Overall, we determined at that time that the forecast should include a buffer of 0.35% of salary to capture these increases. Therefore, for example, a 2.5% cost-of-living increase would actually appear as a 2.85% assumption in the forecast. Staff has recently re-done the analysis from several years ago and found that, as the makeup of Novato's workforce changes over time, the City has fewer employees currently at the top step of their respective salary ranges. Therefore, staff has increased the assumption in the forecast to reflect 0.50% to account for step increases. Thus the 2.5% assumed cost-of-living increases now appear as 3.0% assumptions throughout the forecast.

The net effect of this assumption change is an increase in expenditures by year 5 of slightly less than \$200,000.

As a point of reference, below is the recent history of Consumer Price Index changes for the SF-Bay Area – a common benchmark for cost-of-living increases.

Recent History of Consumer Price Index (SF-Bay Area CPI-U, October to October % Change)

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
2.6%	3.2%	1.6%	32.0%	3.2%	0.9%	0.1%	3.6%	3.3%	2.5%

Summary

The key takeaway from this forecast update is that, based on the improving economy and gains in several important revenue categories, the long-range forecast has improved by about \$650,000 as compared to the last forecast produced in July 2015. Measure C revenues have been integrated into the model after the voter approval of that ballot measure in November 2015. However, it is important to keep in mind that no recession or economic downturn has been built into this forecast. A recent study of our sales tax performance during an average-type recession (not a “Great Recession”-type downturn) estimates that we could see a permanent, ongoing reduction of approximately \$1.5 million to Novato’s revenues if such an event were to occur.

ATTACHMENTS

1. Working Draft Five-Year General Fund Forecast

WORKING DRAFT

December 2015 Update - Five Year Forecast

City of Novato - Five Year General Fund Forecast

	Actual	Current Year	Forecast	→			
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenues	31,184,129	32,394,379	32,648,243	33,571,548	34,387,176	35,223,580	36,081,306
Measure C Revenue		500,000	2,500,000	2,600,000	2,700,000	2,800,000	2,900,000
Transfers In	<u>1,275,500</u>	<u>1,155,500</u>	<u>1,405,500</u>	<u>1,414,500</u>	<u>1,423,770</u>	<u>1,433,318</u>	<u>1,443,153</u>
TOTAL REV'S & TRANSFERS IN	32,459,629	34,049,879	36,553,743	37,586,048	38,510,946	39,456,898	40,424,459
Expenditures	29,848,509	32,359,384	33,727,824	35,117,699	36,118,741	37,551,774	38,655,237
Position Vacancy / Savings Factor		(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Transfers Out	<u>3,142,554</u>	<u>2,708,619</u>	<u>2,783,965</u>	<u>2,861,906</u>	<u>2,942,535</u>	<u>3,059,956</u>	<u>3,175,075</u>
TOTAL EXP'S & TRANSFERS OUT	32,991,063	34,568,003	36,011,789	37,479,605	38,561,275	40,111,730	41,330,312
Operating Surplus / (Deficit)	(531,434)	(518,124)	541,954	106,443	(50,330)	(654,832)	(905,853)
Beginning Reserve Fund Balance	5,220,142	5,220,142	5,220,142	5,762,096	5,868,539	5,868,539	5,868,539
Use of Measure F - Deficit Backfill	325,970	518,124	-	-	50,330	654,832	905,853
Balance Sheet Adjustments	205,464						
Ending Reserve Fund Balance	5,220,142	5,220,142	5,762,096	5,868,539	5,868,539	5,868,539	5,868,539
% of Expenditures	17.49%	16.13%	17.08%	16.71%	16.25%	15.63%	15.18%

WORKING DRAFT

Revenue Assumptions

December 2015 Update - Five Year Forecast

	Actuals	Current Year	Forecast				>					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2016/17	2017/18	2018/19	2019/20	2020/21
Property Tax	7,784,079	8,305,612	8,596,309	8,897,180	9,119,609	9,347,599	9,581,289	3.50%	3.50%	2.50%	2.50%	2.50%
In-Lieu VLF	4,089,032	4,362,997	4,515,702	4,673,752	4,790,595	4,910,360	5,033,119	3.50%	3.50%	2.50%	2.50%	2.50%
Sales Tax	8,103,785	8,962,516	8,784,609	9,048,147	9,319,592	9,599,179	9,887,155	-1.99%	3.00%	3.00%	3.00%	3.00%
Prop 172 Sales Tax	451,578	442,000	455,260	468,918	482,985	497,475	512,399	3.00%	3.00%	3.00%	3.00%	3.00%
Real Property Transfer Tax	311,400	314,514	317,659	320,836	324,044	327,285	330,557	1.00%	1.00%	1.00%	1.00%	1.00%
Transient Occupancy Tax	1,543,636	1,605,381	1,669,597	1,702,989	1,737,048	1,771,789	1,807,225	4.00%	2.00%	2.00%	2.00%	2.00%
Business Tax	999,842	1,112,000	1,206,520	1,236,683	1,267,600	1,299,290	1,331,772	8.50%	2.50%	2.50%	2.50%	2.50%
Cable Television Tax	971,663	991,096	1,010,918	1,031,137	1,051,759	1,072,794	1,094,250	2.00%	2.00%	2.00%	2.00%	2.00%
PG&E Tax	563,045	565,000	570,650	576,357	582,120	587,941	593,821	1.00%	1.00%	1.00%	1.00%	1.00%
Licenses and Permits	1,149,289	1,017,400	1,037,748	1,058,503	1,079,673	1,101,266	1,123,292	2.00%	2.00%	2.00%	2.00%	2.00%
Intergovernmental	1,092,757	631,692	533,078	538,409	543,793	549,231	554,723	1.00%	1.00%	1.00%	1.00%	1.00%
Charges for Services	2,890,631	3,008,500	2,934,670	2,993,363	3,053,231	3,114,295	3,176,581	2.00%	2.00%	2.00%	2.00%	2.00%
Fines and Forfeitures	570,564	502,300	507,323	512,396	517,520	522,695	527,922	1.00%	1.00%	1.00%	1.00%	1.00%
Uses of Money	578,073	483,070	467,901	472,580	477,306	482,079	486,899	1.00%	1.00%	1.00%	1.00%	1.00%
Miscellaneous	84,755	90,300	40,300	40,300	40,300	40,300	40,300	0.00%	0.00%	0.00%	0.00%	0.00%
	31,184,129	32,394,379	32,648,243	33,571,548	34,387,176	35,223,580	36,081,306	0.78%	2.83%	2.43%	2.43%	2.44%

WORKING DRAFT

Key Expenditure Assumptions

December 2015 Update - Five Year Forecast

	2016/17	2017/18	2018/19	2019/20	2020/21
Salaries - MISC	3.00%	3.00%	3.00%	3.00%	3.00%
Salaries - SAFETY	3.00%	3.00%	3.00%	3.00%	3.00%
PERS - MISC Employer Contribution Rate	17.30%	18.80%	20.20%	21.60%	21.90%
PERS - SAFETY Employer Contribution Rate	16.80%	16.50%	16.20%	16.00%	15.80%
PERS - SAFETY Pool Unfunded Amortization \$\$	\$ 821,000	\$ 1,024,000	\$ 1,238,000	\$ 1,464,000	\$ 1,562,000
PERS - SAFETY PEPRRA Contribution Rate	11.50%	11.50%	11.50%	11.50%	11.50%
Other Benefits	1.50%	1.50%	1.50%	1.50%	1.50%
Contract / Consultant Services	2.50%	2.50%	2.50%	2.50%	2.50%
Materials / Supplies	2.50%	2.50%	2.50%	2.50%	2.50%
Liability / Risk Management	5.00%	5.00%	5.00%	5.00%	5.00%
Utilities	5.00%	5.00%	5.00%	5.00%	5.00%

Notes:

- Salary growth rates include an assumption of 0.5% growth due to merit / step
- With the except of PERS Contribution Rates, assumptions listed are the baseline growth assumptions used in the expenditure forecast. They do not factor in one-time items, limited-term positions, grants expiring, etc. PERS Contribution Rates are expressed as a percentage of pensionable wages/salary.

WORKING DRAFT

All Departments Expenditures

December 2015 Update - Five Year Forecast

	Current Year	Forecast									
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2016/17	2017/18	2018/19	2019/20	2020/21
Salaries - MISC	9,504,718	9,789,860	10,083,555	10,219,682	10,526,273	10,842,061	3.0%	3.0%	1.3%	3.0%	3.0%
Salaries - SAFETY	6,268,663	6,456,723	6,650,425	6,849,937	7,055,435	7,267,098	3.0%	3.0%	3.0%	3.0%	3.0%
Market / Equity Adjustments	-	605,000	686,000	767,000	786,175	805,829	0.0%	0.0%	0.0%	0.0%	0.0%
Salaries - Overtime and Temp	1,443,854	1,487,170	1,531,785	1,577,738	1,625,070	1,673,823	3.0%	3.0%	3.0%	3.0%	3.0%
PERS - MISC	1,486,049	1,693,646	1,895,708	2,064,376	2,273,675	2,374,411	14.0%	11.9%	8.9%	10.1%	4.4%
PERS - SAFETY	1,648,982	1,905,729	2,121,320	2,347,690	2,592,870	2,710,202	15.6%	11.3%	10.7%	10.4%	4.5%
Other Benefits	3,552,630	3,363,093	3,413,539	3,464,742	3,516,713	3,569,464	-5.3%	1.5%	1.5%	1.5%	1.5%
							0.0%	0.0%	0.0%	0.0%	0.0%
Contract / Consultant Services	2,827,403	2,754,588	2,858,687	2,841,732	2,974,275	2,987,132	-2.6%	3.8%	-0.6%	4.7%	0.4%
Materials / Supplies	4,438,918	4,452,516	4,563,829	4,677,925	4,794,873	4,914,745	0.3%	2.5%	2.5%	2.5%	2.5%
OPEB Funding	269,000	270,000	279,000	288,000	297,000	307,000	0.4%	3.3%	3.2%	3.1%	3.4%
Risk / Liability (higher growth)	835,000	824,250	865,463	908,736	954,172	1,001,881	-1.3%	5.0%	5.0%	5.0%	5.0%
Utilities (higher growth)	821,667	862,750	905,888	951,182	998,741	1,048,678	5.0%	5.0%	5.0%	5.0%	5.0%
CIP Reimbursement	(737,500)	(737,500)	(737,500)	(700,000)	(700,000)	(700,000)	0.0%	0.0%	-5.1%	0.0%	0.0%
One Time Savings Items	-	-	-	(140,000)	(143,500)	(147,088)	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL	32,359,384	33,727,824	35,117,699	36,118,741	37,551,774	38,655,237	4.2%	4.1%	2.9%	4.0%	2.9%