



THE CITY OF
NOVATO
CALIFORNIA

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

Thursday, September 15, 2016: 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: Introduction of New Committee Member, Regina Rus

D-2: Approval of May 26, 2016 Meeting Minutes

D-3: Approval of April 28, 2016 Meeting Minutes

D-4: Approval of March 24, 2016 Meeting Minutes

D-5: Election of Committee Chair

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>
60 minutes	<p>E-1: Review and Approval of Fiscal Year 2015/16 Annual Report on Measure F</p> <p><i>Attachments: Final draft of the report will be uploaded online by 5pm Monday, September 12, 2016.</i></p>	Discussion and Action

F. Committee / Staff Comments

G. Adjournment/Future Meetings – next regular meeting is October 20, 2016

AFFIDAVIT OF POSTING

I, Brian Cochran, certify that on September 8, 2016, I caused to be posted the agenda of the September 15, 2016 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
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**MINUTES
MEASURE F OVERSIGHT/CITIZENS FINANCE
COMMITTEE**

Thursday, May 19, 2016: 7:30AM – 9:00AM
922 Machin Ave
City Administrative Offices - Womack Conference Room

A. Call to Order: *The meeting was called to order at 7:34am. Committee members: Cris MacKenzie, Bob Scott, David Bentley, Josh Chassman, Don Bibeault. City Staff: Brian Cochran, Maureen Chapman and Jessica Deakne. Members of the Public: Hutch Turner.*

B. Approval of Final Agenda: *The agenda was approved unanimously – Ayes:5 (MacKenzie, Scott, Bentley, Chassman, Bibeault), Noes: 0. Absent: 2 (O’Connor, Devine).*

C. Public Comment

Hutch Turner spent his allotted time discussing the City’s economic development efforts in recruiting life science businesses to move to Novato and about artificial turf.

D. Committee Organizational Items

D-1: Approval of April 28, 2016 Meeting Minutes: *Unable to approve due to committee member absence.*

D-2: Approval of March 24, 2016 Meeting Minutes: *Unable to approve due to committee member absence.*

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>75 Minutes</i>	E-1: Review of Proposed 2016/2017 Operating and Capital Budgets City Council May 17, 2016 budget agenda item: http://cms6ftp.visioninternet.com/novato/agendas/pdfstaff/reports/cc051716_I-12.pdf	<i>For discussion and possible Committee action.</i>
<i>B. Cochran discussed slight changes to the proposed budget based on City Council direction on May 17, 2016 including changes to positions requested in the budget to support critical City services in the context of public priorities. The committee asked questions based on B. Cochran’s presentation with some additional discussion on recruitment and retention of limited term positions, turnover rates and unfunded pension liabilities. The committee requested additional information to better understand the budget proposal in lieu of taking action and proposing formal recommendations from the committee.</i>		

F. Committee / Staff Comments

There were no additional comments.

G. Adjournment/Future Meetings

The next regularly scheduled meeting of the Committee is scheduled for June 16, 2016 but committee member schedules have led to a proposal to move the meeting to June 23, 2016. The meeting was adjourned at 9:09am.

Attachments

None.



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

Thursday, April 28, 2016: 7:30AM – 9:00AM
922 Machin Ave
City Administrative Offices - Womack Conference Room

A. Call to Order: *The meeting was called to order at 7:35am. Committee members: Bob Scott, Caitrin Devine, Josh Chassman, Tim O'Connor, Don Bibeault. City Staff: Brian Cochran, Julian Skinner, Maureen Chapman. City Council Member: Pam Drew.*

B. Approval of Final Agenda: *The agenda was approved unanimously – Ayes: 5 (Scott, Devine, Chassman, O'Connor, Bibeault), Noes: 0. Absent: 2 (Bentley, MacKenzie).*

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.)

None.

D. Committee Organizational Items

D-1: Approval of January 21, 2016 Meeting Minutes: *Unable to approve for lack of a quorum.*

D-2: Approval of March 24, 2016 Meeting Minutes: *Unable to approve for lack of a quorum.*

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
45 minutes	E-1: Review of Proposed 2016/2017 Capital Improvement Program Budget <i>Attachment: None.</i>	<i>For discussion and possible action.</i>
<i>J. Skinner presented the proposed Capital Improvement Program budget for 2016/17. Committee members asked questions of staff and discussed various projects. A significant discussion occurred surrounding use of consultants vs. staff for engineering and design of capital projects.</i>		
45 minutes	E-2: Further Review & Feedback of 2016/2017 Proposed Operating Budget. <i>Attachment: None.</i>	<i>For discussion and possible action.</i>

B. Cochran provided a brief overview of the upcoming budget process and dates, as well as a preview of forecast updates. Due to lack of time, the Committee did not provide any formal feedback at the meeting.

F. Committee / Staff Comments

None.

G. Adjournment/Future Meetings

May 19, 2016 was discussed as the next Committee meeting date. The meeting was adjourned at 9:05am.



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

Thursday, March 24, 2016: 7:30AM – 9:00AM
922 Machin Ave
City Administrative Offices - Womack Conference Room

A. Call to Order: *The meeting was called to order at 7:37am. Committee members: Cris MacKenzie, Bob Scott, David Bentley, Caitrin Devine. City Staff: Brian Cochran, Cathy Capriola, Mike Fuson and Jessica Deakyne. Members of the Public: Hutch Turner. City Council Member: Pam Drew.*

B. Approval of Final Agenda: *The agenda was approved unanimously – Ayes:4 (MacKenzie, Scott, Bentley, Devine), Noes: 0. Absent: 1 (Chassman).*

C. Public Comment
None.

D. Committee Organizational Items

D-1: Approval of January 21, 2016 Meeting Minutes: *The committee requested two corrections to the last set of meeting minutes (D. Bentley and J. Chassman were missing). Unable to approve due to committee member absence.*

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>75 Minutes</i>	E-1: Review of Preliminary City Manager Recommended Operating Budget Additions for Fiscal Year 2016/17 <i>Attachment: None.</i>	<i>Information only. No action.</i>
<i>B. Cochran notified the Committee that the budget process for the City is underway. Cathy Capriola, Interim City Manager, provided information about her budget recommendations, including staffing recommendations to correct “deep cuts” made to some City departments and fielded questions from the Committee. A preliminary budget document was presented to the Committee.</i>		

F. Committee / Staff Comments

There were no additional comments.

G. Adjournment/Future Meetings

Staff stated that the next regularly scheduled meeting of the Committee is scheduled for April 21, 2016 but the committee suggested that the meeting be moved to Thursday, April 28, 2016. B. Cochran will contact the Committee to confirm this change or revise the Committee date. The meeting was adjourned at 9:04am.

Attachments
None.



MEASURE F OVERSIGHT COMMITTEE
FY 2015/16 Annual Report



DRAFT

EXECUTIVE SUMMARY

Since the Novato voters approved Measure F in 2010, Novato's ½ cent sales tax has provided critical funding for Novato City services. Revenue from the Measure F sales tax has consistently been more than \$4 million annually, and has generated approximately \$22.5 million during its five-year duration. Measure F expired on March 31, 2016 and was replaced by the recently-approved Measure C by the Novato voters. Measure C is a ¼ cent tax that will provide \$2.5 million annually for a minimum of 20 years for Novato services.

The Measure F Oversight / Citizens Finance Committee is the designated oversight committee for the Measure F funds. The Committee typically meets 10–12 times per year and regularly reviews Measure F expenditures, City financial forecasts, and financial policies, and provides the City Council with input and guidance on a wide range of fiscal matters. The Committee also has a responsibility to annually provide a report to the Council and Novato community on the revenues and expenditures of Measure F funds. This year's report represents the fifth such effort by the Committee.

As a general purpose tax, there is no dedicated purpose on which the money must be spent. However, the ballot measure language itself mentioned several key focus areas, and the City Council has focused the budget allocations of Measure F resources thus far toward the following categories:

- General Fund Deficit Backfill - \$754,129
- Police / Crime Prevention / 9-1-1 Response Times - \$1,172,469
- Youth and Senior Programs and Projects - \$1,601,573
- Parks and Street Maintenance / Programs - \$2,600,136
- City Facility Investments - \$1,314,500
- Technology / Customer Service / Efficiencies - \$2,916,367
- Economic Development - \$2,207,729
- Future Risk Mitigation Reserve - \$3,000,000

The detailed programs funded in each of the categories are explored in more detail in the full report, and are also outlined by category in the historical data table at the back of the report.

MEASURE F BALLOT LANGUAGE

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.



Looking ahead, there remains an approximate \$5.2 million unspent balance in Measure F which the City Council could program in future years for to-be-determined projects and services. These decisions will be explored in future budget cycles and will likely dovetail with future conversations about the City's ongoing long-term fiscal sustainability. Now, with a more stable revenue base moving forward (i.e. Measure C in place), the City Council can refresh the Fiscal Sustainability Plan and make important policy decisions that balance service levels with available ongoing revenues.

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 sunsetted on March 31, 2016. While the measure was initially projected to yield \$3.2 million annually, the expanding economy and other factors coming out of the Great Recession have pushed annual revenues over \$4 million each year. Over its 5-year term Measure F has provided \$22.5 million in local revenue for local services. The City maintains a special revenue fund to track the revenue and expenditures associated with the measure.

Measure F was a general sales tax and the 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:

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

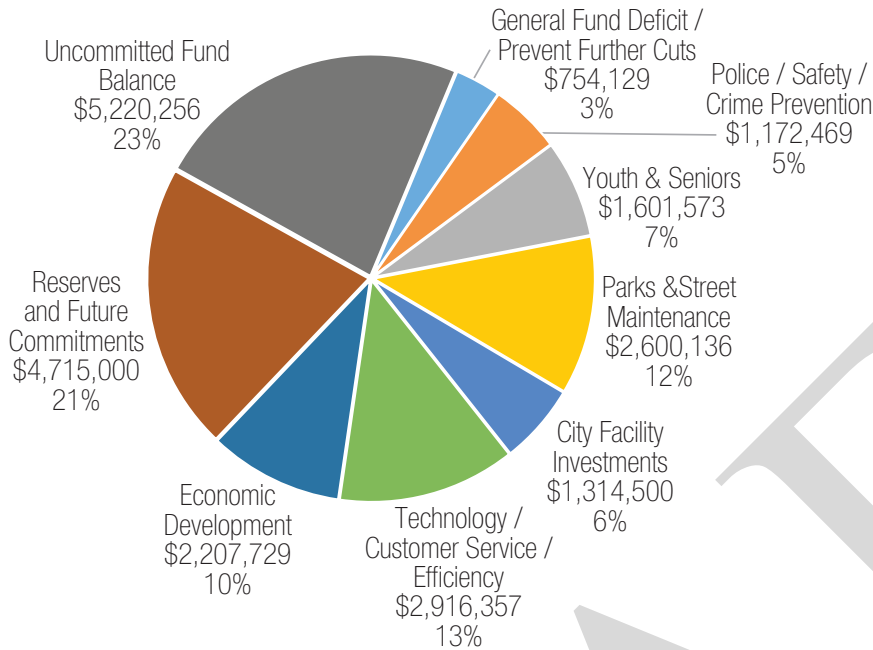
Measure F saved critical City services and temporarily stopped further cuts

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 are reviewed by this committee 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.

The Committee meets 10-12 times per year and has vigorous debate and discussion about the issues above. Through reviewing information provided by staff; hearing from subject matter experts or departmental experts; and asking questions to gain a deeper understanding of the City's financial issues, the Committee regularly provides advice and counsel to the City Council on Measure F-related topics and other City financial matters.

MEASURE F EXPENDITURES & ALLOCATED FUNDS OVERVIEW

Total Measure F Revenue = \$22.5 million



WHY DID NOVATO NEED MEASURE F?

Over the decades since its incorporation in 1960, Novato has frequently struggled to balance its budget, often using grant revenues or other one-time revenues, or 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.

Novato’s fiscal situation was dire in 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 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; implementing cost-savings through public-private partnerships; realizing 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

MEASURE F SUPPORTS: POLICE & CRIME PREVENTION

Services paid for by Measure F include crime analysis, Computer Crimes Task Force, emergency planning, and more customer service hours for the public.



- 36% of Parks and Recreation staffing eliminated - elimination of all free / subsidized recreation programs

Another challenge for Novato during the recession occurred as the State of California eliminated redevelopment agencies statewide in 2011. This caused an \$800,000 annual gap in the City's budget and eliminated all funding for economic development and redevelopment activities in Novato.

In addition to the cuts and eliminations outlined above, the City's employees also contributed multi-million dollar wage and benefit concessions during this time period. Employees participated in mandatory furloughs and agreed to lower-tier retirement benefits and significantly increased contributions to their pensions. The City's contributions to health insurance were virtually flat over a five-year period while health insurance costs were increasing by double digits. Employees also received no cost-of-living adjustments for five years.

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. 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 some of the programs that were cut, and provided the City an opportunity to chart its course for the future.

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

WHAT MEASURE F HAS DONE FOR NOVATO

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.

Saved critical City services and temporarily stopped further cuts

The first 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, and youth and senior programs did not suffer further cuts. 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 five years.

MEASURE F SUPPORTS: YOUTH & SENIOR PROGRAMS

Measure F funds youth & senior financial assistance for the City's recreational programs, and capital improvements to improve City facilities including the Hill Recreational Area.



Funded, Improved, and Reinstated Key City Services

Police, Crime Prevention, and 911 Response Times — Measure F funded a number of programs in our Police department to further the City’s goals and improve safety services Citywide. Most notable is the formation of the Police Department’s “Novato Response Team”, or NRT. This 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 flexibly responds to a variety of neighborhood and quality of life issues, and 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 also works closely with the owners of apartment complexes throughout Novato on the county’s first “Crime Free Multi-Family Housing Program”. The large 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 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 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 now provides a Police Officer to the NCCCTF, which funds 75% of the 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 funds 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 restore 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 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, funded by Measure F in conjunction with several other

MEASURE F SUPPORTS: PARKS & STREET MAINTENANCE

Measure F helps the City to leverage regional funding for Safe-Pathways-to-Schools projects and other crosswalk and pedestrian safety improvements.



sources, include a bocce ball facility at the Margaret Todd Senior Center and a synthetic turf sports field to replace an existing grass field. Both facilities are planned as part of the Hill Recreation Area master planning process that is currently underway. The synthetic turf sports field will replace one existing athletic field and will reduce watering and maintenance and increase the year-round availability of the field. A variety of parking and ADA improvements are also envisioned at the Hill Recreation area site to complement the master plan. Overall, the improvements at Hill are anticipated to make the facility more usable for the community year-round and generate additional revenue and maintenance cost-savings.

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 to the Hamilton neighborhood. During 2015/16, the City successfully completed this transition process and in fall/winter 2017 will begin work with the Hamilton community on the vision for these historic properties.

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 supplemented and augmented 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 moved 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 Street and Arthur Street.

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

MEASURE F SUPPORTS: ECONOMIC DEVELOPMENT

This year, through its Hamilton Base Reuse Program, the City was able to lift development federal restrictions on key City-owned properties in Hamilton which will allow for future redevelopment in this neighborhood.

The City's North Bay Life Science Alliance is creating a biotech hub in the region to bring higher-paying jobs to Novato.



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 2015/16 represented the second year of such investment, allotting approximately \$1,300,000 to the research, planning, and implementation of several major new technologies.

Accomplishments in 2015/16 in City technology projects include:

- **Enhanced customer service:**
 - » Selection of a new Parks and Recreation software system, including online registrations for classes and programs;
- **Local business support:**
 - » Implementation of new business license software that allows for online renewal of annual licenses;
- **Internal efficiencies:**
 - » Issued an RFP to replace the City’s 20-year-old Finance / Payroll software;
 - » Migrated hosted email services to new Microsoft Office 365 platform;
 - » Developed and launched a new employee intranet; and
 - » Upgraded GIS and developed internal applications in conjunction with Marin Map.

MEASURE F SUPPORTS: TECHNOLOGY UPGRADES

The City is upgrading its online registration software for Parks and Recreation classes, and launched new business license software for more easy and convenient renewal for Novato businesses.

Economic Development — Restoring an Economic Development program for Novato has been a strategic use of Measure F over the past five 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-supported 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.

The Economic Development program has also championed the “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. The Shop Local website continued to be updated during 2015/16, featuring local businesses and adding fresh content regularly.

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 continued investment in this strategic partnership,



allocating an additional \$100,000 to achieve additional progress in this key growth industry. Building upon the momentum in 2014/15, the life sciences industry in Novato created another 248 new jobs during 2015/16.

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 2015/16 was the transfer of the federal "lands to parks" restrictions from several important Hamilton properties. Through complex negotiations with multiple Federal Government agencies, the City successfully unencumbered these Hamilton properties and placed the restrictions on the recently purchased hilltop open space property surrounding the Marin Valley Mobile Country Club. The completion of this transaction will allow the City to initiate a community process to determine the future uses for these historic properties and structures.

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 — As discussed earlier in this report, 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. The City Council has, via the 2014/15 budget, the 2015/16 budget and the 2016/17 budget, appropriated a total of \$2.8 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. Several of the larger technology projects are multi-year, multi-phase projects and the aforementioned technology project funds are carried over from year to year via Novato's capital improvement program budget.

Future Community Projects — Consistent with the City's conservative fiscal management of Measure F revenues, an estimated \$5.2 million fund balance remains that the City Council can appropriate for other projects to benefit the community or plan for future contingencies.

2016/17 MEASURE F BUDGET

In June 2016, the City Council adopted the 2016/17 budget which included some significant new expenditures of Measure F funds. Specifically, the Council added two new Maintenance Worker positions, a new Police Dispatcher, and a Webmaster position. These four additions were adopted as four-year limited term positions to augment service levels and

respond to community and Council priorities. The Council also extended several positions that were previously approved and have been paid for by Measure F; namely, the Hamilton Base Reuse Director and the Police Records Clerk and Administrative Clerk. These positions were extended through December 2018. In addition to the above, the Council added some one-time Measure F funding to further the City's maintenance efforts. A \$125,000 budget item was included to re-start the pavement crack-sealing program in 2016/17; and \$250,000 was added to fund special maintenance projects in a variety of City parks and median islands.

MEASURE C AND 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 fiscal sustainability. Substantial research during 2012 and 2013 for the Fiscal Sustainability Plan highlighted a number of important financial realities for Novato. The Plan highlights 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 appropriate 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.
- Increases in staff compensation to be more competitive in the labor market will enhance the City's ability to attract and retain a talented workforce; reduce training costs and loss of institutional knowledge; and enhance service delivery and quality over time.
- 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 infusion of planning fees, permit fees, and development charges that occur with large projects that have historically helped to fund 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 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. The Plan also anticipated and assumed that a new ongoing revenue source would be implemented in Novato to help fund these initiatives and programs in the long run.

In 2015, the City Council unanimously placed Measure C, a ¼ cent sales tax (lasting for at least 20 years), on the ballot. Measure C was subsequently approved in November 2015 by 73% of Novato voters. While lower than the ½ cent generated by Measure F, Measure C will provide a significant, long-term source of \$2.5 million in annual

revenue to fund general City services and maintain service levels. The Committee anticipates that the City Council will have further discussions surrounding fiscal sustainability in the near future.

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 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 our 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 protected vital City services and allowed the City to continue to provide high-quality services.

Now, with Measure C in place, the Committee anticipates that the City Council will have further discussions surrounding fiscal sustainability in the future. Balancing the demands of infrastructure replacement and investment; service delivery and program staffing levels; and maintaining competitive pay and benefits to retain a talented workforce will be an ongoing challenge for Novato. With the $\frac{1}{4}$ cent Measure C revenues being lower than the $\frac{1}{2}$ cent sales tax programmed in the Fiscal Sustainability Plan, the City Council and City staff will need to continue monitoring the five-year forecast and making prudent budget decisions that balance General Fund revenues and expenditures.

After conducting a review of the Measure F revenues and expenditures for fiscal year 2015/16, this Annual Report is respectfully submitted to the Novato City Council and the Novato community by the Measure F Oversight / Citizens Finance Committee.

MEASURE F COMMITTEE

Bob Scott, Chair
David Bentley
Don Bibeault
Caitrin Devine
Cris MacKenzie
Tim O'Connor
Regina Bianucci Rus

MEASURE F FUNDING HISTORY DETAIL

	FINAL ACTUAL 2010/11	FINAL ACTUAL 2011/12	FINAL ACTUAL 2012/13	FINAL ACTUAL 2013/14	FINAL ACTUAL 2014/15	UNAUDITED ACTUAL 2015/16	ADOPTED BUDGET 2016/17	CATEGORY TOTALS
Revenues								
Measure F Sales Tax Revenue	689,126	4,089,401	4,473,532	4,422,885	4,750,569	3,739,015	—	
Investment Earnings / Miscellaneous	347	9,491	20,872	50,394	94,083	112,444	50,000	
TOTAL REVENUES	689,473	4,098,892	4,494,404	4,473,279	4,844,652	3,851,459	50,000	22,502,159
Expenditures and Allocated Funds								
General Fund Deficit Backfill / Prevent Budget Cuts		16,784	411,375	—	325,970	—	—	754,129
Police / Crime Prevention / 911 Response Times								
1.0 FIE Dispatcher							97,200	
Novato Response Team — Staff and Program Support		52,302	105,126	73,582	277,577	40,200	38,502	
0.50 FIE Records Clerk					12,152	40,199	38,501	
0.50 FIE Admin Clerk					5,187	40,199	27,500	
Crime Analysis Contract Services				15,053	64,712	30,663	37,500	
Emergency Services Contract							39,000	
Major Crimes Task Force				12,022	31,742	31,302	33,345	
North Coast Computer Crimes Task Force					25,102	22,000	22,000	
Replacement Fund for Police Technology								
TOTAL								1,172,469
Youth and Senior Programs and Projects								
Youth After School Initiative / Needs Summit			14,236	17,337	—	—	140,000	
CIP — Hill Recreation Master Plan						60,000	400,000	
CIP — Bocce Courts and Parking						—	897,739	
CIP — Synthetic Turf Athletic Field				272	—	1,989	30,000	
Youth Athletics Scholarship Program					10,000	30,000	—	
TOTAL								1,601,573
Parks and Streets Maintenance / Programs								
Maintenance Worker Staffing		169,864	86,092	85,542	—	—	180,210	
Parks, Medians, Streets Maintenance						13,084	425,000	
CIP — Pedestrian Safety Improvements					34,340	47,282	79,943	
CIP — Traffic Signal Improvements Design					2,945	447	21,608	
Open Space Purchase — 90+ acres Trust for Public Lands				253,779				
CIP — LED Streetlight Replacement Project					179,347	644,481	376,172	
TOTAL								2,600,136

	FINAL ACTUAL 2010/11	FINAL ACTUAL 2011/12	FINAL ACTUAL 2012/13	FINAL ACTUAL 2013/14	FINAL ACTUAL 2014/15	UNAUDITED ACTUAL 2015/16	ADOPTED BUDGET 2016/17	CATEGORY TOTALS
City Facility Investments								
Payoff of Corp Yard Lease					1,141,581			
CIP — Hamilton Pool Solar					13,277	80,467	79,175	
TOTAL								1,314,500
Technology / Customer Service / Efficiency								
1.0 FTE Webmaster / Outreach				63,123			90,000	
1.0 FTE Receptionist / Admin Clerk			9,144					
Geographic Info Systems Support								
CIP — Technology Projects Citywide					272,000	337,417	2,144,683	
TOTAL								2,916,367
Economic Development								
Economic Development — Staff and Program Support			170,982	215,006				
Hamilton Base Reuse — Staff and Program Support			107,076	284,663	309,957	227,133	296,148	
Shop Local Campaign			19,232	85,522				
Bio-Life Sciences Campaign				157,301	134,709	99,999	100,000	
TOTAL								2,207,729
Reserves and Future Commitments								
Risk Mitigation Reserve					3,000,000			
Future Funding for Multi-Year Positions / Programs							1,715,000	
TOTAL								4,715,000
TOTAL EXPENDITURES / ALLOCATIONS	—	238,950	923,263	1,263,202	5,840,598	1,706,664	7,309,226	17,281,903
MEASURE F ENDING FUND BALANCE	689,473	4,549,415	8,120,556	11,330,633	10,334,687	12,479,482	5,220,256	5,220,256

* Capital Improvement Program ("CIP") project budgets represent appropriated funds. Depending on project timing, actual expenditures may not occur until future fiscal years. 2016/17 Adopted budgets for CIP projects include updated carryover budgets based on actual expenditures during 2015/16.

"Final Actual" figures represent past year revenues and expenditures that are finalized and audited.

"Unaudited Actual" figures represent the most recent completed fiscal year and are preliminary revenues and expenditures that not yet been audited.

"Adopted Budget" figures represent budget amounts for the most recent fiscal year.