



THE CITY OF  
NOVATO  
CALIFORNIA

922 Machin Avenue  
Novato, CA 94945  
415/899-8900  
FAX 415/899-8213  
[www.novato.org](http://www.novato.org)

## NOVATO CITIZENS FINANCE ADVISORY/ OVERSIGHT COMMITTEE MEETING

to be held at

City Administrative Offices  
Womack Conference Room  
922 Machin Ave

August 31, 2017  
7:30 AM

Chair

Caitrin Devine

Vice Chair

Tim O'Connor

Commissioners

David Bentley

Regina Bianucci Rus

Don Bibeault

Cris MacKenzie

Robert J. Scott, Jr

### AGENDA

#### 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.

7:35 A.M. (*Time is approximate.*)

#### D. COMMITTEE ORGANIZATIONAL ITEMS

**D-1: APPROVAL OF JULY 27, 2017 MINUTES**

**D-2: APPROVAL OF MAY 2, 2017 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.

7:45 A.M. (*Time is approximate.*)

**E-1: SECOND REVIEW OF DRAFT FISCAL YEAR 2016/17 ANNUAL REPORT ON MEASURE F**

Information and discussion.

**E-2: USE OF UNALLOCATED MEASURE F FUNDS**

Consideration of funding up to \$100,000 for unbudgeted FY 2017/18 maintenance and operations related to newly acquired Lieb property at 1521 Hill Road (across from Hill Recreation Area). Information and discussion.

**F. COMMITTEE / STAFF COMMENTS**

**G. FUTURE MEETINGS**

Next meeting scheduled for September 21.

**H. ADJOURNMENT**

**ATTACHMENTS**

1. **May 2, 2017 Meeting Minutes**
2. **Recommended Changes to Draft Annual Report (Item E-1) received from Committee Members Bentley and Bianucci Rus.**
3. **Revised Draft Annual Report (Item E-1)**

**(July 27 Meeting Minutes and Draft Staff Report for Item E-2 will be posted by noon on Tuesday, August 29, 2017.)**

**AFFIDAVIT OF POSTING**

I, Maureen Chapman, certify that on August 24, 2017 I caused to be posted the agenda of the August 31, 2017 meeting of the Novato Citizens Finance Advisory/Oversight Committee meeting of the City of Novato, California, on the City of Novato Community Service Boards in City Hall and the Police Department, and on the City's website at [www.novato.org](http://www.novato.org).

/Maureen Chapman/  
Interim Finance Manager



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### MINUTES

#### **A. CALL TO ORDER**

*Meeting called to order at 7:31 am. Committee members: Caitrin Devine (left at 8:40 am), Tim O'Connor (left at 9:25 am), David Bentley, Regina Bianucci Rus (left at 9:35 am), Don Bibeault (left at 9:28 am), Cris MacKenzie (left at 9:34 am), Robert J. Scott, Jr. Staff Members: City Manager Regan Candelario, Assistant City Manager Peggy Flynn, Deputy Director of Public Works Chris Blunk, Interim Finance Manager Maureen Chapman, Finance Supervisor Gina Javier, Accounting Technician Christina Soares. Councilmembers: Pam Drew, Pat Eklund (arrived at 7:40 am), Eric Lucan. Members of the Public: Hutch Turner*

#### **B. APPROVAL OF FINAL AGENDA**

*The agenda was approved unanimously. Ayes: 6 (Devine, Bentley, Bianucci Rus, Bibeault, MacKenzie, O'Connor, Scott) Noes: 0. Absent: 0*

#### **C. PUBLIC COMMENT**

*Hutch Turner commented that Council should listen to Committee's input and is concerned that reports to Council are being filtered by staff. Believes that Council is not taking advice of Committee since SMART station was approved anyhow. Also suggested that the terms used in the budget are used interchangeably and should be kept in simple terms.*

*Council Member Eric Lucan thanked the Committee for their input.*

*City Manager Regan Candelario responded that he will be working with staff regarding the allegation of filtering information.*

#### **D. COMMITTEE ORGANIZATIONAL ITEMS**

##### **D-1: APPROVE MEETING MINUTES OF APRIL 13, 2017**

*Bianucci Rus motion to approve upon amendment to "Eminent." Bentley second.*

**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.

**E-1: REVIEW OF PROPOSED 2017/18 OPERATING BUDGET**

*Maureen Chapman presented the proposed operating budget and CIP budget to the Committee for feedback, also presented to Council on 4/25/17. The presentation included the General Fund operating budget, Measure F overview of expenditures and allocated funds, proposed Measure F balance for fiscal year 17/18, SMART funding, Measure C overview and a five year general fund forecast. CM Candelario noted that during an audit it was discovered that additional funds are due the City from the County. Also noted that Measure F was a five year tax and Measure C has a longer term that goes into General Fund. Currently 17% operating reserves are set aside which is greater than the required 15%. Measure F has a reserve of \$3 million.*

*Committee members asked about General Fund forecast and reserves, SMART funding, and Emergency & Disaster Response Fund. R. Scott asked about CalPERS funding. D. Bentley noted the five year forecast has a \$3.9 million deficit and if there will be a balanced budget going forward. D. Bibeault also commented on the pension as being a large part of the deficit. T. O'Connor inquired if the cost of the police department and staff retention was built into the forecast.*

*M. Chapman presented the increased costs in the FY 17/18 budget. After the 2019 election, the voting will change from odd to even voting years beginning in 2022. Police department is creating positions to help alleviate administrative work.*

*D. Bentley questioned the increase of legal fees. CM Candelario stated the cost of a young police staff tends to cost more and currently working on building back strength of department. C. MacKenzie asked about the police department overtime budget and vacant positions that create overtime overage. Also inquired about legal fees and if they were charged to special items. CM Candelario stated that legal fees are hard to predict and M. Chapman noted that costs are not allocated to specific departments.*

**E-2: FOLLOW UP DISCUSSION OF PROPOSED CIP FY 16/17 AMENDMENTS AND FY 17/18 CIP BUDGET / MEASURE F FUNDING**



*Deputy Director of Public Works Chris Blunk presented the CIP Alternate Funding Proposal that was presented to Council on 4/18/17. The presentation will be presented to Council again on 5/9/17 with feedback from the Committee.*

*17/18 CIP budget includes \$5.1 million of Measure F Funds. There are 9 carryover projects and also new funding requests. The projected Measure F 16/17 balance is \$5.2 million. Current projects are Hill Recreation Master Plan, Dogbone Meadow, SMART Phase II, AV upgrades for Council and is proposing Hill Recreation Master Plan to be completed in one phase, not two.*

*C. Blunk noted other potential revenue sources such as Buck Center, ERAF, Road Recovery & Accountability Act, sale of City owned property (Hamilton Hospital and Senior Housing), approximately \$900,000.00 of unspent 16/17 General Funds, internal financing from Hamilton Trust or reserves. Noted that \$32 million is available and interest on funds used for General Fund. R. Bianucci Rus commented that it is not appropriate to consider using General Funds instead of Measure F Funds. CM Candelario noted Hill Recreation Master Plan or SMART funds could be used for specific municipal projects.*

*C. Blunk presented the cost of Downtown SMART station to be approximately \$2,398,000.00 and the potential funding sources, Hill Recreation Master Plan at approximately \$6.6 million and proposed Measure F funding of \$3 million. R. Bianucci Rus suggested speaking with Committee and staff with questions.*

*C. Blunk then presented alternate CIP funding strategies for SMART, Hill Recreation Master Plan, AV equipment and Dogbone Meadow by utilizing a combination of Measure F Funds, internal financing, Hamilton sales, ERAF funds, DIF funds, Quimby fees and Grants.*

*D. Bentley commented the Committee unanimously voted no for the Downtown SMART station and suggested using Hamilton Trust to fund Phase II. C MacKenzie noted she does not support using Measure F Funds for SMART Phase II and if there was statistical data to support three stations. R. Scott does not support using Measure F Funds for SMART Phase II either. R. Bianucci Rus asked if the ballot language supported SMART funding.*

*Blunk requested budget amendment of Measure F 16/17 funds:  
Hamilton Solar-increase allocation by \$41,000.00, LED  
streetlights-amend scope to include park lighting, Hill  
Recreation Master Plan-consolidate three CIP projects.*

**F. COMMITTEE / STAFF COMMENTS**

*None*

**G. FUTURE MEETINGS**

*Next regular meeting is May 18, 2017*

**H. ADJOURNMENT**

*Meeting adjourned at 9:38am*

**Measure F Oversight Committee  
FY 2016/17 Annual Report**

Executive Summary

Since the Novato voters approved Measure F in 2010, Novato's ½ cent sales tax provided critical funding for Novato City services. During the five years that Measure F was in effect, revenue was consistently more than \$4 million annually, and generated approximately \$22.6 million. Measure F expired on March 31, 2016 and was replaced by Measure C, a ¼ cent sales tax that was approved by Novato voters in November 2015. Measure C is providing \$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 - \$2,461,187
- Youth and Senior Programs and Projects - \$3,121,301
- Parks and Street Maintenance / Programs - \$2,827,028
- City Facility Investments - \$1,315,019
- Technology / Customer Service / Efficiencies - \$3,050,683
- Economic Development - \$2,404,101
- Future Risk Mitigation Reserve - \$3,000,000
- Future CIP Project Funding - \$1,500,000
- Future Funding for Multi-Year Positions / Programs - \$1,000,000

TOTAL

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 FUNDING HISTORY DETAIL  
UNALLOCATED

Looking ahead, there remains an approximate \$1.3 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.

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

Measure F was approved by the Novato voters in the November 2010 election 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 pushed annual revenues over \$4 million each year. Over its 5-year term Measure F provided \$22.6 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

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.

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

*NOT TRUE*

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.

*for new employees*

*employee*

*only 1x in last 10 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

Over the past five years, 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.

#### *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 significant reductions in calls for service compared to previous 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 (“NC3TF”). 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 NC3TF, which funds 78% of the officer’s salary and benefits and related supplies and equipment. The NC3TF provides specialized investigative services for high tech crimes, and Novato benefits by having an officer receive this highly technical training. Measure F funds the 22% 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 1.0 FTE Dispatcher, 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.

Beginning 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 sources, include major improvements to the Hill Recreation area adjacent to the Margaret Todd Senior Center. Among the improvements are adding bocce ball and pickle ball courts, a synthetic turf sports field, upgrading parking, and ADA accessibility improvements. 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. 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 has been utilized to trade development restrictions 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. In 2016/17, two additional maintenance workers were again funded from Measure F to bring staffing levels back closer to where they were before the recession. Additionally, in 2016/17, one-time funds were added to enhance the City’s streets crack-filling program for the purpose of raising the Pavement Conditions Index (PCI) and to complete various special and seasonal parks and island improvements. 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 included 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. These projects were completed in 2016/17.

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, are installing 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 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. With budgetary savings, this project was expanded in 2016/17 to add conversion of the lighting at City facilities to energy-efficient LED fixtures.

**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 2016/17 represented the third year of such investment, allotting approximately \$850,000 to the research, planning, and implementation of several major new technologies.

Accomplishments in 2016/17 in City technology projects include:

- **Enhanced customer service:**
  - Implementation of a new Parks and Recreation software system, including online registrations for classes and programs;
- **Internal efficiencies:**
  - Contracted with Tyler Technologies, a vendor specializing in public sector software solutions, to replace the City's 20-year-old Finance / Payroll software and began implementation of the Financial Management module;
  - Implemented fuel management system; and
  - Implemented computerized maintenance management to replace paper-based manual process.

**Economic Development** – Restoring an Economic Development program for Novato has been a strategic use of Measure F 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

??

NOT CONSISTENT W/ LONG TERM SUSTAINABILITY SECTION



2017/18 Measure F Budget

In June 2017, the City Council adopted the 2017/18 budget which included some significant new expenditures of Measure F funds. The Council extended several positions that were previously approved and have been paid for by Measure F; namely, the Hamilton Base Reuse Director, and the Police Dispatcher, Records Clerk and Administrative Clerk, the Webmaster, and two Maintenance Workers. In addition to the above, some one-time Measure F funding unspent in 2016/17 was carried over to further the City's maintenance efforts. \$175,000 was included to continue the pavement crack-sealing program and to fund special maintenance projects in a variety of City parks and median islands in 2017/18.

FISCAL

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.

NOT CONSISTENT  
w/ ECONOMIC  
DEVELOPMENT  
SECT. 2.2

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 is providing 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~~ <sup>urges</sup> the City Council ~~will~~ <sup>to</sup> 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 ¼ cent Measure C revenues being lower than the ½ 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 2016/17, this Annual Report is respectfully submitted to the Novato City Council and the Novato community by the Measure F Oversight / Citizens Finance Committee.

**Caitrin Devine, Chair**  
**Regina Bianucci Rus**  
**Cris MacKenzie**  
**Bob Scott**

**David Bentley**  
**Don Bibeault**  
**Tim O'Connor**





Sat 8/19/2017 4:17 PM

Regina Bianucci Rus <regina@rbrcpa.com>

RE: Next Meeting

To: Maureen Chapman; Bob Scott; Caitrin Devine; Cris MacKenzie; David Bentley; Don B; Tim O'Connor

Maureen,

Regarding the draft of the Measure F Oversight Committee 2016/17 Annual Report (working draft 7/25/17), I only have one comment. This is a report looking back, as most accounting reports do, so it is confusing to include the 17/18 budget spending in the summary numbers. I would remove those and report the actual spending in your page one summary, with a note or additional line including the 17/18 budget items (which have been approved by City Council). Maybe add a table with 4 columns – the description, year to date as of 16/17 amount spent, 17/18 budgeted and then total (which would agree to the numbers you now show).

Note that if you read the text on page 7, you refer to future spending (future tech and future community projects) with amounts that exceed the Future CIP on page one. That is because you included this future spending in your reported amounts on page one. It is just a little confusing.

Overall, great report.

Regarding the August 31 meeting to discuss reserves, will you have a table of all the reserve balances, actual at 6/30/17? I'd like to see what percentage EDRF is to General Fund. I think it far exceeds the 15% based on our discussions on the Downtown SMART station.

See everyone in a week.

*Regina*

Regina Bianucci Rus, CPA  
**415-897-6005**

**Measure F Oversight Committee  
FY 2016/17 Annual Report**

Executive Summary

Since the Novato voters approved Measure F in 2010, Novato’s ½ cent sales tax provided critical funding for Novato City services. During the five years that Measure F was in effect, revenue was consistently more than \$4 million annually, and generated approximately \$22.6 million. Measure F expired on March 31, 2016 and was replaced by Measure C, a ¼ cent sales tax that was approved by Novato voters in November 2015. Measure C is providing \$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~~report by the Committee.

As a general purpose tax, there is no dedicated purpose ~~on for~~ 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:

<u>Focus Area</u>	<u>Spending Through FY 16/17</u>	<u>Budget FY 17/18 Future Committed</u>	<u>Category Totals</u>
<u>General Fund Deficit Backfill</u>	<u>\$754,129</u>	<u>\$0</u>	<u>\$754,129</u>
<u>Police / Crime Prevention / 911 Response Times</u>	<u>\$1,109,362</u>	<u>\$1,351,825</u>	<u>\$2,461,187</u>

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- General Fund Deficit Backfill - \$754,129
- Police / Crime Prevention / 9-1-1 Response Times - \$2,461,187
- Youth and Senior Programs and Projects - \$3,121,301
- Parks and Street Maintenance / Programs - \$2,827,028
- City Facility Investments - \$1,315,019
- Technology / Customer Service / Efficiencies - \$3,050,683
- Economic Development - \$2,404,101
- Future Risk Mitigation Reserve - \$3,000,000
- Future CIP Project Funding - \$1,500,000
- Future Funding for Multi-Year Positions / Programs - \$1,000,000

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~~Measure F Funding History Detail table at the back of the report.

Looking ahead, there remains an approximate \$1.3 million ~~unspent-unallocated~~ balance in Measure F which the City Council could program in future years for to-be-determined projects and services. These

WORKING DRAFT – ~~July 25~~August 24, 2017

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.

DRAFT



### 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.

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

Measure F was approved by the Novato voters in the November 2010 election 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 pushed annual revenues over \$4 million each year. Over its 5-year term Measure F provided \$22.6 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

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.

### 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
- 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 for new employees and significantly increased employee 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.

**Commented [MC1]:** In 2010, PERS health premiums had increased by double digits in 5 of previous 10 years, averaging 18% per year. Highest increase was 23.3% between 2002 and 2003; lowest increase was 2.5% between 2004 and 2005.

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

Over the past five years, 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.

*Funded, ~~Improved~~improved, and ~~Reinstated~~reinstated ~~Key-key~~Key-key ~~City-city~~City-city ~~Services-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 significant reductions in calls for service compared to previous 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 (“NC3TF”). 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 NC3TF, which funds 78% of the officer’s salary and benefits and related supplies and equipment. The NC3TF provides specialized investigative services for high tech crimes, and Novato benefits by having an officer receive this highly technical training. Measure F funds the 22% 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 1.0 FTE Dispatcher, 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.

Beginning 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 sources, include major improvements to the Hill Recreation area adjacent to the Margaret Todd Senior Center. Among the improvements are adding bocce ball and pickle ball courts, a synthetic turf sports field, upgrading parking, and ADA accessibility improvements. 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. 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 has been utilized to trade development restrictions 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~~in 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. In 2016/17, two additional maintenance workers were again funded from Measure F to bring staffing levels back closer to where they were before the recession. Additionally, in 2016/17, one-time funds were added to enhance the City’s streets crack-filling program for the purpose of raising the Pavement Conditions Index (PCI) and to complete various special and seasonal parks and island improvements. 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 included 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. These projects were completed in 2016/17.

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, are installing 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 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. With budgetary savings, this project was expanded in 2016/17 to add conversion of the lighting at City facilities to energy-efficient LED fixtures.

**Technology and City Operations** – A significant new investment for the City ~~for beginning in 2014/15 and the future is has been~~ 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 2016/17 represented the third year of such investment, allotting approximately \$850,000 to the research, planning, and implementation of several major new technologies.

Accomplishments in 2016/17 in City technology projects include:

- **Enhanced customer service:**
  - Implementation of a new Parks and Recreation software system, including online registrations for classes and programs;
- **Internal efficiencies:**
  - Contracted with Tyler Technologies, a vendor specializing in public sector software solutions, to replace the City’s 20-year-old Finance / Payroll software and began implementation of the Financial Management module;
  - Implemented fuel management system; and
  - Implemented computerized maintenance management to replace paper-based manual process.

**Economic Development** – Restoring an Economic Development program for Novato has been a strategic use of Measure F to replace a program that was eliminated in 2011 with the State’s seizure of local Redevelopment funds, resulting in ~~a nearly \$1 million~~ \$800,000 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 2016/17, 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 2016/17 budget continued investment in this strategic partnership.

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 2016/17 was completing 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 allows 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. As part of the 2016/17 budget process, City Council made the decision to move the reserve out of Measure F to a dedicated fund.

**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 budget over the past three years, 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, and \$350,000 to enhance 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** – As part of the 2017/18 budget, the City Council approved using \$3 million of unallocated Measure F funds over two fiscal years toward the Hill Recreation Area project and \$1 million to acquire a fully-integrated Computer-Aided Dispatch / Records Management System (CAD / RMS) for the Police Department. This system will replace the contract with Marin County to provide similar services offsite. Consistent with the City's conservative fiscal management of Measure F revenues, an estimated \$1.3 million fund balance remains that the City Council can appropriate for other projects to benefit the community or plan for future contingencies.

### 2017/18 Measure F Budget

In June 2017, the City Council adopted the 2017/18 budget which included some significant new expenditures of Measure F funds. The Council extended several positions that were previously approved and have been paid for by Measure F; namely, the Hamilton Base Reuse Director, and the Police Dispatcher, Records Clerk and Administrative Clerk, the Webmaster, and two Maintenance Workers. In addition to the above, some one-time Measure F funding unspent in 2016/17 was carried over to further the City's maintenance efforts. \$175,000 was included to continue the pavement crack-sealing program and to fund special maintenance projects in a variety of City parks and median islands in 2017/18.

### 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 is providing 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 encourages~~ the City Council ~~will to~~ 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 organizational 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~~urges the City Council ~~will to~~ 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 ¼ cent Measure C revenues being lower than the ½ 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 2016/17, this Annual Report is respectfully submitted to the Novato City Council and the Novato community by the Measure F Oversight / Citizens Finance Committee.

**Caitrin Devine, Chair**  
**Regina Bianucci Rus**  
**Cris MacKenzie**  
**Bob Scott**

**David Bentley**  
**Don Bibeault**  
**Tim O'Connor**