



CITY OF NOVATO
CALIFORNIA

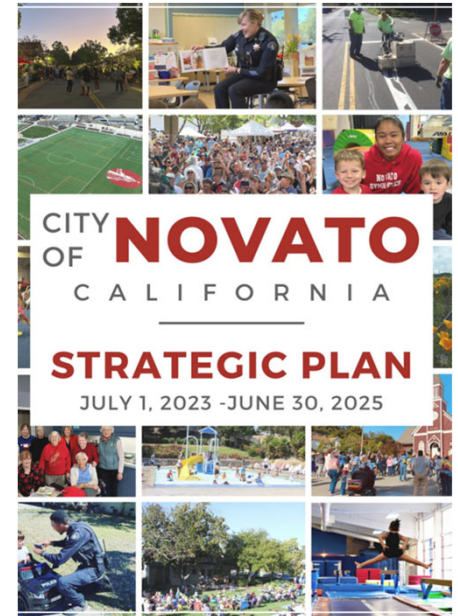
**CONSIDERATION OF LOCAL SALES TAX MEASURE –
NOVEMBER 2024**

CITY COUNCIL MEETING - JULY 23, 2024

2023-2025 STRATEGIC PLAN

Fostering fiscal strength and addressing systemic budget deficits:

- Work Plan Initiatives:
 - #14 – As resources become available, develop a targeted plan to address deficiencies and deferred maintenance in our existing parks, recreational facilities and City-owned infrastructure;
 - #15 – Initiate a review and modernize the 2013 Fiscal Sustainability Plan with an emphasis on increasing City revenues, including an interactive model if possible; and
 - #16 - Address long-term revenue shortfalls: explore a November 2024 ballot initiative to increase sales tax by $\frac{3}{4}$ cent.



FINANCE ADVISORY COMMISSION RECOMMENDATIONS

1. Unanimously recommend sales tax approval - place 0.75% increase on November 2024 ballot, until repealed by voters, with independent financial oversight by the Commission.
2. Commission to continue receiving quarterly reports - including new sales tax accounted for in a separate fund; and annual reports to the City Council and taxpayers.
3. Sales tax is absolutely essential **and** part of a larger solution. Recommend Fiscal Sustainability Plan include:
 - A) Cost-effective use of City properties – compile detailed information for each property and use for realistic cost-benefit assessments to inform the development of practical, rational options.
 - B) Identify factors impacting economic development - vigorously pursue innovative economic policies and minimize the obstacles to growth.
 - C) Identify and aggressively apply for any and all grants; for FY2025/26 allocate a dedicated resource to seek grant funds



BUDGET DEFICITS – 5 YEARS

General Fund Budget Deficits

	Adopted Budget FY20/21	Revised Budget FY20/21*	Adopted Budget FY21/22	Adopted Budget FY22/23	Amended Budget FY23/24	Proposed Budget FY24/25
Surplus / (Deficit)	(\$5.7M)	(\$2.5M)	(\$0.2M)	(\$1.7M)	(\$3.3M)	(\$4.3M)

*September 2020 Budget Revise



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GRAND JURY REPORT

“NOVATO’S CHRONIC FISCAL DEFICITS: A CALL TO ACTION”

Findings:

- Despite over a decade of warnings, sufficient measures have not been taken to resolve the City’s ongoing and chronic fiscal challenges.
- Novato’s low property tax rate at just 7% - “is one of the City’s most severe impediments to its financial stability.”
- Cost-containment and expense reduction measures taken over the past decade have had a detrimental impact on the community’s quality of life:
 - *“For example, budget cuts designed to reduce staffing levels left fewer people to perform the same or greater workload, resulting in overburdened staff members, low wages, difficulties in hiring and retaining employees, and reduced services for Novato’s approximately 53,000 residents.”*

Conclusion:

City Council has not adequately pursued options for ongoing sources of revenue

Recommendation:

City *“begin strategic planning to increase the City’s sales tax.”*



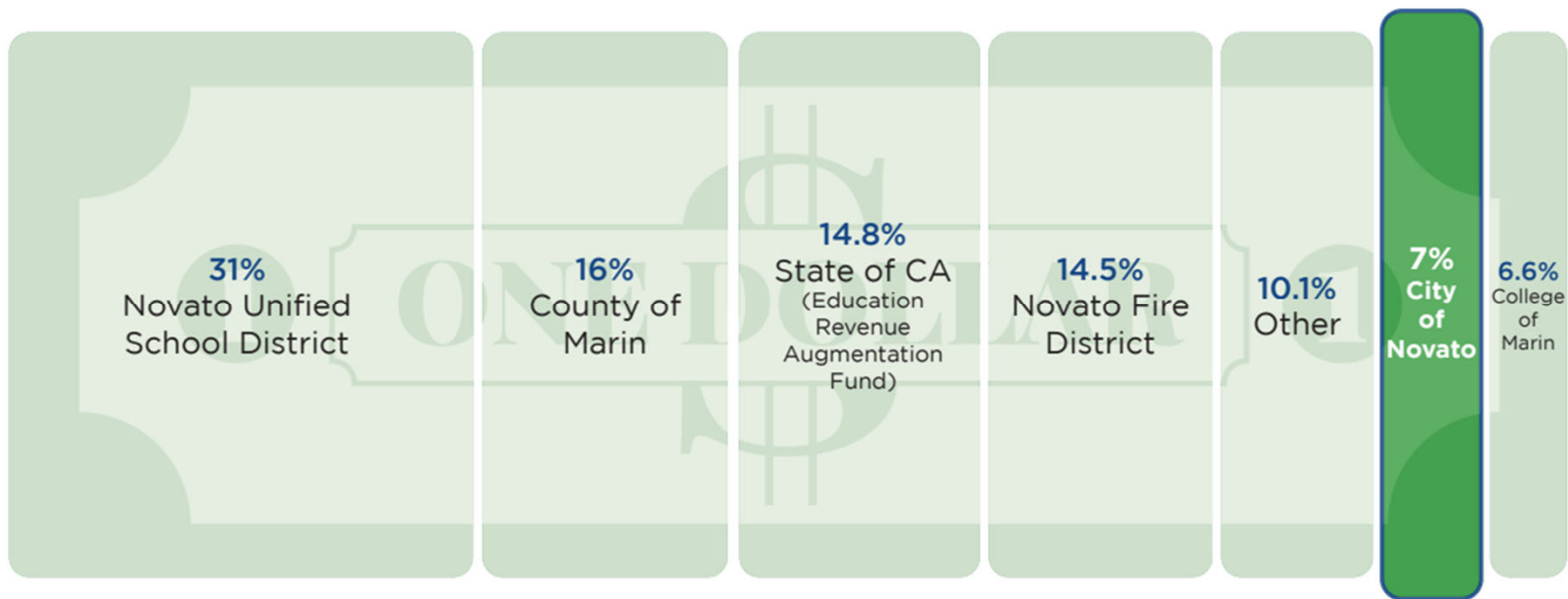
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FISCAL SUSTAINABILITY PLANNING

New ongoing funding is needed to:

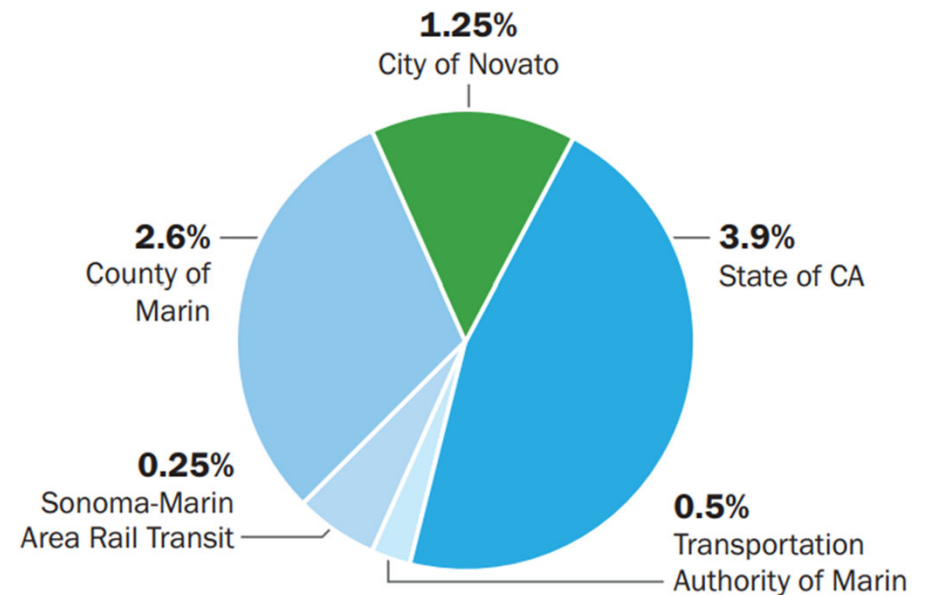
- Preserve current priority services by bridging the systemic operating deficit and address community demand;
- Replenish emergency reserves;
- Address mounting deferred infrastructure and capital needs;
- Mitigate financial and other liabilities; and
- Invest in innovation to generate reliable ongoing revenue.

PROPERTY TAX DISTRIBUTION



LIMITED LOCALLY CONTROLLED FUNDING: SALES TAX

Of the 8.5% sales tax
collected in Novato,
only 1.25% returns to
the City of Novato



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LIMITED LOCALLY CONTROLLED FUNDING: SALES TAX

MARIN COUNTY	8.25%
Larkspur	9.25%*
San Anselmo	9.25%*
San Rafael	9.25%*
Sausalito	9.25%*
Corte Madera	9.00%
Fairfax	9.00%
Novato	8.50%

Marin County Rate:

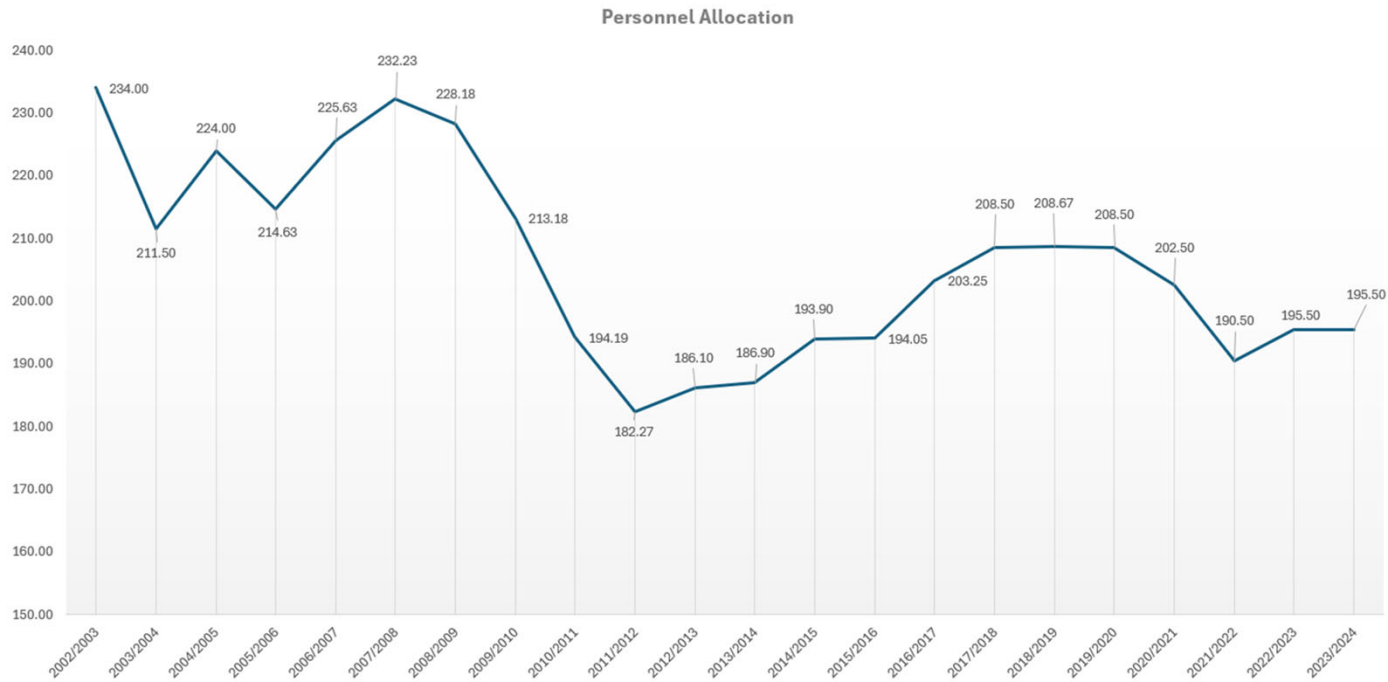
- Applies to all agencies without local transaction tax
- Includes TAM, SMART, MPOS

Marin Cities & Towns:

- 4 Agencies at the State cap of 9.25%
- **Novato has 0.75% cap space**
- Remaining cap space could be used by city/town or for countywide purpose
(e.g. county, transportation agencies)



COST CONTAINMENT – PERSONNEL ~70%



Highest Personnel Allocation:
FY2002/03 = 234

**Personnel Allocation
(Pandemic Service Reductions)**
FY2021/22 = 190.5

Current Personnel Allocation:
FY2024/25 = 198



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INFRASTRUCTURE

Over **\$51M** in deferred maintenance needs

- \$38M – Roads backlog
 - To maintain current conditions +\$5M per year needed
- \$13M – Parks backlog

Does not capture deferred need for:

- Facilities
- Storm Drains
- Sidewalks

SERVICE DELIVERY & STAFFING

SERVICES DELIVERED THROUGH STAFF

Staffing Levels - 20 year Low

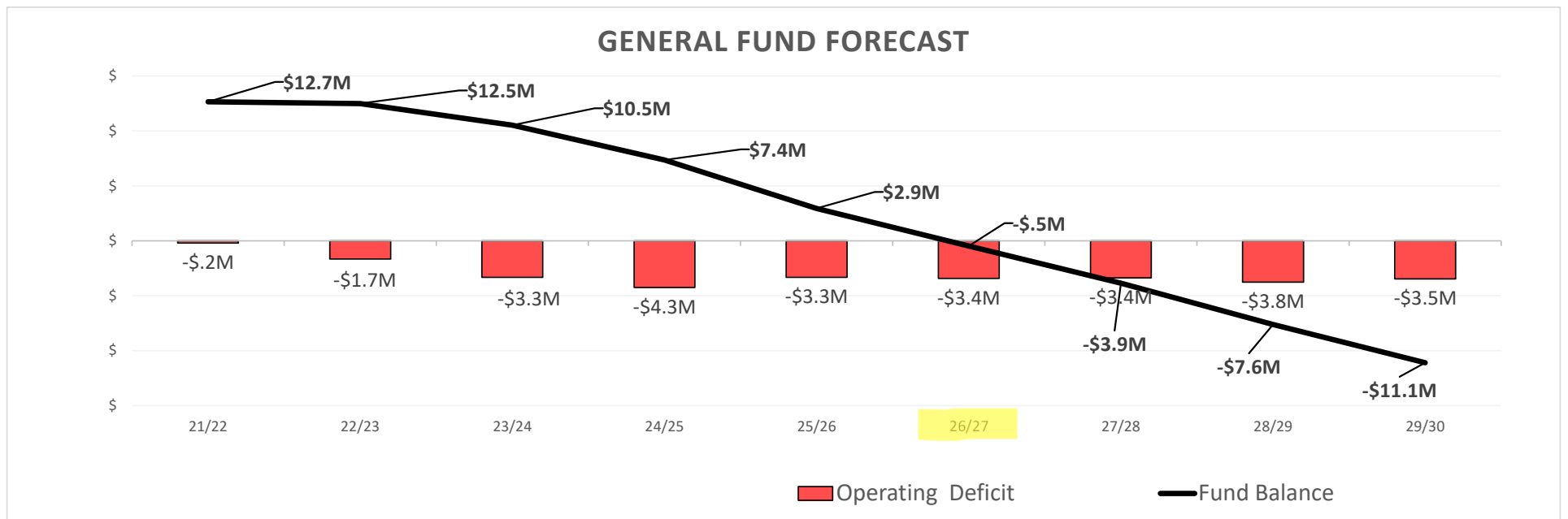
- 8% Workforce Reduced in 2020
- Consultant Study – +19.5 Positions Needed
 - Immediate staffing needs to address greatest risk = +7.5
 - Added FTE = +6, Temporary/Contract = +1.5
 - Meet Existing Community Need = +12 FTE

Recruitment and Retention Challenges = Inefficiencies

- Competitive compensation
- Workload



5-YEAR FINANCIAL FORECAST



SURVEY RESULTS



- Survey Conducted May 2024
- Likely Novato Voters polled by phone, email, text
 - 80% Life is Good in Novato
 - 66% Satisfied with City Services
 - ~60% approval rate for potential revenue measure

PROPOSED BALLOT LANGUAGE

Shall the measure continuing locally controlled funding, that the State cannot take away, and maintaining City of Novato's services, such as:

- fixing potholes/ streets;
- maintaining 9-1-1 emergency response, crime/ gang prevention;
- attracting/ retaining small businesses;
- maintaining parks/ recreation facilities;
- enhancing wildfire prevention; and
- repair aging storm drains;

by establishing a 3/4c sales tax in the City of Novato, until ended by voters, for general government use, providing an additional \$10,300,000 annually, with independent citizens' oversight, annual audits be adopted?



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LOCALLY-CONTROLLED SALES TAX SAMPLE IMPACT



Receipt

Date: 06/01/24

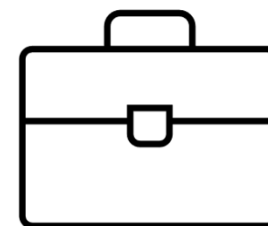
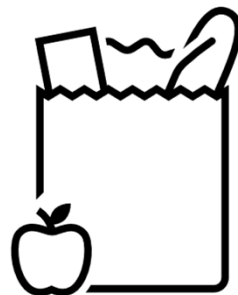
ITEM	PRICE
Clothing	\$100.00
Household Essentials	\$100.00

SUBTOTAL	\$200.00
SALES TAX PAID AT CURRENT RATE	\$17.00
SALES TAX WITH NEW 0.75% TUT	<u>\$18.50</u>

ADDITIONAL SALES TAX \$1.50

thank you!

Groceries, medications, medical, dental, real estate, rent, education, utilities, personal services and labor are all exempted from sales tax



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FISCAL ACCOUNTABILITY

Fiscal Accountability Protections

- Existing independent oversight committee (FAC) continue to review and report on the use of revenue to ensure that all funds are spent responsibly on general City services consistent with the community's priorities.

Strict fiscal accountability protections, including:

- All funds must stay in Novato for local services only and cannot be taken by the State, the County or other agencies; and
- All funds would be subject to independent annual audits and mandatory public spending disclosure.



BALLOT PLACEMENT - CALENDAR

2024 Key Dates:

- **July 23 -** City Council passes resolution, formally placing the measure on the November 2024 ballot.
- **August 9 -** Deadline to submit Resolution regarding ballot measure to County Board of Supervisors and Registrar of Voters.
- **August 19 -** Deadline to submit primary arguments to the Elections Department through the City Clerk.
- **August 26 -** Deadline to submit rebuttal arguments to the Elections Department.
- **November 5 -** Election Day



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COMMUNITY OUTREACH

Extensive Engagement Activities:

- Community budget survey, available online and by mail, resulting in over 1,000 responses.
- In-person and online Community Budget Workshop
- Presentations to community groups and at community events (e.g. Concerts on the Green)
- Councilmember district pop-ups & at Downtown Community Farmers' Market
- Polling conducted through emails, phone calls and text messages
- Posts to the City's website at novato.org/localfunding
- Citywide direct mailers (4)
 - Mailer #4: Notice of July 23rd Council meeting
- Email notifications and e-newsletter updates to subscribers
- Posts to the City's social media channels: Facebook, Instagram, X, and Nextdoor
- Tonight's meeting noticing - per standard agenda noticing procedures



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STAFF RECOMMENDATION

- Adopt Resolution approving Ordinance
 - 0.75% local transactions and use tax, for general government use, until repealed by voters
 - Consolidate election with General Municipal Election – Nov. 5, 2024
- Next Steps – Fiscal Sustainability Plan
 - Specify spending priorities
 - Specify accountability provisions



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QUESTIONS OR COMMENTS?

