



THE CITY OF
NOVATO
CALIFORNIA

AGENDA
MEASURE F OVERSIGHT/CITIZENS FINANCE COMMITTEE
THURSDAY, JANUARY 19, 2012: 7:30 – 9:00AM
75 ROWLAND WAY #200
ATHERTON CONFERENCE ROOM

- A. Call to Order
- B. 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.*)
- C. Committee Organizational Items
 - C – 1: Approval of December 15 Meeting Minutes
 - C – 2: Update on Committee Vacancy
- D. 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.*)
 - D – 1: Redevelopment Update
 - D – 2: FY 2012-2013 Budget/Fiscal Sustainability Process
- E. Committee/Staff Comments
- F. Attachments:
 - 1. League of Cities Document – RDA Dates
 - 2. Final Committee Fiscal Sustainability Letter to Council
 - 3. Final Committee City Office Letter to Council
- G. Adjournment
 - G – 1: Next Regular Meeting – February 16, 2012

AFFIDAVIT OF POSTING

I, Dane Wadlé, certify that on, January 13, 2012, I caused to be posted the agenda of the Thursday, January 19, 2012 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.

/Dane Wadlé/
Dane Wadlé, Management Analyst



THE CITY OF
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MINUTES TO BE FORMALLY ADOPTED AT THE NEXT MEETING

**MINUTES
MEASURE F OVERSIGHT/CITIZENS FINANCE COMMITTEE
THURSDAY, DECEMBER 15, 2011: 7:30 – 8:30AM
75 ROWLAND WAY #200
ATHERTON CONFERENCE ROOM**

A. Call to Order

The meeting was called to order at 7:31A.M. In attendance were:

Committee Members:

Cris MacKenzie, Chair

David Bentley, Vice-Chair

Alan Berson

George Cohen

Robert Jordan

City Staff:

Cathy Capriola, Assistant City Manager

Jim Berg, Operations Captain, Police Department

Brian Cochran, Finance Manager

Maureen Chapman, Accounting Supervisor

Dane Wadlé, Management Analyst

In addition, there was one member of the public in attendance.

B. 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.*)

Tom MacDonald made general comments on the employee compensation. He specifically highlighted police department data and encouraged the Committee to address compensation as part of the fiscal sustainability conversations.

C. Committee Organizational Items

C – 1: Approval of November 17 Meeting Minutes

Committee Member Bentley asked a follow-up question on the meeting minutes. He would like staff to research what the call provisions are on redevelopment tax allocation bonds approved earlier this year. The Finance Manager will research this issue for the next meeting.

After this discussion, the minutes were unanimously approved.

D. 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.*)

D – 1: Use of Measure F Revenues:

- Public Safety COPS Grant

Police Captain Jim Berg provided an overview of the COPS grant awarded to the City by the Department of Justice. The grant amount is for \$1,095,873 and is to be used to hire three sworn police officers for a 36-month period. As a condition of accepting the grant, the City must retain the three officers for an additional year. The grant only funds the officers for the first three years.

To fully equip the new officers, the department estimates additional costs in the 1st year of \$99,000. This cost includes the following expenses:

<i>1. Equipment =</i>	<i>\$3,000</i>
<i>2. Vehicles (2) =</i>	<i>\$60,000</i>
<i>3. Vehicle Maintenance =</i>	<i>\$36,000</i>

The total cost of retaining the officers in the 4th year is \$429,000.

Staff recommended utilizing Measure F funds to support retaining the grant supported officers and the associated operating costs for a total Measure F expenditure of \$528,000.

Captain Berg outlined the potential areas where the new officers will provide service to the community:

- *Working with local schools and the Marin County Office of Education*
- *Working with other local law enforcement agencies*
- *Addressing quality of life issues within Novato (example: response to the graffiti issue that emerged earlier this year)*

Committee Members asked questions about the COPS Grant proposal:

Question: How does staff plan on managing officer staffing after the 4th year?

Answer: The intent is to have these officers remain with the organization after the 4th year. Ideally, the staffing will be managed through attrition. It is incumbent on the PD to have vacancies in four years. After four years, the PD staffing levels retreat back to what they are now if the vacancies do not occur.

Question: Committee Members requested additional information on the inclusion of the two police vehicles and the cost of the vehicles.

Answer: Captain Berge provided a copy of the City's PD Vehicle Replacement policy. He also referenced the Vehicle Utilization Study that was completed approximately 18 months ago and concluded that the City is only using the number of vehicles that are needed and that our usage is within industry guidelines. Finally, Captain Berg informed the Committee that fully-equipped police vehicles generally cost between \$35,000 and \$40,000.

Staff provided general comments to address questions about the public perception of the police having an excess number of vehicles. The specific example cited was the number of police vehicles visibly parked on the street at 909 Machin Avenue and in the City's lot across from the Police Department. Staff responded that private vehicles are sometimes stored as evidence (example: recent homicide case) in the police's underground lot. As such, some PD vehicles must be parked on the street to accommodate the private vehicles. In addition, while all officers do not work all the time, the Department must be prepared for potential situations. The summary is that the City does not have an excess number of police vehicles.

The Committee approved the following motion by a vote of 5-0.

"The Measure F Oversight/Citizens Finance Committee endorses the expenditure of \$429,000 in Measure F revenues for the three police officers. The Committee believes the Council should further explore the use of Measure F revenues for the police vehicles."

- Future Staffing and Information Technology (IT) Investments

This item was continued to a future meeting.

D – 2: Discussion of City Office Letter

The Committee considered the draft City Office letter drafted by the Subcommittee (consisting of the Chair and Committee Member Jordan). The Committee requested that the property list in Appendix A be categorized by city to demonstrate the location of each property. The Committee also asked that the properties be delineated between current properties for sale and prior sales. Finally, the Committee asked for a clarification of "Class A vs. Class B" buildings.

With these changes, the Committee adopted the letter. Staff will send the letter to the Council (along with the previously approved fiscal sustainability letter) as soon as possible.

E. Committee/Staff Comments

Assistant City Manager Capriola provided a general response to the public comments regarding police compensation. She informed the Committee and the public that the Council will be having a broad discussion on city compensation in early 2012. The City will conduct a public workshop with a pension consultant to outline the issues.

The specific conversations about compensation will occur through the labor negotiation process. Many of these discussions will be held in closed session, pursuant to the law.

F. Adjournment

The meeting was adjourned at 8:40A.M. The next regular meeting will be on January 19, 2012.



AB x1 26 Timeline as modified by California Redevelopment Association v. Matosantos*

By January 13	If city does not want to serve as the "successor agency" to its redevelopment agency, then it must submit a resolution to that effect to the County Auditor-Controller by this date. If a city wishes to serve as the "successor agency," no action is required.
February 1	Redevelopment agencies are dissolved.
By February 1	Successor agency must create Redevelopment Obligation Retirement Fund.
By February 1	Successor agency must decide whether to retain affordable housing function of the redevelopment agency. If successor agency does not elect to retain this function, it is transferred to the housing authority or, if no housing authority exists, to the State Housing and Community Development Agency.
By February 1	Successor agency must review the enforceable obligation payment schedule (EOPS) adopted by the redevelopment agency last fall, modify it if necessary, and readopt. The EOPS is subject to review and approval by the Oversight Board once that board has been formed. The successor agency may only make payments for those obligations identified in the EOPS until a Recognized Obligation Payment Schedule (ROPS) is approved.
By March 1	Successor agency must adopt a Recognized Obligation Payment Schedule (ROPS). This is a permanent schedule of obligations that replaces the interim EOPS once the ROPS has been approved. The County Auditor-Controller will allocate property tax increment to successor agencies to pay debts listed on ROPS.
By April 1	Successor agency reports to the County Auditor-Controller whether the total amount of property tax available to the agency will be sufficient to fund its ROPS obligations over the next six-month fiscal period.
By April 15	Successor agency must send the adopted ROPS to the State Controller and the State Department of Finance for approval. The ROPS is also subject to approval by the Oversight Board.
By May 1	Oversight Boards begin operations, files report of membership with State Department of Finance.
Starting May 1	Successor agency may only pay those obligations listed in the approved ROPS. The approved ROPS replaces the EOPS.
By May 16 and continuing thereafter as specified	The County Auditor-Controller transfers property tax to the successor agency in an amount equal to the cost of the obligations specified in the ROPS. This amount is transferred into the successor agency's Redevelopment Obligation Retirement Fund, and payments from this fund are used to satisfy the obligations identified in the ROPS.

* This timeline does not represent a complete list of deadlines imposed by AB x1 26 as modified, but rather, it is list of the most relevant and time-sensitive deadlines and milestones for cities that will be opting to become the successor agency to their redevelopment agency. Please consult with your city attorney or your redevelopment agency counsel for more information.

December 15, 2011

Dear Novato Council:

As the Council begins discussing strategies to help ensure the City's long-term fiscal sustainability, we, as the advisory Measure F Oversight/Citizens Finance Committee, wish to provide our initial thoughts on this important topic. The Committee has had multiple discussions and offers the following four points for your consideration.

1. The Council should plan ahead for when Measure F expires in March 2016

We commend the Council for starting the fiscal sustainability discussions now. As you know, Measure F provides a short-term opportunity to take actions that will make us sustainable. Five years is a relatively short time frame and it is imperative that we have a financial plan in place in 2012. We urge the Council to direct staff to develop options for Council consideration that will eliminate the forecast \$2 million FY 2016 General Fund operating deficit thereby ensuring the City is on a fiscally sustainable path in 2016 when the Measure F sales tax terminates.

2. The Council should be cautious with one-time Measure F revenues due to the lingering structural deficit.

We believe the City should be careful in using Measure F funds. While Measure F was approved to help preserve and protect existing services, these revenues expire in five years and the City will have a larger structural deficit post-Measure F if we commit the funds to ongoing programs and/or services which may not be sustainable in the long-term.

3. The Council should consider revenue options as part of a long-term strategy

We believe that the City needs to look at options that generate revenue for the City. Proposals that will produce additional revenues should receive serious consideration as Council strives to develop a long-term fiscal strategy.

4. The Council should carefully consider the impact of further staff cuts

The Committee has received presentations outlining the significant staffing cuts that have occurred over the past four years. We understand the necessity of these actions in response to the large budget deficits. In some instances, it may not be possible to avoid staff cuts, yet the Committee is concerned about additional staff reductions.

We thank you for the opportunity to comment and express our willingness to continue working with you on fiscal sustainability measures.

Sincerely,

Measure F Oversight/Citizens Finance Committee

December 15, 2011

Dear Novato Council:

As you may be aware, the Measure F Oversight/Citizens Finance Committee has had discussions on the financial issues associated with the downtown City office project.

At our meeting on November 17th, the Committee, by a 4-2 vote, approved a motion requesting that the Council stop the construction of the City office at the downtown site and review other options to determine the best course of action.

This decision was based on the following facts:

- The approximate price per square foot cost to construct city offices are significantly higher than a cost per square foot to purchase another property suited to city office use (Appendix A).
- Using the mean construction costs, the price of the downtown office would be higher than the highest sale price per square foot in Marin since 2005 (Appendix A).
- Using an approximate income valuation, the city is effectively losing over \$6,000,000 dollars the moment the building is constructed and opened as its value is significantly lower than its construction cost (Appendix B).
- There are adequate buildings available for purchase in the commercial real estate market which will more than satisfy the needs of the city for at least half of the cost of construction. The requirement for an "A class" building is not compelling, as a well maintained B Class asset would more than suffice for the needs of the city in the foreseeable future. Indeed, the classification of "A Class" is subjective (Appendix C shows the "*National Association of Industrial and Office Properties*" definitions) – the criteria for building selection should be based on operational requirements, not a vague subjective measure of building quality.
- The cost of building downtown on a small lot is prohibitive. There is no real need to have the city offices in a downtown location. Many cities have their staff offices outside the downtown to save money. Additionally, many services are being undertaken "on-line", and the average citizen rarely needs to attend the city office.
- The committee feels the city should be attempting to use some or all of the "one time" funds available from the RDA loan repayment for capital investments that may help the city attain fiscal sustainability without relying on Measure F funds or other taxation in the future.
- The city currently has numerous other capital project possibilities that could use these funds (community house, artificial turf athletic fields, Hamilton theatre, numerous city parks...). Some of these projects may have the potential to raise income for the general fund and/or be more beneficial to the citizens of Novato than an office building they would probably not need to visit.

The Committee majority stated that fiscal issues should be the major consideration as the Council reviews this decision due to Novato's dire financial situation.

Sincerely,

Measure F Oversight/Citizens Finance Committee Members

Appendix A

Marin County Office Sales 2006 - Present

Sale Date	Property Name	City	sq ft	Year Built	Price in \$	\$/sq ft	Cap Rate	Occ
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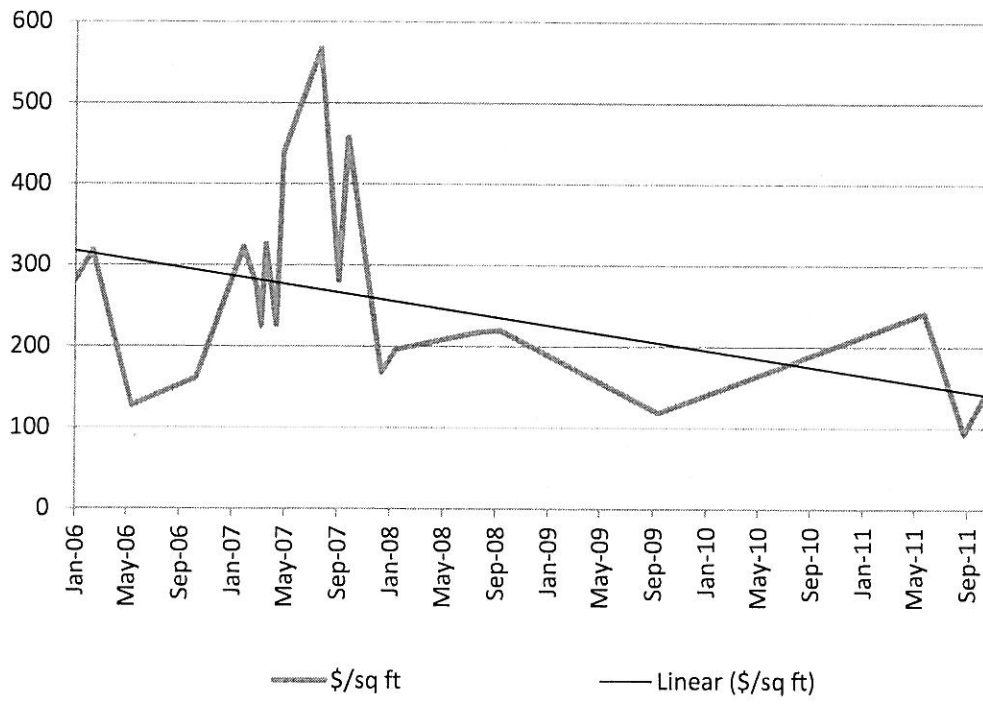
<i>City Office approximate costs</i>								
	City Office (High cost)	Novato	21,200	2013	15,300,000	722	2.6%	100%
	City Office (Low cost)	Novato	21,200	2013	12,000,000	566	3.3%	100%

<i>Example Properties currently for sale:</i>								
	201 Alameda Del Prado	Novato	31,400		4,500,000	143	-	0%
	150 Alameda Del Prado	Novato	64,584		5,850,000	91	-	0%

Sep-11	1600 Los Gamos Dr	San Rafael	315,000	1978	29,500,000	94		
Jun-11	Autodesk HQ	San Rafael	126,744	1979	30,650,000	242		93%
Sep-09	Rowland Plaza	Novato	168,000	1995	20,000,000	119	10.0%	78%
Sep-08	San Marin Exec. Center	Novato	19,577	1982	4,300,000	220	6.1%	96%
Aug-08	384 Bel Marin Keys Blvd	Novato	26,760	1978	5,850,000	219	7.2%	96%
Jan-08	97 San Marin Dr	Novato	33,316	1970	6,550,000	197		
Dec-07	20 Leveroni Ct	Novato	29,442	1986	4,950,000	168		
Oct-07	1 Mcinnis Pkwy	San Rafael	38,241	1998	17,500,000	458		100%
Sep-07	QuadraMed Building	San Rafael	33,760	2000	9,500,000	281	7.0%	100%
Aug-07	San Rafael Corp. Center	San Rafael	157,723	2001	89,407,319	567		75%
May-07	Firemans Fund HQ	Novato	710,330	1983	312,000,000	439	6.0%	100%
Apr-07	1050 Northgate Dr	San Rafael	56,000	1969	12,700,000	227		44%
Apr-07	Corte Madera Plaza	Corte Madera	49,477	1974	16,150,000	326	6.4%	82%
Mar-07	Gallinas Landing	San Rafael	15,520	1986	3,500,000	226		
Mar-07	Civic Center Plaza	San Rafael	93,296	1989	25,500,000	273	7.0%	100%
Feb-07	Golden Gate Plaza	Novato	116,225	1994	37,500,000	323		0%
Oct-06	Baywood Office Center	Novato	28,787	1984	4,650,000	162		87%
May-06	95 Digital Dr	Novato	31,377	1998	4,000,000	127	7.5%	100%
Feb-06	Tamal Plaza	Corte Madera	21,369	1978	6,800,000	318	6.7%	100%
Jan-06	One & Three Harbor Dr	Sausalito	115,266	1982	32,500,000	282	6.0%	90%

Source – Real Capital Analytics

Marin County Office Sales (\$/PSF) 2006-Present



Appendix B

Income based valuation of City Offices

	<u>High End Cost of Construction</u>	<u>Low End Cost of Construction</u>
Square Footage	21,200	21,200
Market FSG Rent	\$27.60	\$27.60
Effective NNN Rent	\$18.73	\$18.73
Potential Net Operating Income	\$396,970	\$396,970
Capitalization rate	6.50%	6.50%
Property value	\$6,107,237	\$6,107,237
Construction Cost	\$15,300,000	\$12,300,000
Immediate loss upon completion	(\$9,192,763)	(\$6,192,763)

Appendix C

NAIOP Terms & Definitions: U.S. Office and Industrial Market Asset Classes

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Rents	Asking gross rents are based on a specified range between the top 30-40 percent of the office rents in the marketplace.	Asking gross rents are based on a specified range between the Asking Gross Rents for Class A and Class C space.	Asking gross rents are based on a specified range between the bottom 10-20 percent of the office rents marketplace.
Location	Excellent, well located.	Average to good location.	Less desirable location. Depend chiefly on lower price to attract tenants.
Building Systems	The mechanical, elevator, HVAC and utility systems have capacities to deliver services that meet both current tenant requirements and anticipated future tenant needs.	The mechanical, elevator, HVAC and utility systems have adequate capacities to deliver services currently required by tenants.	The mechanical, elevator, HVAC and utility systems have capacities that may not meet current tenant needs.
Building Finish	High quality design and materials. Buildings must continue to remain competitive with new construction.	Average to good quality design and materials.	Dated appearance.
Tenant Finish	Efficient layouts, best quality trim and interior finish.	Good to fair quality trim and interior finish.	Functional, no frills tenant improvements.
Building Services	Above average maintenance, management and upkeep.	Average to good maintenance, management and upkeep.	Below average maintenance, management and upkeep.

*Source: The National Association of Industrial and Office Properties (NAIOP) Research Foundation - 2005
<http://www.naiop.org/foundation/office&industrialterms.pdf>*