



75 Rowland Way #200
Novato, CA 94945-3232
(415) 899-8900
FAX (415) 899-8213
www.novato.org

STAFF REPORT

MEETING

DATE: April 2, 2013

TO: City Council

FROM: Michael Frank, City Manager
Cathy Capriola, Assistant City Manager
Brian Cochran, Finance Manager
Carla Hansen, Management Analyst I
Maureen Chapman, Accounting Supervisor

SUBJECT: BUDGET WORKSHOP – OVERVIEW OF THE CITY MANAGER’S PROPOSED 2013/14 GENERAL FUND AND MEASURE F BUDGETS AND DEPARTMENTAL BUDGET PRESENTATIONS

REQUEST

Consider receiving information regarding the proposed 2012/13 General Fund budget and Measure F budget.

RECOMMENDATION

Receive the information and provide initial feedback.

DISCUSSION

During this budget workshop, staff will present a variety of data and information regarding the proposed 2013/14 General Fund budget and proposed items to be funded via Measure F in 2013/14. Additionally, staff will present information about current year accomplishments; 2013/14 budget recommendations; and 2013/14 goals and objectives. City Council may ask questions of staff and provide general feedback.

As a reminder, the City implemented significant budget reductions from 2009 to 2012. These reductions have included staffing and program reductions/eliminations. In March of 2010, the City Council approved a \$4 million deficit reduction package with reductions to occur during FY 10/11 and FY 11/12 as part of a two year phase-in strategy. This translated into 34 positions cut and many services eliminated, reduced or dramatically restructured. Over the last three years, every department budget has been cut by 30-35%, with the exception of Police which has been cut by 11%. Overall, staffing levels have been reduced 20% and the City is currently at staffing levels equivalent to fiscal year 1995/96. Several positions were added during the 2012/13 budget year, but these were mostly limited-term positions designed to fill key strategic needs in the City (e.g. Economic Development Manager, Hamilton Base Reuse Director, etc).

Novato City Council Agenda Staff Report Date: _____ File No. _____

The City Council is well aware that Novato has been engaged in a year-long fiscal and organization sustainability planning effort. This planning effort is focused on developing a longer range plan to inform financial planning efforts over at least a five-year time horizon. Beginning in August 2012, staff has presented a number of detailed work sessions, reviewing virtually all aspects of City finances – including a review of the forecast, departmental operations, revenues, economic development, employee compensation, the condition of City facilities and CIP/Infrastructure. Still to be completed are additional work sessions related to core staffing and park/island maintenance.

The culmination of this process will result in a final fiscal sustainability plan that will chart the preferred options and strategies to solve long-term General Fund deficits; propose a plan of expenditure of Measure F funds; and plan for the long-term maintenance and upkeep of City facilities and infrastructure assets.

Instructions to departments during the 2013/14 budget development process required flat operations and maintenance (“O&M”) budgets within each department’s general fund programs. Any requested additions to the budget were added to a request worksheet and considered separately by the City Manager. The City Manager and Budget Team then reviewed the requests and the City Manager is recommending to the City Council those expenditures that he believes are necessary for the organization’s operations and to meet the Council’s strategic initiatives outlined in the City’s Strategic Plan. Staff will walk through the details of the City Manager’s recommendations, as well as additional proposed budget information, during each department’s PowerPoint presentation. In summary, the budget additions break down as follows:

- \$214,658 in additional line-item requests for operations, supplies, training, contracts, etc, and is below the forecasted O&M increase of \$236,435.
- \$281,591 for two new positions, both requested as three-year limited term positions, as well as a continuation of funding for the City’s management intern program for one additional year.
- \$297,398 in proposed Measure F expenditures for limited-term additions to existing Measure F programs and projects, including: emergency services, park and island maintenance, Hamilton properties, economic development, and youth services and programs.
- \$360,000 for several special one-time expenditures. First, taking the General Plan through to completion is expected to require a total of \$600,000, split over two fiscal years. Thus, the 13/14 budget proposes a \$300,000 appropriation to keep this process moving forward. Additionally, the budget includes \$60,000 to fund election costs associated with the 2013 City Council election (this expense occurs every odd-numbered year and is already anticipated in the five-year forecast).

Since the City has not completed the development of its Fiscal Sustainability Plan, the City Manager and staff have consciously structured this budget as a “status quo with minor additions” in order to allow the Council to make their long term decisions regarding Measure F and the General Fund first. As such, Finance staff has not updated the forecast to incorporate the above recommendations, but note that few of the above recommendations are ongoing in nature. The exception is the recommended additions to the ongoing O&M budgets, but as mentioned above, this increase stays below the amount already anticipated in the forecast. Virtually all of the other recommendations expire within three years or earlier; thus, there is little or no ongoing impact to the five-year forecast.

The attached departmental presentations walk through each department's overview, accomplishments during 2012/13, goals for 2013/14, and proposed budget additions. Both the goals and accomplishments slides have been linked to the strategic plan – any item that directly relates to a strategic plan goal has been marked with a “red star asterisk”.

As a reminder, on April 16th, staff will present the Capital Improvement Budget. In addition, at the May 7th Council meeting, staff will be asking for final direction on the City Manager's recommendations for the FY 12/13 Budget.

ATTACHMENTS

1. List of Recommended Budget Additions
2. Measure F Forecast
3. Budget Overview Presentation and Departmental Budget Presentations

City Manager Recommended Additional Budget Requests FY 2013/14

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				\$ 281,591	\$ 214,658	\$ 360,000	\$ 297,388		
	FTE	Annual \$\$	Ongoing / One-Time	Funding Source	STAFFING General Fund	O&M General Fund	One-time / Special General Fund	Measure F	Comments / Rationale
Police									
Emergency Services Contract		30,000	One-Time	Measure F				30,000	Interim contract for emergency services for continuation of important core service
Ammunition Cost Increases		6,500	Ongoing	General Fund		6,500			Cost increases for ammunition for Special Response Team and patrol
MERA Radio Replacements (existing radios)		15,000	Ongoing	General Fund		15,000			Replacement of existing radios that break until new MERA project in place
Tactical Pre-Plan Sites Survey for Critical Infrastructure/Ingress/Egress for Key Sites		10,000	One-Time	Measure F				10,000	Funds will develop tactical plans at high priority/risk targets such as schools and government facilities. This is a joint project with NFD with potential cost sharing and with other agencies as well. Total project cost is estimated to be \$20,000.
County contract increases to CAD/RMS/MDC		12,344	Ongoing	General Fund		12,344			Cost increases to County contract for Police CAD/RMS/MDC
Community Development									
General Plan update costs		300,000	2 years	General Fund			300,000		Costs to complete General Plan update; \$300,000 per year for 2 years; only year 1 approved right now
Public Works									
Staff Position -- Maintenance Programs & Planning Specialist (New limited term staff position)	1.00	110,972	3-Year limited Term	General Fund	110,972				3-year limited term position for special projects in maintenance and stormwater permit assistance
Staff Position - Maintenance Worker	1.00	82,388	1 year Limited Term	Measure F				82,388	Continue Measure F funded Maintenance Worker
Utility cost increase requests		30,477	Ongoing	General Fund		30,477			10% increase at most city facilities, buildings, parks, etc
Facilities maintenance budget increases		21,988	Ongoing	General Fund		21,988			General ongoing maintenance budget increase requests at a variety of buildings and facilities
Parks, Recreation, Community Services									
Low Income Scholarships		10,000	Ongoing	Measure F				10,000	Youth Camp & Program Scholarships for low income families
Miscellaneous O&M budget increases		7,000	Ongoing	General Fund		7,000			Increased budget for direct marketing;
Youth Needs Summit		20,000	One-Time	Measure F				20,000	Program and outreach to explore youth services city-wide and to identify gaps; potentially create a Youth Master Plan
Afterschool Initiative continuation		25,000	One-Time	Measure F				25,000	\$10,000 carryover from funding not used in 12/13; \$15,000 in new money to expand program to 2nd site.
Central Administration									
Hamilton Reuse - Contracts and Operations		100,000	One-time	Measure F				100,000	Anticipate infrastructure studies, potential land use transfers, appraisals, RFP preparation and negotiation and operational expenses
Economic Development - Professional Services		20,000	One-time	Measure F				20,000	Consultant services for market feasibility studies in Bio Science and Tech areas to determine potential for revenue generating development
City Clerk - Municipal Election Costs		60,000	Every Other Year	General Fund			60,000		Costs for 2013 City election; already separately budgeted in 13/14 forecast
Central Administration - Misc O & M increases		6,000	Ongoing	General Fund		6,000			Membership fees, travel, supplies, copier maintenance etc
City Clerk - Records Management		14,500	One-time	General Fund		14,500			Contract assistance for records retention both for paper and electronic files; best practice file management training; and annual update of records retention schedule
Communications Program Budget		37,000	Ongoing	General Fund		37,000			Operational budget for Communication Program -- website, new annual report, graphic design, online engagement software, membership and training

City Manager Recommended Additional Budget Requests FY 2013/14

				\$ 281,591	\$ 214,658	\$ 360,000	\$ 297,388		
				STAFFING	O&M	One-time / Special	Measure F		
				General Fund	General Fund	General Fund			
FTE	Annual \$\$	Ongoing / One-Time	Funding Source					Comments / Rationale	
Admin Services / Citywide									
Finance-Misc O & M increases	12,349	Ongoing	General Fund		12,349			Costs for PFM investment contract (offset with investment earnings), attendance at special GFOA training on new finance systems research, supplies	
IT-MISC O & M increases	12,000	Ongoing	General Fund		12,000			Training increase needed based on IT technical coursework and certifications for IT staff	
Staff position - Principal Human Resources Analyst	1.00	138,619	3 year LT / Core Future	General Fund	138,619			Advanced HR analyst to work on key infrastructure projects - evaluation system, new HRIS system, Personnel Rules, EE & ER Relations Resolution, administrative policies and staff/management training; risk management projects also; backlog of work.	
HR - Consultants & Research assistance	22,000	Ongoing	General Fund		22,000			OPEB (GASB 45), pension, classification, compensation, health care studies/valuations	
HR & ASD -Misc O & M increases	17,500	Ongoing	General Fund		17,500			Funding for employee development and recognition, citywide recognition, pre employment exams, advertising cost increases, memberships, training, and travel	
Citywide Management Intern Program	32,000	One-time	General Fund		32,000			Continue Management Intern Program for next year	
TOTALS BY FUNDING SOURCE				\$ 281,591	\$ 214,658	\$ 360,000	\$ 297,388		

CPI adjustment planned in Forecast	\$ 236,435	\$ 60,000
2.5% general increase		\$60,000 for election costs
5% utilities increase		

Projection of Future Planned Measure F Expenditures

	Actual	Actual	Projected (figures estimated and rounded)						TOTAL	PERCENT ALLOCATED
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18		
Measure F Annual Forecast	688,000	4,089,401	4,360,000	4,355,000	4,460,000	3,655,000	0	0	21,607,401	
Measure F Budgeted Expenditures (approved in 12/13 budget or earlier)	-	(212,800)	(635,000)	(520,000)	(250,000)	(250,000)	-	-	1,867,800	8.6%
Measure F Budgeted Expenditures (Recommended in 13/14 budget)			-	(297,000)	(10,000)	(10,000)	(10,000)	(10,000)	337,000	1.6%
Proposed Future Expenditures (4th year of COPS grant officers)	-	-	-	-	-	(468,000)	-	-	468,000	2.2%
Measure F Deficit Infusion	-	(16,880)	(341,000)	(824,000)	(1,164,000)	(860,000)	(1,436,000)	(1,795,000)	6,436,880	29.8%
Measure F Balance	688,000	4,547,721	7,931,721	10,645,721	13,681,721	15,748,721	14,302,721	12,497,721	12,497,721	57.8%
										100%

These 2 years include \$300,000 per year of proposed General Plan expenditures. Thus, the deficits in these years are elevated by \$300,000 compared to the February forecast.

FY 13/14 OPERATING BUDGET WORK SESSION

City Council Work Session

City Manager's Proposed Budget Presentation

April 02, 2013

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THE CITY OF
NOVATO
CALIFORNIA

TONIGHT'S PURPOSE AND AGENDA

PROPOSED FY 2013/14 GENERAL FUND BUDGET

Purpose

- To present the City Manager's recommended budget to the Council and community.
- To have Departments present their budget information, accomplishments, and goals.
- To listen to comments from Council and community in order to finalize the City Manager's Proposed Budget based on the input received.

Agenda

- Overview by City Manager
- Department Presentations
 - Community Development
 - Parks, Recreation & Community Services
 - Police
 - Public Works
 - Central Administration/ Administrative Services/ Citywide
- Questions by Council
- Public Comment
- Comments by Council

TIMELINE AND PROCESS

FY 13/14 BUDGET

FISCAL SUSTAINABILITY

April 2nd
Operating
Budget
April 16th
CIP Budget

May 7th
Direction
on
Operating
& CIP
Budget

June 11th
Budget
Public
Hearing

June 25th
Budget
Adoption

End of June
Draft Fiscal
Sustainability
Report and
Plan

July
Discussion
&
Decisions
on FS Plan

APPROVED
Fiscal
Sustainability
& Measure F
Plan

CITY MANAGER RECOMMENDATIONS

Proposed Budget Recommendations for FY 13/14

GENERAL MESSAGES

City Manager's Proposed Budget – FY 13/14

- FY 13/14 Budget is being prepared in parallel with the City's major Fiscal Sustainability planning initiative
 - Budget approved in June; FS Plan approved in July
- Overall approach to maintain status quo with only a few staffing recommendations and Measure F requests in order to respect the need for the long range FS plan
 - Key decisions and discussions yet to occur regarding Core Staffing, use of Measure F and overall sustainability strategies and options
- Proposed budget does recommend funding to continue some of the City's key initiatives regarding economic development, Hamilton, General Plan, safety and support of youth needs and activities.

CONTEXT AND BACKGROUND

City Manager's Proposed Budget – FY 13/14

- Context
 - Goal was to fashion a budget that contains minimal additions at this time in order to allow Council to make their long term fiscal sustainability decisions; yet some increases in order to continue moving forward Council initiatives and key administrative investments.
 - Proposed budget reflects funding needed to continue to meet Council's Strategic Plan initiatives for FY 13/14
- Expenditure Increases
 - City Manager requested flat budgets for 2013-2014; any increases needed above base budgets were reviewed for inclusion
 - Utilize Measure F and additional General Fund revenues judiciously yet still move projects forward

CITY MANAGER KEY RECOMMENDATIONS

▪ Continue investments in key Council Strategic Plan Projects with modest funding

- **Complete General Plan** -- \$300K to move forward the EIR and planning process
- Continue **economic development** efforts citywide (\$20K) and at **Hamilton** (\$100K for infrastructure studies, appraisals, TPL land negotiations, and negotiations)
- **Public safety and emergency response** -- \$30K for emergency services contract and \$10K for Tactical Pre-Plan Site Surveys
- **Youth development and programming** investment -- \$10K scholarships for low income families, \$20K youth needs assessment and summit, \$25K continuation of after school initiative

▪ 2 Limited Term Staff Positions for Key Administrative Special Projects

- Need for numerous special projects, data and system preparation for new technology systems, and update of policies and practices in maintenance/public works and human resources/risk management
- Recommending 2 limited term positions for 3 years – Principal HR Analyst and Maintenance Specialist

▪ Variety of operational cost increases due to contract increases or prior reductions that aren't sustainable for the organization to fully deliver services

BUDGET PROPOSAL

General Fund Staffing Changes \$281,591	General Fund O&M Expenditure Additions \$214,658	Special One-Time General Fund Recommendations \$360,000	Measure F Expenditure Additions \$297,388
<u>Admin Services</u> Principal HR Analyst Intern Program	<u>Central Admin</u> Staff training <u>Admin Services</u> Staff training Public Communications program budget <u>Police</u> Maintenance and supply increases County contracts increases <u>Public Works</u> Maintenance/utility increases <u>PRCS</u> Maintenance and supply increases	<u>Central Admin</u> Election Costs <u>Community Development</u> General Plan Update Funding	<u>Police</u> Emergency services contract Tactical pre-plans <u>Central Admin</u> Hamilton properties studies Economic development contract <u>Public Works</u> Maintenance Worker – Parks / Islands (1 year extension) <u>PRCS</u> After School Initiative pilot continuation



PROPOSED FY 13/14 BUDGET INFORMATION



OPERATING BUDGET – GENERAL FUND FY 13/14

❖ Revenues projected to remain virtually unchanged at \$28.6M

- Taxes projected to increase slightly
- Sales tax revenue remains sluggish
- Revenues include reimbursements for grant-funded positions

❖ Expenditures have been increased to \$30.8M

- Includes vacancy factor of \$500,000; increased by \$100K this year
- Key Staffing Impacts to the General Fund include:
 - For FY 13/14, the General Fund has added two limited term positions – Principal HR Analyst and Maintenance Specialist
 - Includes \$570K in grant-funded positions in Police and PRCS
 - Blue Ribbon, COPS funding and COPE grant

❖ Transfers In will add \$1.4M for Total Financing Available of \$30.0 million

❖ Structural deficit of \$820K will be backfilled by Measure F

BUDGET OVERVIEW

Revenue Budget - \$28,584,659 (+ Transfers/IF Loans \$1,439,569) ↓ 0.3%

- Revenues - ↑ \$21,119
- Including Transfers - ↓ (\$95,075)

Expenditure Budget – \$29,280,821 (+ Transfers \$2,067,358) ↑ 1.6%

- Payroll - ↑ \$353,461
- Materials / Supplies - ↓ \$212,431

FY 2013/14 Structural Deficit of \$823,510 will be backfilled by Measure F

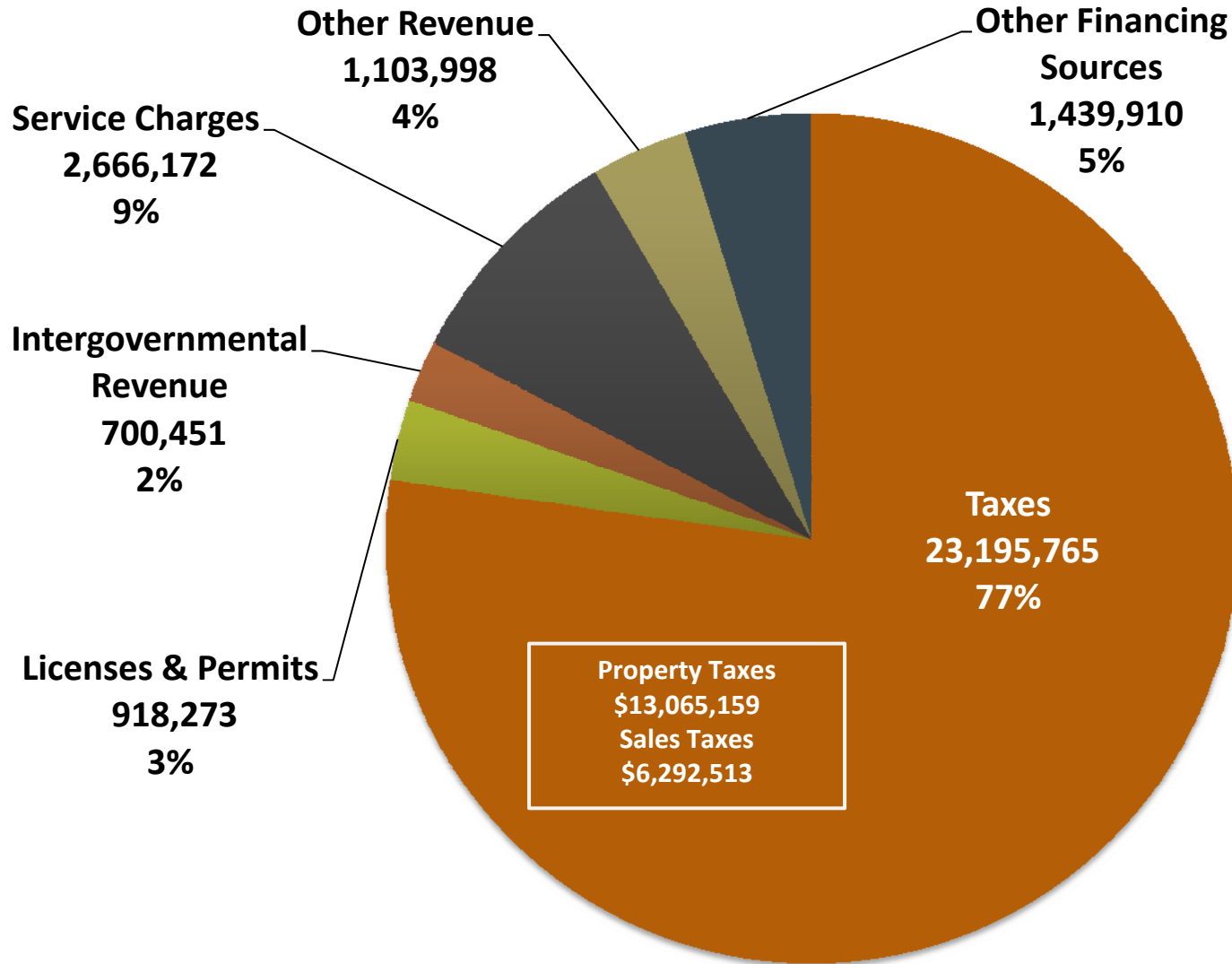
OPERATING BUDGET – GENERAL FUND

Budgeted Resources by Type — FY 12/13–FY 13/14

Revenue Type	FY 12/13 Revised Budget	FY 13/14 Proposed Budget	Change
Taxes	23,067,070	23,195,765	128,695
Licenses & Permits	926,739	918,273	(8,466)
Intergovernmental *	713,869	700,451	(13,418)
Service Charges	2,793,155	2,666,172	(126,983)
Fines, Forfeits & Penalties	544,975	590,951	45,976
Use of Money & Property	463,267	466,570	3,303
Miscellaneous Revenue	54,465	46,477	(7,988)
REVENUE TOTAL	\$28,563,540	\$28,584,659	\$21,119
Operating Transfers	1,526,104	1,409,910	(116,194)
IF Loan Repayments / Operations	30,000	30,000	0
TOTAL	\$30,119,644	\$30,024,569	(\$95,075)
% Budget Change			(0.3%)

* **Note:** Intergovernmental revenue includes reimbursement for grant-funded positions

GENERAL FUND REVENUE BY CATEGORY - FY 13/14



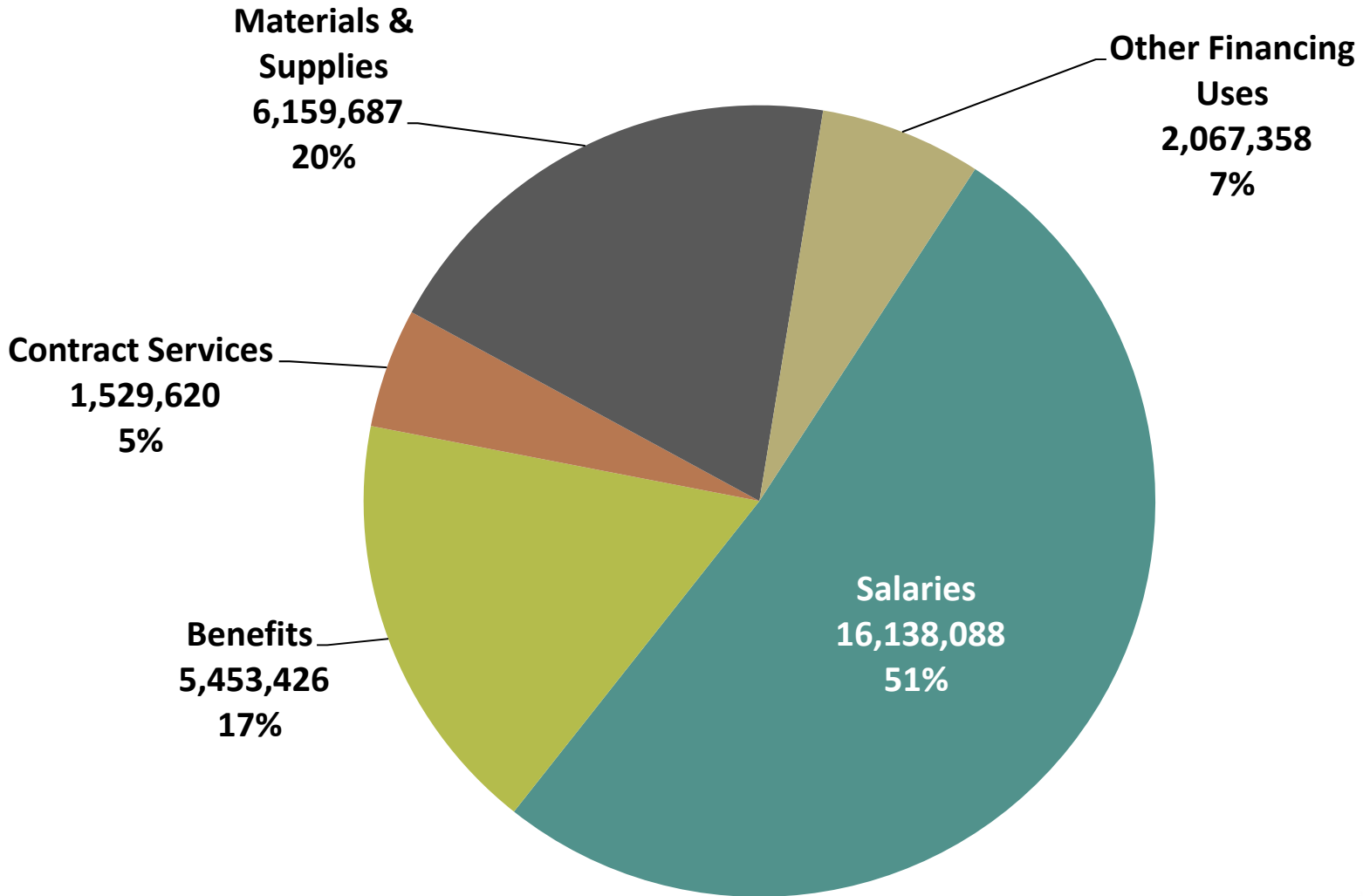
OPERATING BUDGET – GENERAL FUND

Budgeted Expenditures by Department — FY 12/13–FY 13/14

Department	FY 12/13 Revised Budget	FY 13/14 Proposed Budget	Change
Central Administration	1,471,665	1,521,001	49,336
Administrative Services	2,164,911	2,420,912	256,001
Citywide Programs	2,637,199	2,216,686	(420,513)
Police *	12,029,745	12,040,718	10,973
Community Development	2,027,054	2,024,106	2,948
Public Works	5,775,464	6,068,079	292,615
Parks, Recreation & Community Services *	3,033,753	2,989,319	(44,434)
EXPENDITURE TOTAL	\$29,139,791	\$29,280,821	\$141,030
Operating Transfers	1,619,939	2,067,358	447,419
Savings Factor	(400,000)	(500,000)	100,000
TOTAL	\$30,359,730	\$30,848,179	\$488,449
% Budget Change			1.6%
CIP Operating Transfer for City Hall	13,068,531		(13,068,531)

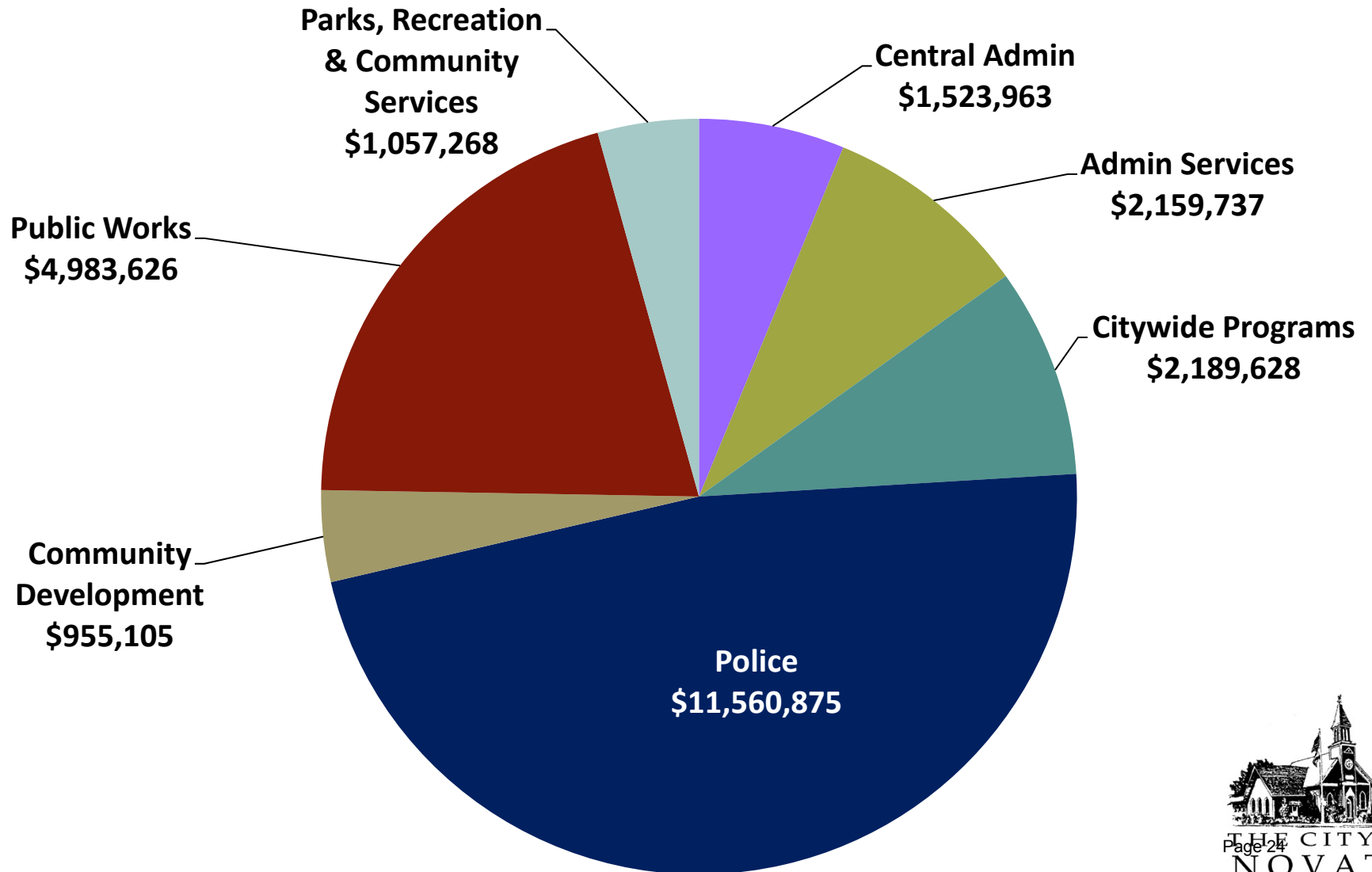
*Note: Proposed budget includes grant-funded positions

GENERAL FUND EXPENSES BY CATEGORY - FY 13/14



GENERAL FUND INVESTMENT - FY 13/14

\$24,430,202



GENERAL FUND FORECAST – FEBRUARY 2013*

In millions \$	Est. 11/12	Forecast 12/13	Forecast FY13/14	Forecast FY14/15	Forecast 15/16	Forecast 16/17	Forecast 17/18
Revenues & Transfers In	\$29.3	\$29.6	\$30.1	\$30.7	\$31.5	\$32.0	\$32.7
Expenditures & Transfers Out	\$29.3	\$30.4	\$30.7	\$31.6	\$32.3	\$33.4	\$34.5
Surplus / (Deficit)	\$(0.0)	\$(0.8)	\$(0.6)	\$(0.9)	\$(0.8)	\$(1.4)	\$(1.8)
Ending Reserves**	\$5.6	\$4.8	\$4.2	\$3.3	\$2.5	\$1.1	\$(0.7)
Reserve Policy Target (15%)	\$4.4	\$4.6	\$4.6	\$4.7	\$4.8	\$5.0	\$5.2

*General Fund only – does not include any use of Measure F

** Does not include \$1.1 million loan repayment from RDA

MEASURE F FORECAST / BALANCE

Projection of Future Planned Measure F Expenditures

	Actual	Actual	Projected (figures estimated and rounded)					
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Measure F Annual Forecast	688,000	4,089,401	4,360,000	4,355,000	4,460,000	3,655,000	0	0
Measure F Budgeted Expenditures (approved in 12/13 budget or earlier)	-	(212,800)	(635,000)	(520,000)	(250,000)	(250,000)	-	-
Measure F Budgeted Expenditures (Recommended in 13/14 budget)			-	(297,000)	(10,000)	(10,000)	(10,000)	(10,000)
Proposed Future Expenditures (4th year of COPS grant officers)	-	-	-	-	-	(468,000)	-	-
Measure F Deficit Infusion	-	(16,880)	(341,000)	(824,000)	(1,164,000)	(860,000)	(1,436,000)	(1,795,000)
Measure F Balance	688,000	4,547,721	7,931,721	10,645,721	13,681,721	15,748,721	14,302,721	12,497,721

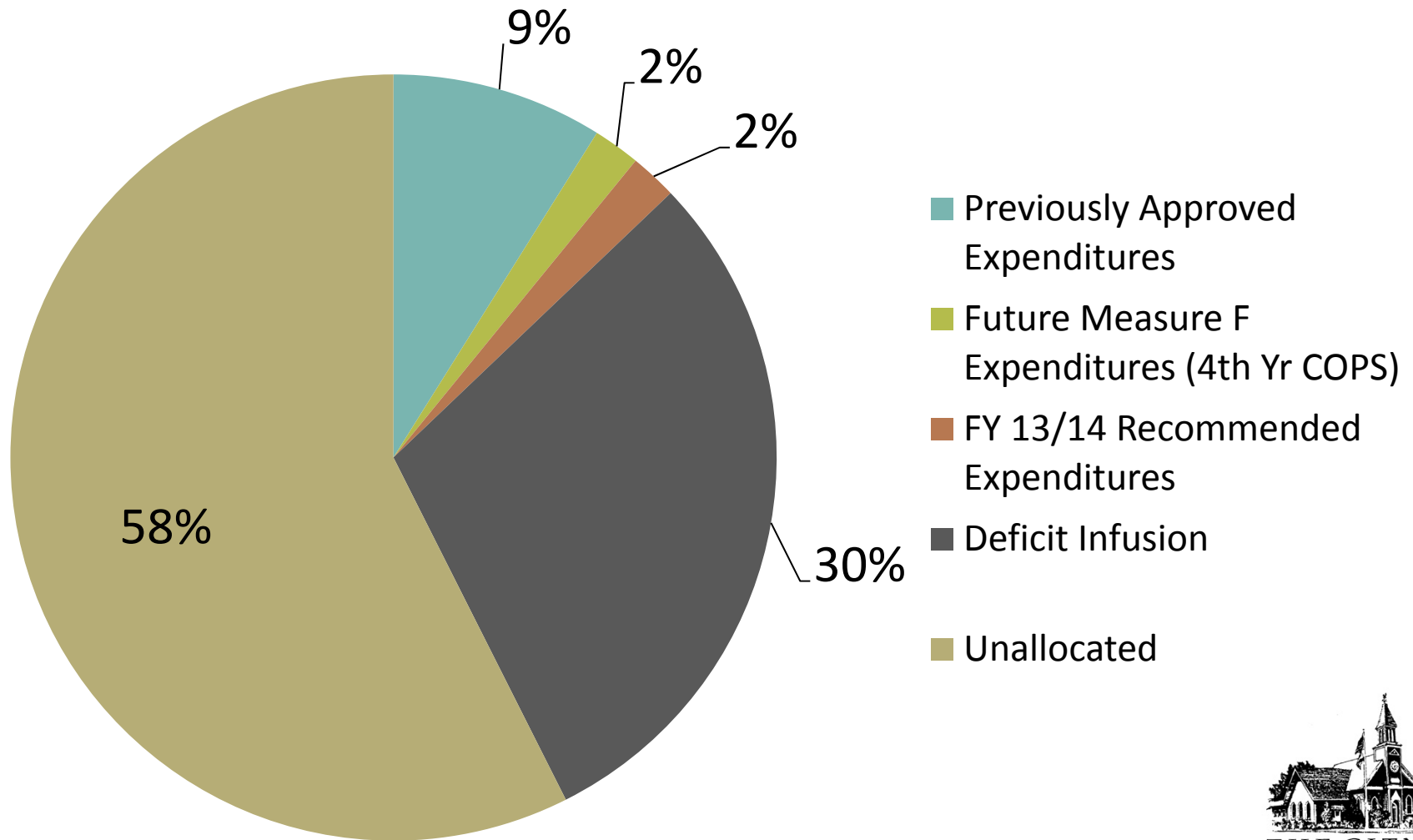
These 2 years include \$300,000 per year of proposed General Plan expenditures. Thus, the deficits in these years are elevated by \$300,000 compared to the February forecast.

5-year Summary

- 12% budgeted for various programs, projects, and initiatives
- 30% planned for deficit backfill / maintain General Fund reserves
- 58% unallocated

MEASURE F AND FY 13/14 PROPOSED BUDGET

Use of Measure F Funds



MEASURE F COMMITTEE: COMING SOON

Measure F Oversight/Citizens Finance Committee

- Meeting with the Measure F Oversight / Citizens Finance Committee on Friday, April 5
- Will provide Council with the Committee's feedback afterwards
- Council can consider this input as the Council prepares for the May 7th meeting where the Council will give final direction on the budget – operating and CIP

PRESENTATIONS

- Department Presentations
 - Community Development
 - Parks, Recreation & Community Services
 - Police
 - Public Works
 - Central Administration / Administrative Services / Citywide
- Questions by Council
- Public Comment
- Comments by Council



END OF PRESENTATION

Many thanks to Department Heads, Budget Team and all staff that assist with the preparation and compilation of this FY 13/14 Budget