



DATE: July 12, 2013

TO: City Council

FROM: Michael Frank, City Manager  
Cathy Capriola, Assistant City Manager  
Brian Cochran, Finance Manager  
Carla Hansen, Management Analyst

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

SUBJECT: Measure F / Citizens Finance Committee Fiscal Sustainability Scenario

---

As the City Council is aware, the Measure F / Citizens Finance Committee met on the evening of Wednesday, July 10, 2013 to discuss various fiscal sustainability scenarios and provide a potential recommendation about the Committee's (or the majority of the Committee's) preferred sustainability plan.

While there was not a consensus decision, there was majority support for most components of a preferred scenario, as outlined towards the bottom of this memo. Additionally, there were two major areas that had majority support in general, but there was some debate over which specific option to choose. These two areas were the Voter Approved Revenue Option (option 4 in the Options Tool) and the Employee Compensation Option (option 12 in the Options Tool).

A majority of the Committee supported the road impact fee, the \$1 million level of economic development, all 3 of the one-time expenditure options, the base staffing recommendations, full usage of Measure A funds, the buffer for additional PERS increases, the pre-pay OPEB option, the facilities funding option, and the lower level of pavement / street maintenance.

The committee had significant discussion about the voter approved revenue option. The theme among the majority was that, while nobody likes taxes, some version of a voter approved revenue option is prudent given the other selections in the options tool. In other words, after selecting the services and expenditure items, there really was no other way to fund those particular investments without using some level of additional tax. Four out of the seven committee members selected some kind of sales tax measure. One landed on the 0.25% tax, one on the 0.375% tax, and two were for the 0.50% tax. Three of the committee members were not for continuing any sales tax after the expiration of Measure F.

Six out of the seven members also supported staff compensation at either the 2.5% level or above, however, those members were split 3-3 on which level that should be. The overarching theme on this item was that retaining and attracting quality staff is very important to maintaining the level of City services, especially if the City will be operating with many fewer staff in the long run. The majority supported the higher level of compensation to ensure that the City remains competitive in the marketplace for qualified talent and does not fall even further off-market against comparable agencies.

Finally, the Committee also had significant discussion about economic development. All committee members supported either the \$500,000 level or the \$1 million level of economic development and stressed the importance of continuing to develop new and existing businesses,

attracting new business and high-paying jobs, encouraging quality development of the remaining commercial / retail parcels in town, and using Measure F as an economic development investment catalyst. This last point was discussed at length – many committee members were highly supportive of uses of Measure F that support and encourage economic development programs and incentives.

Attached is a matrix that shows the overall tally of where the committee landed in terms of a recommendation. As mentioned above, there was majority support for a number of key items, with the major discussion points over differences of opinion on which level of sales tax should move forward as well as which level of increased employee compensation should move forward.

<b>Measure F / Finance Committee Recommendation</b>			
#	Option		Scenario 1
3	Road Impact Fee		X
4a	0.25% cent	Sales Tax	Majority Support for Some Kind of Sales Tax
4b	0.375% cent		
4c	0.50% cent		
5c	\$1M Economic Development	ED	X
6	Synthetic fields	Expend.	X
7	LED lights		X
8	Corp yard debt		X
10b	Base / Core Staffing	Staffing	X
11b	100% of County Parks Measure A		X
12a	2.5% + Competitive	EE Comp	Majority Support for 2.5% Comp or Higher
12b	2.5% with inflation		
13	Assume Add'l PERS Increase		X
15	Pre-pay OPEB		X
16	Fund Facilities / Other Intrastructure	Infrastructure	X
17a	Pavement 2011 levels		X

Year 5 Surplus Range: \$700,000 - \$2,000,000  
 One Time Investments: \$5,700,000  
 Measure F Deficit Backfill Required: \$4,600,000 - \$5,200,000  
 Estimated Remaining Unallocated Measure F Funds: \$7,800,000 - \$8,400,000  
 (Ranges listed depend upon the options selected for #4 and #12)

**Measuer F Tally of Support  
for Individual Options**

<b>#</b>	<b>Description</b>	<b>Tally</b>
<b>1</b>	<b>Deficit</b>	<b>7</b>
<b>2</b>	<b>State Takeways</b>	<b>3</b>
<b>3</b>	<b>Road Impact Fee</b>	<b>6</b>
<b>4a</b>	<b>0.25% cent</b>	<b>1</b>
<b>4b</b>	<b>0.375% cent</b>	<b>1</b>
<b>4c</b>	<b>0.50% cent</b>	<b>2</b>
<b>5a</b>	<b>Status Quo ED</b>	<b>0</b>
<b>5b</b>	<b>\$500K</b>	<b>3</b>
<b>5c</b>	<b>\$1M</b>	<b>4</b>
<b>5d</b>	<b>\$1.5M</b>	<b>0</b>
<b>6</b>	<b>Synthetic fields</b>	<b>6</b>
<b>7</b>	<b>LED lights</b>	<b>7</b>
<b>8</b>	<b>Corp yard debt</b>	<b>6</b>
<b>10a</b>	<b>Base + Additional</b>	<b>1</b>
<b>10b</b>	<b>Base</b>	<b>4</b>
<b>10c</b>	<b>Add. enhacements</b>	<b>0</b>
<b>10d</b>	<b>No changes</b>	<b>2</b>
<b>10e</b>	<b>Add. Cuts</b>	<b>0</b>
<b>11a</b>	<b>50% of Measure A</b>	<b>2</b>
<b>11b</b>	<b>100% of Measure A</b>	<b>5</b>
<b>12a</b>	<b>2.5% + Competitive</b>	<b>3</b>
<b>12b</b>	<b>2.5% with inflation</b>	<b>3</b>
<b>12c</b>	<b>1.5% with forecast</b>	<b>1</b>
<b>12d</b>	<b>No sal growth assump.</b>	<b>0</b>
<b>13</b>	<b>Add. PERS Increase</b>	<b>4</b>
<b>14</b>	<b>Mods for healthcare</b>	<b>3</b>
<b>15</b>	<b>Pre-pay OPEB</b>	<b>5</b>
<b>16</b>	<b>Fund Facilities / Other</b>	<b>6</b>
<b>17a</b>	<b>Pavement 2011 levels</b>	<b>6</b>
<b>17b</b>	<b>Measure B level</b>	<b>0</b>