



MEASURE F OVERSIGHT COMMITTEE

FY 2012-13 Annual Report

City of Novato

COMMITTEE MEMBERS

Cris MacKenzie,
(Chair)

David Bentley,
(Vice-Chair)

Alan Berson

Caitrin Devine

Robert Jordan

Robert Ratto

Robert Scott



September 12, 2013

Dear Novato City Council,

The Measure F Oversight / Citizens Finance Committee is pleased to submit this annual report on the revenue and expenditures for Measure F funding for the Fiscal Year ending June 30, 2013.

As you are aware, the City has been engaged in a detailed and thorough research and development phase for the long-term fiscal sustainability of Novato, culminating in the release of the draft Fiscal Sustainability Plan and the web-based Fiscal Sustainability Options Tool in June 2013. The Committee's main focus over the past year has been to support staff in their work to develop the Fiscal Sustainability Plan and the Committee is heartened by the progress made thus far and believes that the Plan represents a solid foundation upon which to make some critical and long-term decisions. The work has been extremely informative for the Committee members in understanding the short and long term challenges and the far reaching impact of decisions that are required to be made by Council.

The Committee encourages any interested Novato residents to navigate to the City's website at www.novato.org and view the extensive set of web pages on Fiscal Sustainability to educate themselves about the process and the information developed thus far. Residents can view all of the past City Council work sessions, read the Fiscal Sustainability Plan for themselves, utilize the Options Tool to run their own scenarios, and access a variety of other resources related to the Fiscal Sustainability program. The past year has been highly educational for anybody who has followed these discussions in detail, and the Committee feels that having as many informed residents as possible will make for a more collaborative and community-supported decision.

With all of the above said, the Committee recognizes that, as of this writing, the City Council has yet to formally adopt a fiscal sustainability plan. The Committee urges the City Council to adopt a fiscal sustainability plan in 2013 that provides the City with a balanced budget by 2015-16 when the Measure F tax sunsets. One significant reason for this is that the Committee realizes that there are still major decisions to be made about the future uses of Measure F, and believes that having a long-term plan in place will help to inform those decisions. The Committee looks forward to being involved in future discussions about additional ways in which Measure F dollars can help move the City forward, both in terms of ensuring long-term sustainability and enhancing quality of life for Novato residents via the key priority areas of Measure F.

Sincerely,

Measure F Oversight / Citizens Finance Committee

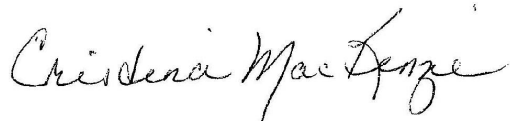
SUBMITTAL OF REPORT

The Measure F Oversight/Citizens Finance Committee has reviewed the allocations, expenditures and appropriations of the Measure F tax revenue. It is the Committee's opinion that all such revenues have been allocated, appropriated and spent consistent with the intent and purpose of the Measure F Ordinance 1551, which governs the tax.

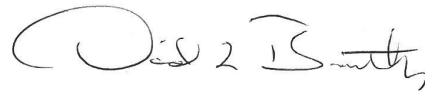
The FY 2012-13 Measure F Annual Report was reviewed and approved by the Measure F Oversight Committee at its meeting on September 12, 2013.

The report is hereby submitted to the Novato City Council.

Respectfully submitted,



Cris Mackenzie, Chair



David Bentley, Vice-Chair



Alan Berson




Caitrin Devine



Robert Jordan



Robert Ratto



Robert Scott

City of Novato

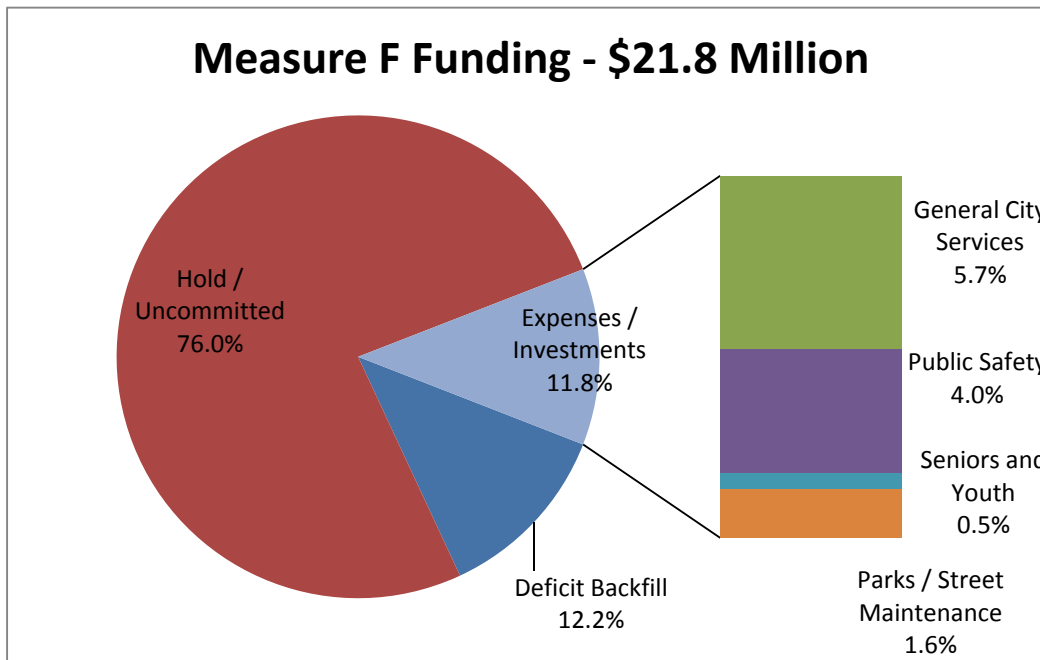
Measure F Annual Report Executive Summary

FISCAL SUSTAINABILITY FOR YOUR CITY

During the recession, the City Council made difficult decisions to reduce service levels by eliminating staff positions through layoffs and early retirements, negotiating employee concessions, and realigning, eliminating and consolidating services. 23% of the City workforce was eliminated. 30% of staff were reduced in every department, except Police. The City’s economic development program was discontinued with the State’s elimination of redevelopment agencies across California. Employees took furloughs, assumed a portion of retirement costs, and received no cost-of-living adjustment for five years. Over 5 years, almost \$5 million was cut from the City’s General Fund, yet a structural deficit remained – expenses remained greater than revenues. In 2010, the Council declared a fiscal emergency and placed Measure F (a 5 year ½ cent sales tax) on the ballot. Measure F passed by a vote of 58% to 42%, preventing more cuts impacting Novato residents and our overall quality of life. With Measure F in place, the City has been analyzing options to create a long-term plan to allow the City organization to operate in a fiscally balanced manner.

Since adoption by the Novato voters in November 2010, the Measure F sales tax has filled a number of crucial gaps in the City of Novato’s services, as well as backfilled the overall budget deficit in the General Fund to prevent additional service reductions. The tax generates over \$4 million annually in

new revenue to the City; thus, over the five-year horizon of the Measure, approximately \$21.8 million is projected to be generated for the provision of programs and services to local residents.



Much of the money generated to date from Measure F remains unspent. This is a deliberate decision on the part of the City to conservatively allocate the funds. The City Council and the Measure F Oversight Committee view Measure F as one-time funds. The use of Measure F funds is directly tied to a long-term fiscal sustainability strategy and decision for the City. Different options exist to attain this sustainability, and once a long-term plan is adopted, additional discussions about the use of the remaining Measure F funds can commence.

Of the approximately \$9 million in Measure F tax that has been collected through the end of fiscal year 2012-13, \$722,000 has been spent directly on programs, staffing, and

services to the community; another \$548,000 has been used to directly offset General Fund deficits and avoid / prevent additional budget reductions. The 2013-14 fiscal year will see the continuation of many of the Measure F funded programs. Additionally, for FY 2013-2014, there are some new Measure F expenditures budgeted . Measure F funds the following programs and services as broadly described below.

Economic Development and General City Services	Enhance Neighborhood Services or Public Safety	Support Seniors, Youth and Families	Reinvest in Park and Street Maintenance
<ul style="list-style-type: none"> ▪ Re-establishment of an Economic Development program after the State’s elimination of Novato’s Redevelopment Agency. ▪ Establishment of a Hamilton base reuse program to move forward with key studies and negotiations on the reuse of City-owned properties. ▪ One front desk receptionist to improve overall customer service (originally scheduled to be laid off). 	<ul style="list-style-type: none"> ▪ One Management Analyst staff person along with equipment and supplies to support the Novato Response Team in the Police Department. ▪ Emergency preparedness planning and assistance.* 	<ul style="list-style-type: none"> ▪ Afterschool initiative pilot program. ▪ Low-income youth recreation scholarships and an expansion of the afterschool initiative.* ▪ Youth needs summit.* 	<ul style="list-style-type: none"> ▪ One additional streets / landscape maintenance worker (originally scheduled to be laid off). <p style="text-align: right;">*New for the 2013-14 Fiscal Year</p>

The City Council spent much of 2012-13 engaged in a detailed fiscal sustainability planning effort. This effort will continue into 2013-14 with additional public outreach and communication, resulting in the City Council’s adoption of a formal Fiscal Sustainability Plan. The fiscal sustainability plan will most likely utilize some additional Measure F funds in strategic ways – both to bridge any additional deficits and to make some key investments to improve the long-term financial viability of the City. After the fiscal sustainability plan has been adopted, there will be additional opportunities to discuss future use of the remaining Measure F funds, whether for additional programs and services, infrastructure and technology improvements, additional strategic financial investments, or a wide variety of other possible uses.

The Measure F Committee looks forward to engaging in these future discussions and assisting the City Council and Community plan for the long-term vision for Novato’s sustainability. As stated in last year’s Measure F Annual Report, the Committee urges the City Council to adopt a fiscal sustainability plan in 2013 that provides the City with a balanced budget by 2015-16 when the Measure F tax sunsets.

The Committee welcomes input from Novato residents and encourages you learn more about Measure F and read the full Measure F Annual Report at the City’s Measure F webpage: <http://www.novato.org/Index.aspx?page=1991>

View the City’s Draft Fiscal Sustainability Plan: <http://www.novato.org/index.aspx?page=1982>



INTRODUCTION AND BACKGROUND

On July 27, 2010, the Novato City Council adopted Ordinance No. 1551 which approved the placement of a 5-year ½ cent local sales and use tax increase before the voters. The Measure F ballot measure 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. The actual Measure F ballot language is included below:

“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. The tax increase took effect on April 1, 2011 and will sunset on March 31, 2016.

As a general tax measure, the revenues are not legally designated to fund particular programs or services and, therefore, can be spent on any City operation. However, the ballot measure identified “priority focus” areas where Measure F revenues would likely be spent. These priority areas of focus included:

- Enhance Neighborhood Services and Public Safety
- Support Seniors, Youths and Families
- Reinvest in Park and Street Maintenance
- General City Services

As mentioned previously, the tax increase became effective on April 1, 2011, with initial revenue received in June 2011. Originally, city staff estimated that annual revenue generated by this tax would be approximately \$3 million annually. A special revenue fund, separate from the City’s General Fund, was established to track the revenue and expenditures associated with the measure.

The Measure F ordinance also mandated the creation of a Citizens Oversight Committee to review and report on the revenue and expenditure of Measure F funds. The Committee is charged with presenting this report to the City Council and making the report available to the public. The Committee was created on February 8, 2011 by the City Council and is called the Measure F Oversight / Citizens Finance Committee. The Committee held its first meeting on April 14, 2011. The Committee’s responsibilities, related to its role as the Measure F Oversight Committee, are as follows: (1) Discuss and provide input to staff on Measure F-related budget proposals; (2) review and report on the revenue generated, expenditures made and use of Measure F funds from the tax adopted by the Measure F ordinance; (3) present the report referenced above to the City Council and make it available to the public annually; (4) Comment on any concerns regarding the appropriateness of Measure F related expenditure allocations; and (5) comment on the status of efforts to achieve fiscal sustainability.

MEASURE F FUND BALANCE BY FISCAL YEAR

The Council has been conservative in its use of Measure F revenue and has focused on using the funds for one-time rather than ongoing expenditures until a long-term fiscal and organizational sustainability plan has been developed. As such, a limited amount of the funds has been spent. At the same time, actual Measure F revenue has been higher than budgeted in the past two fiscal years. The limited expenditures and higher revenue levels have created an \$8.0 million balance in the Measure F fund at the close of the 2012-2013 fiscal year.

The Council has been involved in a year-long study of the City’s long-term fiscal sustainability, culminating with the release in of a Draft Fiscal Sustainability Plan in June 2013. This plan, once adopted by the Council, will provide a roadmap for future decision-making to ensure a balanced fiscal position into the future. With the long-term plan in place, the Council will begin considering options of how to strategically invest Measure F resources to ensure the City’s long-term financial stability in conjunction with investing in priority areas of focus. Table I shows the Measure F fund balance by fiscal year.

TABLE I – MEASURE F FUND BALANCE				
	Final Actual 2010/11	Final Actual 2011/12	Unaudited Actual 2012/13	Adopted Budget 2013/14
Fund Balance - Begin Fiscal Year	0	689,473	4,549,415	7,941,363
Revenues				
Sales Tax	689,126	4,089,401	4,406,563	4,412,104
Investment Earnings	347	9,491	29,000	29,290
Subtotal Revenues	689,473	4,098,892	4,435,563	4,441,394
TOTAL FINANCING AVAILABLE	689,473	4,788,365	8,984,978	12,382,757
Expenditures		164,685	499,513	801,064
Transfers Out:				
General Fund		16,784	530,999	313,594
Debt Service-POB Fund		5,748	13,103	19,492
CIP				10,000
Equipment Replacement		51,733		
Total Expenditures & Transfers Out	0	238,950	1,043,615	1,144,150
Fund Balance - End Fiscal Year	689,473	4,549,415	7,941,363	11,238,607

MEASURE F REVENUE AND EXPENDITURES – 2012/13 FISCAL YEAR

The City Council approved the Measure F fund budget on June 26, 2012. Measure F revenue was estimated at \$3.9 million. In addition, the budget estimated approximately \$21,000 in Measure F fund investment earnings. The City Council also approved a total of \$1,242,258 in expenditures from the Measure F fund. Approximately \$594,363 will be transferred to the General Fund to offset the City's 2012/2013 structural deficit. In addition, the Council approved approximately \$635,420 in specific Measure F expenditures. Finally, \$12,475 was approved to pay debt service. The tables below illustrate the budgeted Measure F revenue and expenditures.

Revenue Explanation – 2012/13 Fiscal Year

Revenues in 2012/13 came in significantly higher than projected, for a few reasons. The economy continued to improve during 2012/13 and the City along with its sales tax consultant has revised projections upward several times in conjunction with the overall economic recovery. In particular, Measure F revenues benefited from the acceleration of new auto sales since all new autos purchased by Novato residents, regardless of the dealership location, generate Measure F sales taxes for Novato. The data showed that auto dealerships in San Francisco, San Rafael, Santa Rosa, and the South Bay Area are all contributing significant dollars via Measure F. Additionally, in an unexpected turn of events, some major online retailers who have begun collecting California sales tax have been directly paying district taxes – this effect is moderated in our basic sales tax collections because online tax revenues are typically distributed through the state and county pools. Finally, while investment yields remained very low for publicly-invested funds, the accumulated balance in Measure F is generated more revenue as those balances grow. As mentioned last year, the City has now engaged an outside investment management firm to maximize the total return on the portfolio.

	Amount (Budgeted)	Amount (Unaudited)
Sales Tax Revenue	\$3,994,406	\$4,406,563
Interest Earnings	\$20,970	\$29,000
Total Revenues	\$4,015,376	\$4,435,563

Measure F Expenditure Descriptions – 2012/13 Fiscal Year

1. General Fund Budget Deficit

Measure F was approved to help preserve and protect existing City services and offset additional budget cuts. The City continues to face a structural budget deficit related to the continuing difficult economic conditions. Therefore, the City allocated approximately \$531,000 to backfill the general fund deficit for the 2012-2013 fiscal year. This allocation funded existing City services and staff across all departments.

Measure F Specific Expenditure Descriptions

	Amount (Budgeted)	Amount (Unaudited)
General Fund (Budget Deficit)	\$594,363	\$530,999
Measure F Specific Expenditures	\$635,420	\$499,513
Administration: Debt Service	\$12,475	\$13,103
TOTAL	\$1,242,258	\$1,043,615

Novato Response Team – In January 2012, the City received a \$1.095 million grant from the federal Department of Justice to fund the hiring of three officers for the next three years. As a condition of accepting the grant, the City agreed to retain the three officers for an additional fourth year after the expiration of the grant. At its December 15, 2011 meeting, the Measure F Oversight/Citizens Finance Committee adopted a motion that supported spending \$429,000 in Measure F funds for the three police officers in the 2014-2015 fiscal year.

With this federal grant and Measure F funding, the City Council approved the creation of the Novato Response Team in June 2012 for four years. The primary goal of the Novato Response Team (NRT) is to focus on prevention, intervention and pro-active problem solving using an interdepartmental and interdisciplinary approach. The team is comprised of two Police Officers, a Corporal and a newly-created Management Analyst position. In the 2012-2013 fiscal year, Measure F revenue paid for the new Analyst position and provided the necessary training, equipment, supplies and vehicle maintenance for the two officers and the corporal. The grant received by the City did not include funding for operational expenses. The Novato Response Team does not always work traditional hours, so funding was included to pay for overtime costs for the officers and the corporal.

Economic Development Program – With the elimination of redevelopment in February, 2012, the City was left without a functioning economic development program. Council and staff believe economic development is a core local government function. The Council approved positions and operating budgets from the Measure F fund to continue the City's economic development program. Specifically, the Council funded two positions: a four-year Economic Development Manager to focus on broad economic development activities and a two-year, part-time position to focus on revitalizing the city-owned properties in the Hamilton region. Corresponding operating budgets for each position were also approved.

Parks and Recreation After-School Program – The Council approved an after-school initiative pilot program to be operated by the Parks, Recreation and Community Services department. This program corresponds with the Measure F priority to support youths and families, since these programs have proven to be successful in steering youths away from crime, while improving the academic performance, health and fitness of youths.

Public Works – Maintenance and GIS Support Staff -- The Council approved spending Measure F resources to fund a street maintenance position and a park and island/median position for the 2012-2013 fiscal year. These actions support the Measure F priority of “reinvesting in the City's park and street maintenance.” The Council also funded a one-year, part-time intern position to provide additional support for the geographic information system (GIS) function within the Public Works Department. These positions were originally slated to be eliminated, but Measure F has allowed the positions to be funded and service levels retained at a higher level.

Central Administration – Customer Service Position -- The Council approved funding a front-office customer service clerk position through the Central Administration department for the 2012-2013 fiscal year. This position serves as the primary point of contact for community members when they visit City offices. The City considered alternate ways to staff the front desk. For instance, staff explored hiring a virtual assistant to manage general telephone calls into City offices. Staff also tried to manage the customer service responsibilities by having different employees serve as the initial customer service contact throughout the workday. This strategy proved to be ineffective as it reduced

customer service quality and consistency. Ultimately, the City Manager determined that a designated employee is needed to answer the general City telephone line, greet members of the public and direct them to the appropriate department.

The position has also assisted the City Clerk's Office in managing and scanning City files in preparation for the move to the new City Administrative Office in October 2013. Table 4 outlines the dollar amounts for each of these expenditures, as well which of the Measure F priority focus areas they address.

Table 4 – FY 2012/13 Expenditures		
	Amount (Budgeted)	Actual Amount (Unaudited)
Police / Crime Prevention / 911 Response Times		
Management Analyst	\$90,771	\$72,443
Training, Equipment, Supplies, Vehicle Maintenance	\$26,000	\$26,044
Overtime	\$12,000	\$4,095
Youth and Senior Programs		
Pilot Program – Afterschool Initiative	\$20,000	\$14,236
Streets and Parks Maintenance		
Street Maintenance Position (0.5 FTE)	\$44,000	\$41,587
Parks and Medians Position (0.5 FTE)	\$44,000	\$41,584
GIS Support Intern	\$15,000	\$9,144
General City Services / Offsetting Further Budget Reductions		
Front-Reception Position & Records/Imaging	\$73,313	\$59,761
Economic Development Manager Position	\$164,446	\$114,477
Economic Development Operating Budget	\$40,000	\$72,441
Hamilton Properties - Part-Time Program Manager	\$80,890	\$43,117
Hamilton Properties – Operating Budget	\$25,000	\$584
TOTAL	\$635,420	\$499,513

MEASURE F REVENUE AND EXPENDITURES – 2013/14 FISCAL YEAR

Revenue Projections – 2013/14 Fiscal Year

The amount of revenue collected from the Measure F sales tax continues to outpace expectations, and 2013/14 should continue that trend. As a district transactions and use tax, Measure F generates revenue when Novato residents purchase vehicles at dealerships outside the City limits. Thus, as new auto sales have improved, Measure F revenues have also benefitted. Another trend that the City is beginning to benefit from is the payment of district taxes by internet retailers (notably, Amazon). The collection of sales tax by online retailers is a complicated topic; while Novato does not receive any basic 1% Bradley-Burns tax from retailers such as Amazon, we are receiving Measure F revenues. As internet shopping continues expanding, this trend may continue to benefit Novato through increased Measure F revenues.

Table 5- FY 13/14 Measure F Revenues	
	Amount (Budgeted)
Sales Tax Revenue	\$4,412,104
Interest Earnings	\$29,290
Total Revenues	\$4,441,394

Measure F Expenditure Descriptions – 2013/14 Fiscal Year

General Fund Budget Deficit

Measure F was approved to help preserve and protect existing City services and offset additional budget cuts. The City continues to face a structural budget deficit related to the continuing difficult economic conditions. Therefore, the City allocated approximately \$313,000 to backfill the general fund deficit for the 2012-2013 fiscal year. This allocation will fund existing City services and staff across all departments.

Table 6 - FY 13/14 Measure F Expenditures	
	Amount (Budgeted)
General Fund (Budget Deficit)	\$313,594
Measure F Specific Expenditures (Continuing from 12/13 and newly approved in 13/14)	\$801,064
Administration: Debt Service on Pension Obligation Bonds	\$19,492
Capital Improvement Program—Synthetic Turf Fields Research	\$10,000
TOTAL	\$1,144,150

Measure F Specific Expenditures

(Continuing from 12/13 and newly approved in 13/14)

Some of the expenditures approved by the City Council during the 2012/13 budget process were approved for multiple years. To the extent that these positions and programs continue into 2013/14, Measure F continues to fund them. Table 7 shows these budgeted expenditures for the 2013/14 year. Below is a narrative of the new expenditures for FY 13/14 for additional information.

Emergency Services Program -- Novato’s emergency services and emergency preparedness program has been shepherded for the past few years by a Police captain with deep knowledge and interest in the subject matter, and has helped coordinate significant efforts with the Novato Fire District as well as other regional entities to bolster Novato’s preparedness. With the retirement of that individual in the 13/14 fiscal year, it is important to continue moving the program forward. The budget for Measure F in 2013/14 includes two such items. It contemplates \$30,000 for a

part-time emergency services contract position to continue the coordination role. It also includes \$10,000 in funding to create some tactical pre-plan site surveys for active shooter events for high priority buildings such as schools and other government facilities. This item is funded jointly with the Fire District and other agencies, for a total project cost of \$20,000.

Parks, Recreation, and Community Services Programs -- Several programs focused on youth are funded with Measure F during 2013/14. The afterschool initiative that was begun last year as a pilot program will be continued with \$25,000 from Measure F. The program won a grant and the additional Measure F contribution will partially serve as match funds to fully leverage the grant. The department may also begin exploration of expanding to a second school site. Additional youth program scholarships will be funded, targeted toward low-income youth; this program is budgeted to be \$10,000. Finally, the Department will also host a “youth needs summit” in the upcoming fiscal year. This program is envisioned to bring together a variety of stakeholders,

including the City, schools, non-profit entities, and others, to fully explore youth services city-wide and identify gaps. With the \$20,000 funding amount, the program may also initiate the creation of a youth master plan for Novato.

Table 7 - Measure F FY 13/14 Expenditures (Detail)		
	Expenditure Type	Amount (Budgeted)
Police / Crime Prevention / 911 Response Times		
Novato Response Team (NRT) - Management Analyst	Continuing Expense	\$84,991
NRT - Training, Equipment, Supplies, Vehicle Maintenance	Continuing Expense	\$26,000
Novato Response Team - Overtime	Continuing Expense	\$12,000
Emergency Services Contract	New FY 13/14	\$30,000
Tactical Pre-Plan Sites Survey	New FY 13/14	\$10,000
Youth and Senior Programs		
Continuation of Afterschool Initiative	Continuing Expense	\$25,000
Program and Camp Scholarships for Low-Income Youth	New FY 13/14	\$10,000
Youth Needs Summit	New FY 13/14	\$20,000
Streets and Parks Maintenance		
Street Maintenance Position (0.5 FTE)	Continuing Expense	\$40,805
Parks and Medians Position (0.5 FTE)	Continuing Expense	\$40,805
General City Services		
Economic Development Manager Position	Continuing Expense	\$159,401
Economic Development Operating Budget	Continuing Expense	\$40,000
Hamilton Properties - Part-Time Program Manager	Continuing Expense	\$96,114
Economic Development - Hamilton Properties – Operating Budget	Continuing & New	\$125,000
Additional Program Budget—Economic Development Manager	New FY 13/14	\$20,000
Front-Reception Position	Continuing Expense	\$60,948
Total Expenditure		\$801,064

Economic Development and Hamilton Base Reuse

Both the newly hired Economic Development Director and Hamilton Base Reuse Director have been on board for a number of months and continue to move forward on a number of exciting initiatives and possibilities. The 2012/13 budget authorized the positions as limited term positions, and also planned on a certain amount of program / materials / services budget for each position. As the work plans for both have come more into focus, it has become clear that to operate as effectively as possible and to achieve the City's objectives, additional program budget is necessary. Additional Measure F funds will be allocated to these two programs—\$100,000 to the Hamilton project and an additional \$20,000 to the Economic Development effort. For the Hamilton area, the funding is necessary to pay for a variety of studies, appraisals, legal services, etc that may be necessary as potential projects begin to move forward.

FUTURE MEASURE F PROJECTIONS

The Fiscal Sustainability Plan, once adopted, will guide decisions about future Measure F expenditures. This will depend heavily on one-time uses of Measure F that are proposed in the Plan, and the size of future projected deficits that may require Measure F as a backfill. As noted (on page 6 of this report), significant amounts of Measure F have yet to be programmed, and this has been a purposeful decision on the part of the City Council. Once the Sustainability Plan has been adopted, more detailed discussions about potential uses of Measure F can focus on ways to both ensure fiscal sustainability and fund programs in the key priority areas. On the next page is a projection of Measure F expenditures and balances over the life of the City's current five-year forecast. As with the forecast itself, we do not assume additional new programs, staffing, or spending will be added, other than what has already been committed or budgeted. As future decisions are made about the uses of Measure F, this picture will change and staff will continue to update the projections.

Projection of Future Planned Measure F Expenditures

	Actual	Actual	Estimated	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	689,473	4,098,892	4,435,563	4,441,394	4,460,000	3,655,000	0	0
Measure F Budgeted Expenditures (approved in 12/13 budget or earlier)	-	(222,166)	(512,616)	(504,064)	(250,000)	(250,000)	-	-
Measure F Budgeted Expenditures (Recommended in 13/14 budget)			-	(326,492)	(10,000)	(10,000)	(10,000)	(10,000)
Proposed Future Expenditures (4th year of COPS grant officers)	-	-	-	-	-	(468,000)	-	
Measure F Deficit Infusion	-	(16,784)	(530,999)	(313,594)	(482,000)	(371,000)	(413,000)	(520,000)
Total Annual Surplus / (Deficit)	689,473	3,859,942	3,391,948	3,297,244	3,718,000	2,556,000	(423,000)	(530,000)
Measure F Reserve	689,473	4,549,415	7,941,363	11,238,607	14,956,607	17,512,607	17,089,607	16,559,607

City's Progress Toward Fiscal Sustainability

As discussed in last year's Measure F Annual Report, in July 2012, the City kicked off its Phase 2 process for Fiscal Sustainability. The first phase occurred over a four-year period ending in 2011/12 to address a financial crisis. The second phase has been focused on exploring solutions to achieve long-term fiscal and organization sustainability.

City staff have emphasized throughout this process that Fiscal Sustainability is more than a math exercise where one just focuses on the numbers and works with revenues and expenditures to balance and net to zero. The City Council will decide what the right target is, which services, and to what level those services should be funded by Novato's General Fund. This decision needs to go beyond an annual budget cycle. Novato's fiscal condition must be balanced in the long-term with the funding and services at a level that meets the community's expectations for a quality city and municipal operation. This conversation is about organizational and operational sustainability, in addition to fiscal sustainability.

In order to provide City Council and the community with a better understanding of the various components of our fiscal picture, City staff presented ten public work sessions from July 2012 to June 2013 focused on the individual components of our fiscal landscape. The Measure F Oversight/Citizens' Finance Committee assisted staff and provided input, advice and recommendations.

Based on this research, analysis and the resulting discussions, City staff prepared a written draft *Fiscal Sustainability Plan* for the City Council and community to review, discuss and deliberate. The Plan provides detailed information about revenues and expenditures and highlights policy options that will allow us to develop a road map to create a financially-sound organization. In addition, the City Manager has included a proposed scenario showing the staff recommended solution. This solution is based on the work the City has done during the past year and the feedback received from the community via the recent Community Satisfaction Survey and from meetings and interactions with the community in the last four years. However, it is important to note that, as of the writing of this report, the City Council is still in deliberations about its preferred plan choices, and has not adopted or decided on a plan.

The Committee urges the City Council to adopt a fiscal sustainability plan in 2013 that provides the City with a balanced budget by 2015-16 when the Measure F tax sunsets. The Committee looks forward to being involved in future discussions about additional ways in which Measure F dollars can help move the City forward, both in terms of ensuring long-term sustainability and enhancing quality of life for Novato residents via key Measure F investments.

Measure F Oversight Committee
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