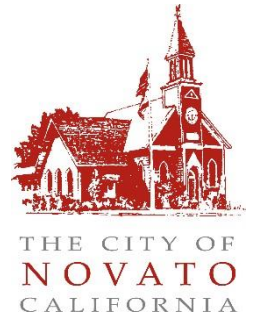


# 2017/18 RESERVE FUNDS AND FUNDING OPTIONS FOR CIP PROJECTS

FINANCE DEPARTMENT & PUBLIC WORKS DEPARTMENT



Measure F / Financial Oversight Committee  
City Manager's Proposed Budget  
May 18, 2017

# NOVATO RESERVE POLICY (SEPTEMBER 2015)

- Emergency & Disaster Response Fund – minimum 15% of General Fund budgeted expenditures
- FY 17/18 required reserve based on proposed expenditures - \$5.5M
- Measure F Risk Mitigation Reserve - \$3M
- Insurance Reserve - \$1M

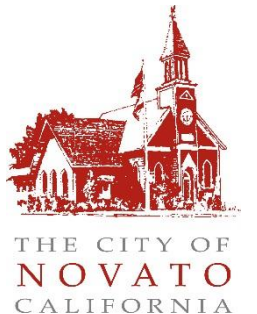


## PROJECTED RESERVE BALANCES AS OF JULY 1, 2017

■ Emergency & Disaster Response Fund (EDRF)	\$ 6,900,000
■ FY 16/17 General Fund Balance Proposed to EDRF	\$ 1,000,000
■ Measure F Risk Mitigation Reserve	\$ 3,000,000
■ Insurance Reserve	<u>\$ 1,000,000</u>
■ <b>Total Reserve Fund Balances at July 1, 2017</b>	<b>\$11,900,000</b>
■ 17/18 Dep't Expenditures (inc. Pension Obligation Bonds)	\$ 36,800,000

## RESERVE CALCULATIONS

- **\$11,900,000 Reserve Funds as of 7/1/17 vs. \$36,800,000 17/18 Expenditures (32%)**
- **GFOA recommends 2 months expenditures (\$6.133M or 16.67%) as reserves.**
- **Novato has almost 4 months expenditures (\$11.9M or 32%) as reserves.**
- **Local Comparison (policy): Petaluma = 15%, San Rafael = 10%**
- **\$5.2M of Measure F Currently Unallocated**
- **\$11.9M Reserves + \$5.2M Unallocated Measure F = \$17.1M (46%)**



# PURCHASING POWER OF UNALLOCATED FUNDS

- **Approximately 32% reserve funds as of July 1, 2017 (\$11.9M)**
- **\$5.2M Unallocated Measure F Funds**
- **1.49% Annualized Return on City General Investments (LAIF + Portfolio, Q3-16/17)**
- **1.70-2.20% Inflation for 2017-2019 per Federal Open Market Committee**

- **Turner Construction Index**  
**Avg. Escalation = 4.4%/Year:**  
**(National Index)**

Year	Average Index	△%
2016	989	4.7
2015	943	4.5
2014	902	4.4
2013	864	4.1

## MEASURE F RISK MITIGATION RESERVE

### **City Council designated \$3 million of unassigned Measure F fund balance as a “Risk Mitigation Reserve” in FY 14/15**

“This reserve will be subject to future City Council decisions about uses for the funds, but is intended to mitigate risk from economic recessions, pension rate and investment earnings fluctuations, unanticipated state takeaways, or unanticipated required expenditures due to changing laws or regulatory requirements.”

“To the extent Measure F funds are available beyond the Risk Mitigation Reserve mentioned above, they may be used to backfill General Fund deficits while permanent revenue streams or other longer-term budget balancing strategies are implemented.”

“Recognizing its status as a general purpose tax, the City Council has complete purview to appropriate Measure F funds for any lawful government purpose. However, as a tax with a fixed 5-year duration, Measure F funds should be spent on one-time or short term programs and projects rather than ongoing operating expenditures.”

# MEASURE F UNALLOCATED REVENUE

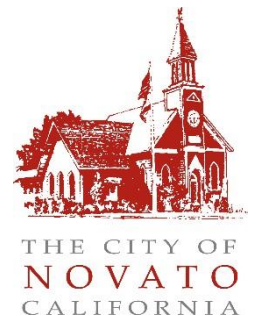
November 2, 2010 Ballot Language:

## **Measure F – 2010 Fiscal Emergency & Vital City Services Revenue Measure**

*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 Considerations**

- \$1M 17/18 General Funds for Police CAD
- \$300K 17/18 Parks & Buildings Deferred Maintenance CIP Projects
- \$3M Proposed toward Hill Recreation Area Master Plan



# ALTERNATE CIP FUNDING STRATEGIES

<u>Project Name</u>	<u>Budget Request</u>	<u>Potential Funding Options</u>
Downtown SMART Station Phase II	\$ 1,300,000	General Fund or Add'l Grant Funding
Hill Recreation Area Master Plan	\$ 3,000,000	Meas. F/Internal Financing/Hamilton Sales
Cameras and A/V Equipment	\$ 300,000	ERAF or Unspent 16/17 General Funds
Dogbone Meadow Improvements	\$ 500,000	Long Term Maint.-Facilities/Unspent 16/17





THE CITY OF  
NOVATO  
CALIFORNIA

# COMMENTS & FEEDBACK

2017/18 CAPITAL IMPROVEMENT PROGRAM BUDGET