

STAFF REPORT


MEETING

DATE: June 26, 2018

TO: City Council and Novato Public Finance Authority Board

FROM: Regan M. Candelario, City Manager
 Michael L. Antwine II, Assistant City Manager
 Tony Clark, Finance Manager
 Maureen Chapman, Accounting Supervisor



THE CITY OF
 NOVATO
 CALIFORNIA

922 Machin Avenue
 Novato, CA 94945
 415/ 899-8900
 FAX 415/ 899-8213
www.novato.org

SUBJECT: **BUDGET HEARING ON PROPOSED FY 2018/19 OPERATING AND CAPITAL BUDGETS AND APPROVAL OF RESOLUTIONS ADOPTING FINAL BUDGETS**

REQUEST

Hold a budget hearing, accept public testimony on the Fiscal Year 2018/19 Proposed Operating and Capital Improvement Budgets, approve a resolution adopting the final City of Novato Operating and Capital Improvement Budgets, approve a resolution adopting the final budget of the Novato Public Finance Authority and approve a resolution authorizing personnel allocation changes as part of the 2018/19 City Budget.

DISCUSSION

The City budget process for the 2018/19 fiscal year began in January 2018 with a series of internal city staff meetings. In February 2018 staff presented Council with the FY 2017/18 Mid-Year Financial Report. On April 10, 2018, staff presented the Capital Improvement Program during a City Council work session. On April 17, April 23, and April 28 staff held a series of community budget workshops.

The Operating Budget work session was held on April 24, 2018, and continued discussion and budget direction received from the City Council at its May 8 meeting, and a special City Council meeting on May 14, 2018 and a second operating budget workshop on June 12, 2018. Additionally, on June 7 & June 20, 2018 staff met with the Novato Citizens Finance/Advisory Oversight Committee to present the proposed General Fund Operating Budget and Measure F budget requests. The proposed FY 2018/19 budget was published on May 25, 2018 and has been available online on the City's website: www.novato.org/citybudget.

This is the culmination of a six-month budget development process that has included community and Council input and tonight's presentation represents the end of this process. Staff has incorporated several budget requests, as fiscally feasible, into the proposed FY 18/19 Operating and Capital budget. The proposed FY 2018/19 budget was developed utilizing a "flat FY 2017/18 budget", mandatory costs increases, a city employee COLA 3%, and FY 2018/19 budget requests and maintains the City's 15% Emergency Reserve policy. The proposed budget provides a strategic fiscal expenditure plan that incorporates any known mandatory costs increases and priority needs of the organization.

ANALYSIS

The total amount of proposed new budget requests for mandatory and priority costs is \$1,286,527 of which, \$646,729 will be funded with General Fund revenues and \$639,798 from Measure F unallocated fund balance (see table A). Staff has evaluated the budget requests based on the reoccurring nature of those expenses to determine if they are one-time and on-going.

Table A

Department	Measure F		Measure F Total	General Fund		General Fund Total	Grand Total
	One-time	Ongoing		One-time	Ongoing		
ASD	\$ 115,000.00		\$ 115,000.00				\$ 115,000.00
CDD				\$ 8,000.00	\$ 41,000.00	\$ 49,000.00	\$ 49,000.00
City Clerk				\$ 10,000.00	\$ 9,000.00	\$ 19,000.00	\$ 19,000.00
Citywide				\$ 100,000.00	\$ 5,000.00	\$ 105,000.00	\$ 105,000.00
Econ Dev	\$ 150,000.00		\$ 150,000.00	\$ 10,000.00	\$ 5,000.00	\$ 15,000.00	\$ 165,000.00
Finance	\$ 130,000.00		\$ 130,000.00	\$ 30,000.00	\$ 3,600.00	\$ 33,600.00	\$ 163,600.00
HR				\$ 59,637.00	\$ 17,500.00	\$ 77,137.00	\$ 77,137.00
IT	\$ 137,300.00	\$104,910.00	\$ 242,210.00				\$ 242,210.00
Police		\$ 2,588.00	\$ 2,588.00	\$ 14,300.00	\$130,000.00	\$ 144,300.00	\$ 146,888.00
PRCS				\$ 15,000.00	\$ 65,553.00	\$ 80,553.00	\$ 80,553.00
Public Works				\$ 118,000.00	\$ 5,139.00	\$ 123,139.00	\$ 123,139.00
Grand Total	\$ 532,300.00	\$107,498.00	\$ 639,798.00	\$ 364,937.00	\$281,792.00	\$ 646,729.00	\$1,286,527.00

Staff acknowledges there maybe one-time costs that could be re-occurring in subsequent fiscal years; however, staff recommends funding these costs with one-time funds; thus providing staff with an opportunity to perform a cost-benefit-analysis and the development of a new revenue generation plan. Staff will determine the feasibility and effectiveness of these costs; as well as, create framework for a fiscal sustainable general fund in future years.

Modifications to the Proposed Budget Document

Since the published the proposed FY 18/19 budget document, staff has performed updates to the draft FY 18/19 budget book. The changes to the budget book are referred to as an “Errata”, which is referenced in attachment #2. These changes have been incorporated into the attached adopting budget resolution.

At the conclusion of the hearing, staff is requesting that Council approve the proposed FY 2018/19 budget as presented including the Errata changes mentioned above.

RECOMMENDATION

Hold the budget hearing and accept public testimony on the fiscal year 2018/19 proposed Operating and Capital Budgets, approve the resolution adopting the final City of Novato Operating and Capital budgets, approve the resolution adopting the final budget of the Novato Public Finance Authority and approve the resolution authorizing personnel allocation changes as part of the 2018/19 City Budget.

ATTACHMENTS

1. FY 2018/19 City of Novato Budget Resolution
2. FY 2018/19 Errata Sheet
3. FY 2018/19 Novato Public Finance Authority (NPFA) Budget Resolution

4. FY 2018/19 Personnel Resolution

CITY COUNCIL OF THE CITY OF NOVATO

RESOLUTION NO.

RESOLUTION ADOPTING THE FINAL CITY OF NOVATO OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR JULY 1, 2018 THROUGH JUNE 30, 2019, PROVIDING FOR THE APPROPRIATION OF EXPENDITURES IN SAID BUDGETS, AND REPEALING ALL RESOLUTIONS IN CONCERT HEREWITH

WHEREAS, the City Council of the City of Novato has reviewed the proposed final Operating Budget for FY 2018/19 and Capital Improvement Program for FY 2018/19 through 2021/22 and has held public workshops as recommended prior to adoption of the final budgets, and

WHEREAS, the City Council of the City of Novato has reviewed the proposed final Operating and Capital Budgets for the Marin Valley Mobile Country Club for FY 2018/19 and has held a budget hearing on May 14, 2018 as recommended prior to adoption of the final budgets.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Novato finds as follows:

- 1. That the budget for FY 2018/19 presented by the City Manager in the document "City of Novato Proposed Budget, Fiscal Year 2018/2019," is hereby approved and adopted as amended on the attachment "City of Novato Proposed Budget FY 18/19 Errata".
- 2. That the total General Fund operating budget is \$37,652,305 and is hereby appropriated for Department expenses as follows:

Central Administration	\$2,337,917
Administrative Services	\$6,176,634
Police	\$15,530,519
Community Development	\$2,819,094
Public Works	\$7,176,179
Parks, Recreation & Community Services	\$3,611,962
Total Operating Budget	\$37,652,305

3. That the transfers to other funds in the amount of \$2,754,011 is hereby appropriated as follows :

Capital Projects (Fund 301)	\$290,080
Police Special Projects (Fund 281)	\$7,000
Facilities Long-Term Maintenance (Fund 323)	\$307,500
Infrastructure Long-Term Maintenance (Fund 324)	\$499,090
Pension Obligation Bonds Debt Service (Fund 503)	\$1,329,341
Equipment Replacement (Fund 605)	\$321,000

4. That \$22,190,420 is hereby appropriated for Capital Improvement Programs for Fiscal Year 2018/19 from the funds and for the amounts listed on pages 240-242 in the FY 2018/19 Proposed Budget document, including continuing appropriations (carry-overs) from FY 2017/18.

5. That the miscellaneous funds are hereby appropriated as follows, including vehicles and equipment scheduled for replacement funded in the Equipment Replacement Fund as detailed on page 206 of the Proposed Budget document:

Measure F Sales Tax (Fund 111)	\$7,156,279
Successor Agency Administration (Fund 113)	\$67,384
Emergency Reserve (Fund 116)	\$700,000
Civic Center (Fund 117)	\$28,369
Facilities Long-Term Maintenance (Fund 118)	\$1,188,207
Infrastructure Long-Term Maintenance (Fund 119)	\$778,358
Affordable Housing Programs (Fund 210)	\$169,645
Clean Storm Water (Fund 211)	\$371,872
Underground Utility (Fund 212)	\$274,513
Parking Improvement (Fund 213)	\$20,550
Subdivision Park Trust (Quimby) (Fund 214)	\$624,500

Art in Public Places (Fund 215)	\$21,116
General Plan Surcharge (Fund 216)	\$150,000
Automation Surcharge (Fund 217)	\$105,510
Hamilton Community Facilities District (Fund 218)	\$653,458
Pointe Marin Community Facilities District (Fund 219)	\$225,887
Hamilton Arts Center (Fund 220)	\$878,895
Chapter 27 Assessment (Fund 221)	\$6,920
San Marin Landscape Assessment District (Fund 222)	\$55,938
Wildwood Glen Landscape Assessment Dist. (Fund 224)	\$10,447
Hillside Assessment District (Fund 225)	\$44,896
Downtown Landscape & Lighting District (Fund 226)	\$2,850
San Pablo Assessment District (Fund 227)	\$15,628
Gas Tax (Fund 229)	\$3,079,248
Police Special Projects (Fund 231)	\$80,400
State COPS Grant (Fund 232)	\$240,000
Capital Grants (Fund 234)	\$2,976,671
Marin VRF (Fund 235)	\$456,206
Measure A (Fund 236)	\$2,352,119
Parks Measure A (Fund 237)	\$457,156
Clean Storm Water CIP (Fund 238)	\$82,789
Restricted Revenue (Fund 240)	\$811,600
Development Impact Fees (Fund 241)	\$2,324,078
Capital Improvement Projects (Fund 301)	\$22,190,420

G.O. Bond Debt Service (Fund 501)	\$1,787,861
Pension Obligation Bonds Debt Service (Fund 502)	\$1,391,387
Equipment/Vehicle Maintenance (Fund 601)	\$872,053
Equipment Replacement (Fund 602)	\$1,882,395
Technology Replacement (Fund 603)	\$231,245
Hamilton Trust (Fund 701)	\$561,500

6. That funds of the Marin Valley Mobile Country Club are hereby appropriated as follows:

Marin Valley Mobile Country Club (Fund 651)	\$2,491,384
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I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the City Council of the City of Novato, Marin County, California, at a meeting hereof, held on the 26th day of June, 2018, by the following vote, to wit:

AYES: Councilmembers
 NOES: Councilmembers
 ABSTAIN: Councilmembers
 ABSENT: Councilmembers

 City Clerk of the City of Novato

Approved as to form:

 City Attorney of the City of Novato

Errata - Corrections from Proposed FY 18-19 Budget document

Fund	Description	Budgeted Amount in Budget Document	Corrected Amount	Change	Explanation
Revenues					
301-Capital Improvements	Correct Transfers In / CIP funding	21,856,244	22,156,244	300,000	FY 17/18 project sheet for Downtown SMART Station Phase II (18-006) included \$300K of funding in FY 18/19. When the FY 18/19 project sheet was prepared, the \$300K was inadvertently omitted. The transfer in to CIP has been corrected to include the \$300K.
651-MVMCC	Correct Utility Payments	3,220,220	3,249,609	29,389	Utility payments from residents were not recorded correctly on the fund sheet per the MVMCC budget presented and approved by Council on May 14.
TOTAL				329,389	
Appropriations					
119-Infrastructure Long-Term Maintenance	Correct CIP project funding	517,286	778,358	261,072	Funding corrections for Pedestrian Access to Transit/Crosswalk Improvements project (18-002) and Downtown SMART Station Phase II project.
229-Gas Tax	Correct CIP project funding	3,095,320	3,079,248	(16,072)	
236-Measure A Streets	Correct CIP project funding	2,297,119	2,352,119	55,000	
237-Parks Measure A	Personnel costs not updated for FY 18/19	439,518	457,156	17,638	Personnel costs not updated from FY 17/18 to FY 18/19 on fund sheet.
301-Capital Improvements	Correct Appropriations / CIP project expenditures	21,890,420	22,190,420	300,000	Project expenditures corrected resulting from funding omitted for Downtown SMART Station Phase II project
651-MVMCC	Correct Appropriations	2,489,385	2,491,384	1,999	Error in listing MVMCC expenditures on fund sheet compared to budget presented and approved by Council on May 14.
TOTAL				619,637	

CITY OF NOVATO PUBLIC FINANCE AUTHORITY

RESOLUTION NO. _____

RESOLUTION OF THE NOVATO PUBLIC FINANCE AUTHORITY ADOPTING THE FINAL BUDGET OF THE NOVATO PUBLIC FINANCE AUTHORITY OF THE CITY OF NOVATO FOR FISCAL YEAR JULY 1, 2018 THROUGH JUNE 30, 2019 PROVIDING FOR THE APPROPRIATION OF EXPENDITURES OF ALL SUMS SET FORTH IN SAID BUDGET AND REPEALING ALL RESOLUTIONS IN CONCERT HEREWITH

WHEREAS, the City Manager has submitted to the Novato Public Finance Authority, a proposed budget as preliminary budget for Fiscal Year July 1, 2018 through June 30, 2019; and

WHEREAS, after examination, deliberation and due consideration, the Novato Public Finance Authority has approved the same; and

WHEREAS, the Novato Public Finance Authority hereby appropriate funds of \$70,100 for operating expenditures, as follows:

Materials & Supplies	\$57,100
Transfer to General Fund	\$13,000

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Novato Public Finance Authority does hereby adopt the said final Budget for Fiscal Year July 1, 2018 through June 30, 2019 and all resolutions and conflicts are expressly repealed.

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I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Board of Directors of the Novato Public Finance Authority, Marin County, California, at a meeting hereof, held on the 26th day of June, 2018, by the following vote, to wit:

- AYES: Councilmembers
- NOES: Councilmembers
- ABSTAIN: Councilmembers
- ABSENT: Councilmembers

City Clerk of the City of Novato

Approved as to form:

City Attorney of the City of Novato

CITY COUNCIL OF THE CITY OF NOVATO

RESOLUTION NO.

RESOLUTION AUTHORIZING PERSONNEL
ALLOCATION CHANGES AS PART OF THE FISCAL
YEAR 2018/19 CITY BUDGET

WHEREAS, the City Council has engaged in several budget workshops from April 2018 through June 2018 to discuss the proposed FY 2018/19 operating and capital budgets; and

WHEREAS, the City Manager has recommended certain personnel changes within several City Departments; and

WHEREAS, the proposed personnel changes will create organizational efficiencies, address increased service needs, provide subject matter expertise within the organization and create structure for succession planning and development; and

WHEREAS, the Proposed City of Novato 2018/19 Budget has been available to the public since May 25, 2018 and includes the proposed personnel changes.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Novato hereby approves the following personnel allocation changes, as listed in the tables below:

Personnel Changes in the 2018/19 Budget			
Beginning Authorized Personnel Total		<u>208.50</u>	
<u>Position Additions/Eliminations/Reclassifications</u>			
Department	Position	FTE	Term / Notes
Community Development	Office Assistant II from 0.50 to 1.0 FTE	0.50	Reclassified
Human Resources Division	Principal Management Analyst to Senior Management Analyst/Risk Management	-	Reclassified
	Management Analyst I to Human Resource Analyst	-	Reclassified
	Office Assistant II to Human Resources Assistant	-	Reclassified
Finance Division	Accounting Supervisor – end of Limited Term (CIP)	(0.83)	Eliminated
Information Technology Division	IT Business Analyst – 2yr extension of Limited Term (Measure F)	-	Extension of Limited Term period (2 yr)
Parks, Recreation, and Community Services	Administrative Technician	(1.00)	Eliminated
	Recreation Coordinator (Grant Funded)	(0.50)	Grant Ended
	Recreation Services Manager to Deputy Director	-	Reclassified
	Office Assistant II to Senior Office Assistant	0.25	Reclassified
	Recreation Coordinator	1.00	New
	Administrative Technician to Management Analyst I	-	Reclassified
	Gymnastics Instructor	0.75	New
Police	School Resource Officer	1.00	New
Public Works	Public Works Inspector	(1.00)	Eliminated
Total Position Additions/Eliminations/Reclassifications		<u>0.17</u>	
Ending Authorized Personnel Total		<u>208.67</u>	

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I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the City Council of the City of Novato, Marin County, California, at a meeting hereof, held on the 26th day of June, 2018, by the following vote, to wit:

AYES: Councilmembers
NOES: Councilmembers
ABSTAIN: Councilmembers
ABSENT: Councilmembers

City Clerk of the City of Novato

City Attorney of the City of Novato