

COMMITTEE MEMBERS

Brian Beckon
Gregory Grassi
Brandy Leidgen
Diane Sprouse

Civic Center
1950 Parkside Drive
Concord, CA 94519
www.cityofconcord.org



**Special Meeting of the
Measure Q Oversight
Committee**

Thursday, May 25, 2017

5:30 p.m.

Permit Center
Conference Room,
Wing D
1950 Parkside Drive

AGENDIZED ITEMS – The public is entitled to address the Committee on items appearing on the agenda before or during the Committee’s consideration of that item. Each speaker will be limited to approximately three minutes.

1. ROLL CALL

2. PUBLIC COMMENT PERIOD

3. REPORTS

- a. Approval of Minutes/Annotated Agenda of May 18, 2017
- b. Discuss and formulate Committee’s Recommendations and Memorandum to the City Council related to the FY 2015/16 CAFR, the Preliminary Biennial Operating Budget and the use of Measure Q revenue, and work with City Staff to prepare associated Committee Report and documents
- c. If necessary, authorize the Chair to work with staff to complete and finalize Committee’s Recommendations and Memorandum to the City Council related to the FY 2015/16 CAFR, the Preliminary Biennial Operating Budget and the use of Measure Q revenue in substantial conformance with the Committee’s directions.

4. ADJOURNMENT

ADA NOTICE AND HEARING IMPAIRED PROVISIONS

In accordance with the Americans with Disabilities Act and California Law, it is the policy of the City of Concord to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, or an agenda and/or

agenda packet in an appropriate alternative format; or if you require other accommodation, please contact the ADA Coordinator at (925) 671-3031, at least five days in advance of the hearing. Advance notification within this guideline will enable the City to make reasonable arrangements to ensure accessibility.

Distribution: City Council
Valerie Barone, City Manager
Susanne Brown, City Attorney
Kathleen Tropa, Assistant City Manager
Karan Reid, Director of Finance
Joelle Fockler, City Clerk

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**Annotated Agenda
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Thursday, May 18, 2017

5:30 p.m.

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AGENDIZED ITEMS – The public is entitled to address the Committee on items appearing on the agenda before or during the Committee’s consideration of that item. Each speaker will be limited to approximately three minutes.

- 1. **ROLL CALL:** Gregory Grassi, Brandy Leidgen and Diane Sprouse present at 5:30 p.m. Brian Beckon arrived at 5:40 p.m.

STAFF PRESENT: Kathleen Trepa, Assistant City Manager; Karan Reid, Director of Finance; and Chris Rhoades, Budget Analyst.

- 2. **PUBLIC COMMENT PERIOD:**

- 3. **REPORTS**

- a. Approval of Minutes/Annotated Agenda of April 20, 2017

ACTION: Motion to approve minutes made by Greg Grassi and seconded by Diane Sprouse. Approved by Grassi and Sprouse. Brandy Leidgen was absent for the April 20 meeting, and noted the correct spelling of her first name.

- b. Staff Presentation and Discussion of the General Fund Preliminary Budget and 10-Year Forecast for FY 2017-18 & FY 2018-19 (presented to the City Council on May 9, 2017)–Karan Reid, Director of Finance

ACTION: Karan provided an overview of the General Fund revenue trends and projections directing the Committee to the transmittal memorandum, with specific attention to Measure Q revenue and the proposed uses. Karan stated that Measure Q sales tax is projected to meet budget expectations of \$12.6 million in FY 2016-17. In FY 2017-18, Measure Q revenue is projected to be

\$13.0 million (an increase of \$354,000) and FY 2018-19 the projected revenue is \$13.5 million. Karan noted that on Pages 6 and 7 of the transmittal memorandum, pie charts show General Funds revenue including the portion of Measure Q revenues allocated to operations.

Karan completed her overview by reviewing the proposed use of Measure Q funds in the preliminary biennial budget. Below are the proposed uses and the amount in each year:

- Support for General Fund Operations (\$7.5 million in both years 1 and 2)
- Econ. Dev. Marketing Surge (\$150,000 in both years)
- Econ. Dev. Real Estate / Site Selection Consultant (\$100,000 in both years)
- Supplemental Building Maintenance Funding (\$227,500 in both years)
- \$22M Roadway Maintenance Debt Service (\$2.5 million in both years)
- Supplemental Funding for Capital Projects, Infrastructure and Park Maintenance (\$2.5 million in year 1 / \$3.0 million in year 2)
- **Total: (\$13.0 million in year 1 / \$13.5 million in year 2)**

- c. Discuss and formulate Committee's Recommendations and Memorandum to the City Council related to the FY 2015/16 CAFR, the Preliminary Biennial Operating Budget and the use of Measure Q revenue.

ACTION: The Committee did not suggest any changes to the CAFR, the budget or the proposed use of Measure Q revenue. Members discussed that the 10 year forecast indicated that fiscal challenges remain despite the City's efforts to date to reduce operating costs and maximize available revenue sources. Staff explained the budget stabilization process that is just beginning, which will develop a range of revenue enhancements, cost containment and expenditure transfer strategies to address the structural budget deficit. Staff noted that stakeholder outreach and engagement would be part of that effort. Some members expressed concern about the need to maximize Concord's attributes for economic development purposes and expressed a desire to participate in the budget stabilization process.

- d. If necessary, authorize the Chair to work with staff to complete and finalize Committee's Recommendations and Memorandum to the City Council related to the FY 2015/16 CAFR, the Preliminary Biennial Operating Budget and the use of Measure Q revenue in substantial conformance with the Committee's directions.

ACTION: Staff proposed rewording Question 4 of the draft transmittal memorandum to Council to incorporate some of the Committee's discussion, which would be forwarded to the Committee for their individual review and discussion at the next meeting on Thursday, May 25.

4. ADJOURNMENT at 7:00 p.m.

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City of Concord

June 13, 2017

TO: Honorable Mayor and Councilmembers

FROM: Citizen Measure Q Oversight Committee - Diane Sprouse, Chair;
Greg Grassi, Vice Chair; Brian Beckon, Brandy Leidgen, _____

SUBJECT: Measure Q Oversight Committee's Review of the FY 2015-16 CAFR and Evaluation and Report on the City's Proposed Use of Measure Q Revenues in the Proposed Biennial Operating Budget for FY 2017-18 and FY 2018-19

The Measure Q Oversight Committee (Committee) met on April 20, 2017 to review the Fiscal Year (FY) 2015-16 Comprehensive Annual Financial Statement (CAFR), which includes the annual audit. At its May 18, 2017 meeting, the Committee heard a presentation from staff on the City's preliminary Proposed Biennial FY 2017-18 and FY 2018-19 General Fund Operating budget as well as an updated 10-year financial forecast.

The purpose of the budget presentations was to obtain an understanding of the preliminary budget in order to advise the Council as to whether Measure Q revenues are proposed to be spent in a manner consistent with what the voters were told during the election process: to protect core services, maintain the City's reserves, and provide more time for the City to address its on-going structural budget deficit.

The Committee has made the following findings with regard to its charge in oversight of the tax:

1. Does the FY 2015-16 Annual Audit reflect that the Measure Q tax was collected and appropriately spent?

On April 20, 2017, the Committee reviewed the FY 2015-16 Comprehensive Annual Financial Statement (CAFR) and determined that the presentation of the Measure Q Use and Transaction Tax in the financial statements (pages x, 14, 25, 27 and 43) reflect the collection of the tax appropriately.

The Committee finds that usage of Measure Q tax revenue (\$12.1 million) was identified clearly in the annual audit (pages x, 14, 25, 27 and 43 of the CAFR). Further the Committee finds that \$7.5 million of Measure Q tax revenue went to maintain City services, which allowed the City to avoid cuts to core City services, and the remaining \$4.6 million was used consistent with the City's Fiscal

Sustainability Ordinance to support reserves and infrastructure investment.. Consequently, the Measure Q Committee concludes that the tax was collected and appropriately utilized.

2. Does the City's proposed General Fund biennial budget for FY 2017-18 and FY 2018-19 protect the City's core services?

The FY 2017-18 budget estimates the collection of Measure Q revenue in the amount of \$13.0 million during the 2017-18 fiscal year. Since the reserves in City's General Fund were fully restored to 30% of expenditures by the end of fiscal year 2014-15, the FY 2017-18 budget uses \$7.5 million of Measure Q revenues to support operations, protecting core services, and a \$5.5 million is used in support of economic development and infrastructure maintenance backlog projects, consistent with the City's Fiscal Sustainability Ordinance.

For FY 2018-19, \$7.5 million will be used to maintain the City's services, protecting core services, and the remaining \$6.0 million is allocated to economic development and infrastructure maintenance backlog projects, consistent with the City's Fiscal Sustainability Ordinance.

It is critical to note that Measure Q revenues continue to protect core City services in both FY 2017-18 and FY 2018-19; in fact no services are cut in either year and services are slightly enhanced in Code Enforcement and Public Safety.

Consequently, the Committee finds that the use of Measure Q revenue in the budget for FYs 2017-18 and 2018-19 protects the City's core services.

3. Does the City's proposed General Fund biennial budget for FY 2017-18 and FY 2018-19 maintain the City's reserves?

The Committee finds that the proposed General Fund biennial budget for FYs 2017-18 and 2018-19 maintains the City's reserves at 30% (or greater) of expenditures, such that no Measure Q revenues are needed to maintain the City's reserves. The City's projected General Fund reserve results in a total City Reserve of unallocated funds of \$31.8 million, or 33% of the budget, in FY 2017-18, dropping to \$30.7 million, or 30% of the budget, by FY 2018-19.

Further, the proposed 10-year financial forecast illustrates that the City reduces reliance on Measure Q, fully eliminating support by the time Measure Q expires in March 2025.

4. Does the City's proposed General Fund biennial budget for FY 2017-18 and FY 2018-19 make progress toward resolving the City's structural budget deficit within the next 10-years?

The Committee finds that while the City's reliance on Measure Q revenues decreases over the next eight years based on current forecasts, challenges remain. The General Fund shortfall is projected to be approximately \$10.6 million in March 2025 when Measure Q expires and grows to \$13.4 million by the end of the 10 year horizon.

The Committee supports the City Council's development of a fiscal stability plan that will outline a range of budget stabilization strategies, providing the Council and the community options for actions that address the long-term funding of City services and capital projects. These strategies will be considered in the first half of calendar year 2018 to allow adequate time to begin implementation of selected strategies. The Committee believes that long term changes of a more fundamental and ambitious nature will be required to maximize the City's many attributes, and align a vision of what Concord can and should be with identified resources. The Committee understands the Council will be considering this Plan in the first half of calendar year 2018, to allow adequate time to begin implementation of selected strategies. The Committee looks forward to participating in this process.