



Measure Q Oversight Committee

Wednesday, April 9, 2014

6:30 p.m.

Garden Conference Room, Wing A
1950 Parkside Drive, Concord, CA

- MINUTES / ANNOTATED AGENDA -

The meeting was called to order by Chair Guy Bjerke, at 6:38 p.m.

Present: Guy Bjerke, Richard Eber, Norman Freitas, Bill Gram-Reefer, Dr. Harmesh Kumar, Rosanne Nieto **Absent:** Beri Kasper

Staff Present: Scott Johnson, Assistant City Manager; Karan Reid, Director of Finance; Jovan Grogan, Budget Officer; Sue Anne Griffin, Confidential Secretary

Public Comment Period: None

Scott Johnson welcomed the group and provided a brief overview on the background of Measure Q, the role of the Committee to: (1) review the City's Fiscal Year (FY) 2012-13 audited financial report, (2) review the Proposed FY 2014-15 General Fund Budget and 10-Year Financial Forecast, and (3) make recommendations to the City Council on the use of Measure Q tax revenue. Scott noted that the Committee met on February 26, 2014 and reviewed the FY 2012-13 Comprehensive Annual Financial Report (CAFR) related to Measure Q and that this meeting was to focus on reviewing the use of Measure Q revenues in the preliminary proposed budget for Fiscal year 2014-15 and during the next Measure Q meeting scheduled for April 16, 2014, the Committee will provide feedback to staff on the material presented during this meeting and discuss the content of a draft memorandum to the City Council. The Committee's report will then be presented to the City Council on May 13th as part of the Budget Workshop.

Jovan Grogan provided an overview of the material presented in the committee member's binders, which included the preliminary proposed budget and 10-year forecast, the February 26, 2014 Annotated Agenda from the last meeting and a draft of the memorandum from the Committee to the City Council. Jovan noted that this year the Measure Q Committee's format has been restructured to provide two meetings: the first to walk through the documents and provide the Committee a week to review the information and a second meeting for staff to respond to questions and allow the Committee time to discuss their recommendations to the City Council. Chair Bjerke said

that there are two paragraphs in the draft memorandum that relate to what the Committee would hear during the meeting , though most of the document looks familiar.

1. Review FY 2014-15 Budget Binder

Jovan presented the Committee with an overview of the contents of the binder, walking through each tab. Then Jovan provided a brief recap on the status of the fiscal year 2013-14 budget, reviewing actions taken at mid-year as some of the adjustments set the basis for the development of the fiscal year 2014-15 budget. The specific revenue adjustments discussed included: \$190,000 from transient occupancy tax (hotel tax); \$180,000 in licenses and permits, and \$800,000 in revenues for increased plan review and building inspection fees. Other revenue of \$450,000 in one time funds resulted from reconciliation of developer deposit accounts. Revenue from Concord Community Court is expected to generate \$20,000 and those funds will be earmarked for programs addressing juvenile violence. Measure Q revenue increased by \$320,000. Those items combined with revenue rolled over from the prior fiscal year funded a number of expenditures including fully funding the annual contribution for CCRS (the City's closed retirement system) and retiree medical benefits, totaling \$2.9 million.

2. Discuss Measure Q and General Fund Revenue Trends and Projections

Jovan provided an overview of the General Fund revenue trends and projections directing the Committee to charts on pages 8 and 9 in the staff report. The charts depict General Fund revenues excluding and including Measure Q revenues. Overall, non-Measure Q revenues are up about \$2.1 million and Measure Q is up \$653,000. The primary drivers of revenue increases are property tax at 5.5% increase and sales tax up 6%.

The Committee had a discussion about the ten-year forecast, unmet needs, planned expenditures and revenues, what the forecast looks like over the next ten years and what's included in the ten-year forecast. Committee Member Richard Eber said that he raised the issue of State takeaways with Senator DeSaulnier at DeSaulnier's Concord Town Hall Budget Meeting and promised to send the list of State takeaways to him. The City is in the process of developing a list of State takeaways and will provide the list for the April 16 meeting

3. Discuss Preliminary FY 2014-15 General Fund Expenditures

Jovan presented a brief overview of the proposed General Fund expenditure budget and noted that departments were given direction to prepare a status quo service level budget that focuses on the City Council priority areas.

Overall the General Fund expenditure budget is up about \$1.2 million. The largest component (\$700,000) occurs in full time salaries and is the result of a change in budgeting practices to reduce the budgeted vacancy factor to better align with actual experience. In addition, the City continues to see cost increases in the fringe benefit category for premiums for current employee healthcare coverage and increased CalPERS pension costs.

Scott shared that five years ago the City negotiated a cap on what it pays for annual medical premium increases, for current and new employees to help contain employee benefit costs. Finding solutions to address the City's unfunded liabilities and unmet infrastructure maintenance needs continues to be a priority focus area for the City Council. He also stated that the Policy Development & Internal Operations (PD&IO) Council Committee will meet on April 14, where an Ordinance on the use of one-time and budget surplus funds will be considered by the Council Committee.

Committee Member Eber requested a breakdown of fringe benefits between pension and retiree health costs. Staff agreed to provide this information at the April 16 meeting.

Committee Member Kumar asked what assumptions were included related to the implementation of the Affordable Care Act (ACA). Karan Reid responded that we experienced about a 4% increase in medical premiums through CalPERS health attributable to the ACA. Karan also noted that no additional impacts are included in the ten-year forecast as it is too early to know how the CalPERS premiums will be affected by the ACA.

Jovan then provided a brief report of the staffing changes included in the proposed budget. A total of 8 full-time benefited positions were added included 5 authorized in the current fiscal year and 3 proposed for the upcoming year. The three new positions are budget neutral as they are offset by ongoing revenues and/or expenditures.

Jovan completed his review of the proposed budget by noting that the overall General Fund shortfall increases by approximately \$928,000.

4. Discuss General Fund 10-Year Forecast

Jovan presented the General Fund 10-year forecast noting that it incorporates \$ 4.2 million in budget stabilization to the budget beginning after Measure Q expires in fiscal year 2015/16. Jovan pointed out that new this year is the inclusion of unfunded needs in the 10-year forecast. The cost of these items aligns to the January 28, 2014 presentation to the City Council and the current forecast demonstrates no funding capacity for these items.

According to Chair Bjerke, the term *stabilization* refers to revenue enhancements and budget reductions (it's likely to be a combination of these), factors in a cost of living increase, service reductions or service elimination. However, the general public does not relate to stabilization and the reality will likely be mainly cuts so he suggested we call it \$4.2M in service reductions or cuts.

Committee Member Nieto raised the issue of the projected budget related to the Local Reuse Authority. Scott Johnson responded that it is too early in the process to forecast what will be needed and when. The 10-year forecast only identifies the loans from the General Fund for the planning process. The General Fund began loaning funds to the Local Reuse Authority (LRA) two fiscal years ago. Repayment of these loans is projected to begin as the land is conveyed. As a master developer begins purchasing the property, the City will begin to recoup what it has loaned the Local Reuse Authority.

Scott said we'll refine the forecast as we go forward on the Reuse plans. Committee Member Bill Graham-Reefer requested a version of the 10 year forecast that projected the continuation of the Measure Q revenue. Staff committed to provide that information at the April 16 meeting.

5. Discuss Committee's Memo to the City Council

Chair Bjerke commented on the memo to be discussed April 16 and would like to raise the point that most of it is fine. However, the fourth bullet needs to be reworded. The proposed fiscal year 2014-15 budget reflect using an additional \$1.6 million in Measure Q funds than in the past and that the 10 year forecast makes progress in resolving the budget deficit by requiring \$4.2 million in budget cuts beginning in fiscal year 2015-16.

Scott added that the economic recovery hasn't come back to the extent that we need it to. We need to reiterate that since Measure Q was approved, redevelopment funds have been taken away and that we haven't fully recovered from the recession. Due to these factors, some additional action will be needed with or without Measure Q revenue. Measure Q was intended to fill the gap but we are facing a longer-term deficit. The Committee requested this information be included in the draft memo to Council.

Chair Bjerke said that we want to thank the Council and staff for illuminating the issues but be more specific in what challenges are ahead. We will discuss the revised memo next week after staff has implemented changes. A revised draft memo will be provided at the Committee's April 16th meeting for discussion (*to be finalized during the meeting*).

Adjournment at 8:22 p.m.



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