



**Measure B Citizens' Oversight Committee
Monday, June 20, 2022 6:00 pm**

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Meeting ID: 862 5293 1841

AGENDA

- 1. ROLL CALL**
- 2. REVIEW MINUTES OF MARCH 7, 2022 (ACTION ITEM)**
Recommendation is to approve the minutes.
- 3. CONSIDERATION OF A RESERVE POLICY FOR THE MEASURE B FUND**
- 4. PUBLIC COMMENT AND OPEN TIME FOR COMMITTEE MEMBERS**
- 5. ADJOURN**

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MEASURE B
CITIZENS' OVERSIGHT COMMITTEE
MEETING MINUTES

Via Teleconference Only
Per AB 361
March 7, 2022

1. ROLL CALL

Chair Levinson called the meeting to order at 6:00 p.m.

COMMITTEE PRESENT: Larry Chu, James Holmes, Tamara Hull, William Levinson, Steve McClure, Kathleen Cahill Slaughter, and Karl Tede

COMMITTEE ABSENT: Michael Popovich and JoAnn Tsang

STAFF PRESENT: City Manager Dan Schwarz; Public Works Director Julian Skinner, City Clerk Alison Foulis

2. REVIEW MINUTES OF DECEMBER 6, 2021 (ACTION ITEM)

Recommendation is to approve the minutes.

Upon motion by Committee Member Holmes, seconded by Committee Member Hull, the Committee approved the minutes. The vote was unanimously in favor (Popovich and Tsang absent).

3. UPDATE ON ROAD REHABILITATION AND MAINTENANCE PROGRAM (DISCUSSION ITEM)

Committee to receive presentation.

Public Works Director Skinner provided a presentation updating the Committee on the Road Rehabilitation and Maintenance Program.

4. RECOMMENDATION TO CITY COUNCIL FOR USE OF MEASURE B IN FISCAL YEAR 2022-23 BUDGET (ACTION ITEM)

City Manager Schwarz presented the report and answered questions from the Committee. Upon motion by Committee Member Holmes, seconded by Committee Member Chu, the Committee supported the City Manager's proposed recommendation to the City Council that the Measure B Fund be used to make debt service payments in Fiscal Year 2022-23. The vote was unanimously in favor (Popovich and Tsang absent).

5. DISCUSSION ABOUT RESERVE POLICY AND USE OF EXCESS REVENUES (DISCUSSION ITEM)

City Manager Schwarz presented the report and answered questions from the Committee. The Committee stated its intention to meet in June to take up this matter for further consideration.

6. PUBLIC COMMENT AND OPEN TIME FOR COMMITTEE MEMBERS

There was no public comment.

7. ADJOURN

The meeting was adjourned at 6:54 p.m.

Attested

Alison Foulis
City Clerk

DRAFT



CITY ADMINISTRATION
MEMORANDUM

June 16, 2022

TO: Measure B Citizens' Oversight Committee

FROM: Dan Schwarz, City Manager

SUBJECT: CONSIDERATION OF A RESERVE POLICY FOR THE MEASURE B FUND

Staff intends to propose a reserve policy for the Measure B fund to the City Council and is requesting that the Committee consider supporting its proposal.

The Measure B Fund holds the revenues from the City's Measure B Transaction and Use Tax. The City Council has committed the Fund to paying debt services on a lease-revenue bond that the City arranged to pay for our Road Rehabilitation Program. This debt service is approximately \$1.6 million annually.

When Measure B was placed on the ballot, staff used a conservative revenue projection of \$1.8 million annually. It was anticipated that in the early years of the Measure B fund, an annual surplus of \$200,000 would contribute to the steady development of a positive fund balance that could serve as a reserve and guard against economic downturns that might impair the City's ability to make debt service payments.

The \$1.8 million revenue projection has proven to be very conservative. The fund now appears trending toward receiving \$2.9 million annually, which means revenues above the debt service will be on the magnitude of \$1.3 million.

Through the first nine months of the current fiscal year (July 1, 2021 to March 31, 2022), Measure B has realized revenue of \$2.3 million. Monthly revenue has fallen between \$200,000 and \$300,000 throughout the fiscal year, putting the fund on course to close with \$2.9 million or more in revenue.

Staff meets quarterly with the City's tax auditors from HdL Companies. Based on data from the California Department of Tax and Fee Administration through April 1, 2022, as well as general economic indicators and benchmarks, HdL is projecting that Fiscal Year 2022-23 Measure B revenue will be approximately \$2.9 million (up from its projection of \$2.7 million the prior quarter). HdL's team currently believes that growth is tapering and \$2.9 million is a reasonable projection for the next several fiscal years.

At its March 7, 2022 meeting, the Committee discussed the City Manager's statement in a memo that "the Measure B Fund will be sufficiently buffered against economic downturns if it holds a reserve equivalent to 50% of one year's debt service, which is approximately \$800,000. It might be prudent to make the reserve \$1 million to provide some cushion."

At the Committee's December 6, 2021 meeting, staff reported that the Measure B Fund was projected to have a balance of more than \$2.4 million to start Fiscal Year 2022-23. In preparing this memorandum, the City Manager discovered that he had inadvertently assigned two debt service payments to Fiscal Year 2021-22, and that the fund balance will actually approach \$4 million.

It is time to establish a reserve policy for the Measure B Fund and direct excess monies into other infrastructure and safety projects. In particular, the City Manager believes money should be invested in the City's stormwater management system – its storm drains. Staff is preparing a stormwater system master plan and anticipates reporting that decades of deferred maintenance has created a liability that requires \$20-30 million to address.

Staff intends to recommend a reserve for the Measure B Fund of \$1 million and proposes that fund balance in excess of this amount be flagged for use after staff takes a revised stormwater system master plan to the Council.