



## **Measure Q Oversight Committee**

**Wednesday, June 1, 2016**

**6:30 p.m.**

**Permit Center Conference Room, Wing D  
1950 Parkside Drive, Concord, CA**

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### **1. Roll Call**

### **2. Public Comment Period**

### **3. Agenda Items**

- A. Welcome and Introductions (self-introductions)
- B. Approval of Minutes/Annotated Agenda of April 18, 2016
- C. Elect Vice-Chair of Measure Q Oversight Committee
- D. Economic Development Presentation by John Montagh, Economic Development & Housing Manager
- E. Overview of Preliminary Biennial FY 2016/17 and FY 2017/18 Proposed Capital Budget and use of Measure Q Revenue. Presentation by Robert Ovadia, City Engineer
- F. Overview of Measure Q Revenue Fund Activity. Presentation by Janell Hampton, Budget Officer
- G. Discuss and formulate Committee's Recommendations and Memorandum to the City Council related to the FY 2014/15 CAFR, the Preliminary Biennial Capital Budget and the use of Measure Q revenue, and work with City Staff to prepare associated Committee Report and documents
- H. 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 2014/15 CAFR, the Preliminary Biennial Capital Budget and the use of Measure Q Revenue in substantial conformance with the Committee's directions

### **4. Adjournment**

Public Information Contact: Sue Anne Griffin  
(925) 671-3150, e-mail: [sgriffin@ci.concord.ca.us](mailto:sgriffin@ci.concord.ca.us)

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Distribution: City Council  
Valerie Barone, City Manager  
Jovan Grogan, Deputy City Manager  
Susanne Brown, City Attorney  
Karan Reid, Director of Finance  
Janell Hampton, Budget Officer  
Joelle Fockler, City Clerk

## **Revised** 2016 Schedule of Measure Q Oversight Committee Meetings

### **Proposed Measure Q Oversight Committee Meetings**

<p>Monday, April 18, 2016 6:30 p.m.</p>	<ul style="list-style-type: none"> <li>• Elect new Committee Chair</li> <li>• Overview of Brown Act</li> <li>• Overview of City's FY 2014-15 Comprehensive Annual Financial Report (CAFR) and Measure Q revenues</li> <li>• Review Committee Responsibilities</li> <li>• Review of proposed Measure Q Oversight Committee schedule for 2016</li> </ul>
<p>Wednesday, June 1, 2016 6:30 p.m.</p>	<ul style="list-style-type: none"> <li>• Elect new Vice-Chair</li> <li>• Economic Development Presentation</li> <li>• Overview of Preliminary Biennial FY 2016-17 and FY 2017-18 Proposed Capital Budget and use of Measure Q revenue</li> <li>• Overview of Measure Q Fund Revenue and Activity</li> <li>• Discuss Committee's Recommendations and Memorandum to the City Council related to the FY 2014-15 CAFR, the Preliminary Biennial Capital Budget, and Measure Q Fund activity</li> </ul>
<p>Monday, June 6, 2016 6:30 p.m.</p>	<ul style="list-style-type: none"> <li>• Committee's Recommendations and Memorandum to the City Council related to the FY 2014-15 CAFR, the Preliminary Biennial Capital Budget, and Measure Q Fund activity</li> </ul>

### **City Council Workshop and Meetings**

<p>Tuesday, May 24, 2016</p>	<p>City Council holds first budget workshop</p>
<p>Tuesday, June 14, 2016</p>	<p>City Council First Public Hearing on the Capital Budget and Mid-Cycle Operating Budget Recommendations</p> <p><i>Tentative</i> Measure Q Committee recommendation to be presented</p>
<p>Tuesday, June 28, 2016</p>	<p>City Council Capital Budget Adoption Hearing</p>



## Measure Q Oversight Committee

Monday, April 18, 2016

6:30 p.m.

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

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The meeting was called to order by Diane Sprouse at 6:33 p.m.

1. Welcome and Introductions

Jovan Grogan, Deputy City Manager led introductions. Measure Q Oversight Committee Members introduced themselves.

Jovan Grogan welcomed all members and provided background on Measure Q.

2. Roll Call:

**Present:** Brian Beckon, Brandy Leidgen, Gregory Grassi, Diane Sprouse

Vice Chair, Diane Sprouse, welcomed all in attendance and new member, Brandy spoke briefly about herself (resident of Concord & pleased to be on the committee).

**STAFF PRESENT:** Jovan Grogan, Deputy City Manager; Susanne Brown, City Attorney; Karan Reid, Director of Finance; Janell Hampton, Budget Officer; Sue Anne Griffin, Confidential Secretary

**MEMBERS OF THE PUBLIC WHO ADDRESSED THE COMMITTEE:** None

**PUBLIC COMMENT PERIOD:** None

3. Approval of Minutes/Annotated Agenda of May 6, 2015

**ACTION:** Motion to approve minutes made by Greg Grassi and seconded by Brian Beckon, all ayes.

4. Elect Chair of Measure Q Oversight Committee

**ACTION:** Motion to elect Diane Sprouse as Chair of the Committee. Motion for a vote made by Greg Grassi and seconded by Brian Beckon. All ayes

5. Overview of State laws that impact appointed committee members – Susanne Brown, City Attorney

Susanne Brown provided an overview of the Brown Act, including the Open Meeting requirements, and indicated that this Committee needed three members present to have a quorum. Susanne gave examples of potential Brown Act violations.

Susanne also requested, on the City Clerk's behalf, that all members of the Committee turn in the Form 700s and complete their ethics training.

Jovan gave an overview of Measure Q and gave examples of how they might have potential indirect conflicts of interest.

Karan spoke about serial meetings, which can occur when Committee members e-mail one another and share information regarding the Committee. Karan suggested not talking about Measure Q outside of these meetings to limit the possibility of a conflict of interest.

The intent of the Brown Act is to provide open, unbiased decision-making that supports public participation.

6. Review of Measure Q Committee Rules and Responsibilities – Janell Hampton, Budget Officer

Janell Hampton provided a handout overview of the role of the Measure Q Oversight Committee. She mentioned Policy & Procedure No. 89 which outlines member attendance at meetings.

The role of the Committee is 1) To review the City's annual audit report which will include the Measure Q tax revenue and expenditures, and 2) to provide recommendations to the City Council on the use of Measure Q revenue.

7. Overview of the City of Concord's FY 2014-15 Comprehensive Annual Financial Report (CAFR)–Karan Reid, Director of Finance

One of the responsibilities of the Committee is to review the annual audit and determine if the Comprehensive Annual Financial Report (CAFR) reflects that Measure Q tax dollars were collected and appropriately spent.

Karan distributed a hard copy of the Comprehensive Annual Financial Report (CAFR), which was prepared by Vavrinek, Trine, Day and Co., LLP, who issued an unmodified unqualified ("clean") opinion on the City of Concord's financial statements. Karan explained that the financial statements are presented in conformity with generally accepted accounting principles (GAAP) and discussed how the CAFR is laid out, citing specific pages on which to find information regarding Measure Q funds.

The Government Finance Officers Association (GFOA) has oversight of government agencies and sponsors award programs designed to encourage sound financial reporting for financial documents including the CAFR, and the annual budget. The group also presents an award for Excellence in government finance, and the City's CAFR has won the award for over 21 consecutive years and the City anticipates winning the award this year as well.

Jovan gave a brief background on OPEB (other post-employment benefits), reported that the City is currently in the labor negotiation process and that the Last, Best and Final offer that was submitted to the Teamsters Local Union does include changes to OPEB that would cap the cities retiree medical costs. Additional information about the labor negotiations process is available on the City's new labor relations website, [Concord CA | Labor Relations](#). A white paper on the history of the City's OPEB is also available on the website.

The second financial item the Committee will be considering will be the two-year capital improvement budget, approving spending plans for FY 2016-17 and FY 2017-18. The City migrated to a biennial budget process with the adoption of the FY 2015-16 and FY 2016-17 Operating Budget. In this first transitional year, a one year capital budget was prepared. In future years the Operating and Capital budgets will be staggered to allow for more time to focus on the Capital Budgets during the off years for the Operations budget.

The standard budget review processes will continue each budget cycle for both operating and capital budgets including a mid-year update and a mid-cycle update on where the City stands half-way through our two-year budget, with adjustments made as necessary.

The Committee typically meets 3-4 times per year to conduct the business assigned to it. Each year a report is provided to the Council as to whether the City is appropriately spending and accounting for Measure Q tax dollars. Typically, this report is given at the first budget workshop. However, due to timing of the budget workshop this year, the Committee agreed to target June 14, the first budget hearing, for presentation of the report.

8. Review of proposed Measure Q Oversight Committee Schedule for 2016 – Janell Hampton, Budget Officer
9. The Committee agreed to hold the next meeting on May 31, 2016 and a second meeting on June 6, 2016.

### **Adjournment** at 8:23 p.m.

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## ***MEMORANDUM***

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May 24, 2016

**TO:** Measure Q Oversight Committee

**FROM:** Janell Hampton, Budget Officer

**SUBJECT: FY 2015-16 Measure Q Oversight Committee Report to the City Council**

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For each year that the City collects the Measure Q half-cent use and transaction tax, the Measure Q Oversight Committee is responsible for: (1) review of the annual audit report of the Measure Q tax revenue and expenditures; and (2) to provide recommendations to the City Council on the use of the Measure Q Revenue. The Committee's review and recommendations are included in a report and presented to the Council at a public meeting as part of the budget adoption process.

Last year the Measure Q Committee adopted a Memorandum to the City Council dated May 12, 2015 (attached). The memorandum includes the Committee's review of the FY 2013-14 Measure Q Audit and reports on recommended expenditures for the use of Measure Q revenue in the Proposed Biennial Operating Budget for FY 2015-16 and FY 2016-17. In short, the May 12, 2015 memorandum found that the City's proposed use of measure Q revenue in the two year operating budget to be consistent with the purpose of Measure Q. Staff will return to the City Council with a Mid-Cycle update on the Biennial Operating Budget on June 14, 2016. There are no changes proposed to the allocation of Measure Q revenue for the FYs 2015-16 and 2016-17 operating budgets.

Therefore, staff proposes to resubmit last year's letter with a cover memo from the Measure Q Oversight Committee that specifically addresses:

1. The FY 2014-15 Annual Audit of Measure Q revenue; and
2. The proposed Measure Q funded projects in the Proposed FY 2016-17 and FY 2017-18 Biennial Capital budget.

To facilitate the Committee's discussion staff drafted the attached memorandum to the City Council dated June 14, 2016 for review and direction by the Committee.

**Attachment:** Draft Memorandum to City Council, June 14, 2016  
Attached to this memo is the May 12, 2015 Memorandum

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## City of Concord

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June 14, 2016

**TO:** Honorable Mayor and Councilmembers

**FROM:** Measure Q Oversight Committee - Diane Sprouse, Chair;  
\_\_\_\_\_, Vice Chair; Brian Beckon, Greg Grassi, Brandy Leidgen, Darrin Walters

**SUBJECT: Measure Q Oversight Committee's Review of the FY 2014-15 Audit and Evaluation and Report on the City's Proposed Use of Measure Q Revenues in the Proposed Biennial Capital Budget for FY 2016-17 and FY 2017-18**

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The Measure Q Oversight Committee (Committee) met on April 18, 2016 to review the Fiscal Year (FY) 2014-15 Comprehensive Annual Financial Statement (CAFR), which includes the annual audit. At its June 1, 2016 meeting, the Committee heard a presentation from staff on the City's preliminary FY 2016-17 and FY 2017-18 Capital budget.

At this same meeting, the Committee received an update on the use of Measure Q revenues in the City's adopted Biennial Operating FY 2015-16 and FY 2016-17 General Fund budget. There are no changes to the use of Measure Q Revenues in the Biennial General Fund Budget FY 2015-16 and FY 2016-17. Therefore, please refer to the attached Memorandum from the Measure Q Oversight Committee dated May 12, 2015. The memorandum outlines the Committee's recommendations on the use of Measure Q revenues in the City's Operating Budget.

The purpose of the Capital Budget presentations was to obtain an understanding of how Measure Q revenue is proposed for use in the Capital Budget in order to advise the Council. Measure Q was passed 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 2014-15 Annual Audit reflect that the Measure Q tax was collected and appropriately spent?**

*On April 18, 2016, the Committee reviewed the FY 2014-15 Comprehensive Annual Financial Statement (CAFR) and determined that the presentation of the Measure Q Use and Transaction Tax in the financial statements (pages x, 15, 26, 28 and 44) reflect the collection of the tax appropriately.*

*The Committee finds that usage of Measure Q tax revenue (\$11.5 million) was identified clearly in the annual audit (pages x, 15, 26, 28 and 44 of the CAFR). Further the Committee finds that \$10.8 million of Measure Q tax revenue went to maintain City*

## **ATTACHMENT II**

Measure Q Committee's Finding Memo

June 14, 2016

Page 2 of 2

*services and the remaining \$0.7 million went into the City's reserve. Consequently, the Measure Q Committee concludes that the tax was collected and appropriately utilized.*

### **2. Does the City's proposed biennial Capital budget for FY 2016-17 and FY 2017-18 protect the City's core services?**

*On June 1, 2016, the Committee reviewed the Proposed FY 2016-17 and FY 2017-18 Biennial Capital Budget and concluded that the presentation on the use of Measure Q revenue to fund capital budget projects protects City core services. Specifically, the revenues are being allocated to support existing infrastructure. Safe and usable infrastructure is a core City service.*

*Over the next two fiscal years \$5.3 million in Measure Q revenue is planned for various street improvement projects, parks facilities improvements, building maintenance, and citywide accessibility enhancements. An additional \$5 million has been set aside for repayment of the City's Lease Revenue Finance Agreement for roadway maintenance. The proposed capital projects do not create new, ongoing expenditures. The Biennial Capital Budget addresses the infrastructure backlog and allocates payments for debt service for infrastructure improvements.*

Attachment 1: Memorandum From Measure Q Oversight Committee to the City Council, May 12, 2015

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## City of Concord

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May 12, 2015

**TO:** Honorable Mayor and Councilmembers

**FROM:** Measure Q Oversight Committee - Guy Bjerke, Chair;  
Diane Sprouse, Vice Chair; Brian Beckon, Greg Grassi, Matthew Hohenstreet

**SUBJECT: Measure Q Oversight Committee's Review of the FY 2013-14 Audit and Evaluation and Report on the City's Proposed Use of Measure Q Revenues in the Proposed Biennial General Fund Budget for FY 2015-16 and FY 2016-17**

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The Measure Q Oversight Committee (Committee) met on April 29, 2015 to review the Fiscal Year (FY) 2013-14 Comprehensive Annual Financial Statement (CAFR), which includes the annual audit. At this meeting, the Committee also heard a presentation from staff on the City's preliminary FY 2015-16 and FY 2016-17 General Fund budget and 10-year financial forecast.

The purpose of the budget presentation 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, re-build 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 2013-14 Annual Audit reflect that the Measure Q tax was collected and appropriately spent?**

On April 29, 2015, the Committee reviewed the FY 2013-14 Comprehensive Annual Financial Statement (CAFR) and determined that the presentation of the Measure Q Use and Transaction Tax in the financial statements (pages x, 13, 25, 27 and 43) reflect the collection of the tax appropriately.

The Committee finds that usage of Measure Q tax revenue (\$11.4 million) was identified clearly in the annual audit (pages x, 13, 25, 27 and 43 of the CAFR). Further the Committee finds that \$9.1 million of Measure Q tax revenue went to maintain City services and the remaining \$2.3 million went into the City's reserve. 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 2015-16 and FY 2016-17 protect the City's core services?**

The proposed biennial budget estimates the collection of Measure Q revenue in the amount of \$12.6 million during the 2015-16 fiscal year and \$12.9 million during the 2016-17 fiscal year. Since the reserves in the City's General Fund are projected to be fully restored to 30% of expenditures by the end of fiscal year 2014-15, the preliminary biennial budget uses a portion of Measure Q revenues to support operations, and a portion for uses consistent with the City's Fiscal Sustainability Ordinance which restricts use of Measure Q revenues.

Of the projected Measure Q revenues for FY 2015-16, \$7.8 million will be used to maintain the City's services, including public safety, parks and recreation, infrastructure maintenance, and internal operations; the remaining \$4.8 million is allocated to economic development and various infrastructure maintenance backlog projects. For FY 2016-17, \$7.5 million will be used to maintain the City's services and the remaining \$5.4 million is also allocated to economic development and infrastructure maintenance backlog projects. Because Measure Q revenues are available no significant cuts to services are being proposed in the FYs 2015-16 and 2016-17 biennial budget; therefore, all core services are being protected.

Consequently, the Committee finds that the use of Measure Q revenue in the budget for FYs 2015-16 and 2016-17 protects the City's core services.

**3. Does the City's proposed General Fund biennial budget for FY 2015-16 and FY 2016-17 rebuild the City's reserves?**

The Committee finds that the proposed General Fund biennial budget for FYs 2015-16 and 2016-17 maintains the City's reserves at 30% of expenditures. The total Measure Q reserve at the end of FY 2014-15 is projected to be \$12.4 million; this reserve when, combined with the City's 15% General Fund reserve, results in a total City Reserve of unallocated funds of \$22.8 million or 30% of the budget. The proposed biennial budget retains the 30% reserve and increases it to 34% by FY 2016-17.

Further, the proposed 10-year financial forecast illustrates that Measure Q has been successful in rebuilding reserves. However, this Committee would like to express its concern that while the 10-year forecast reduces the City's reliance on Measure Q, challenges remain and the City must take future actions to stabilize the budget to fully close the budget gap by the time Measure Q is set to expire in March 2025.

**4. Does the City's proposed General Fund biennial budget for FY 2015-16 and FY 2016-17 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 ten years based on current forecasts, challenges remain. The General Fund budget shortfall is projected to be approximately \$3.7 million in March 2025 when Measure Q expires and the 10-year forecast does not fully address the City's other post-employment benefit (OPEB) liability.

The Committee supports the City Council's commitment to gradually reduce the amount of Measure Q revenue that funds existing services and personnel costs, so that the City is fiscally sustainable by the time Measure Q expires in March 2025. Further, the Committee wishes to emphasize that the limited term Measure Q resource is most appropriately used for activities that maintain current infrastructure and/or result in a positive return on investment to the City's General Fund.

The Committee is concerned that, although the City is experiencing some revenue growth as the economic recovery continues, the recovery has been slow and the City will continue to rely on Measure Q revenue. In addition, it is likely another recession will occur within the next decade that will hamper efforts to reduce reliance on Measure Q revenue.

The Committee supports the economic development surge proposals included in the proposed FY 2015-16 and FY 2016-17 budget, and encourages the City Council and staff to continue to look for creative ways to leverage private sector resources to accelerate the improvement of the local economy so that the City is able to fully address service needs using regular (non-Measure Q) revenue sources, maintain its reserves, and eliminate reliance on Measure Q within the 10-year horizon.

Lastly, the proposed biennial budget allocates significant Measure Q dollars to fund infrastructure maintenance and capital projects to address the City's backlog of deferred maintenance. A total of \$1.5 million in FY 2015-16 and \$2.4 million in FY 2016-17 is allocated to this effort. The Committee supports this allocation, as it will have a direct improvement on infrastructure (roads, buildings, and parks) that the community uses each day. In addition, the Committee believes that improving infrastructure will add to the safety and quality of city services, enhance economic development efforts, and will advance the goal of achieving fiscal sustainability by addressing maintenance issues sooner rather than later (when costs are typically higher).

### **Conclusion**

The Committee continues to encourage the staff and the City Council to think creatively to further enhance efficiencies, restrain spending and invest in the long-term economic vitality of the City. Further, the Committee recognizes that opportunities to invest in the local economy will occur outside of the budgeting cycle and encourages staff and the City Council to take advantage of such opportunities as they occur. The Committee thanks the City Council for the opportunity to comment and make recommendations on the use of Measure Q revenue.