

SPECIAL MEETING AGENDA

Pursuant to Section 54954 of the Government Code of the State of California, a Special meeting of the **Measure E Residents' Oversight Committee** is hereby called for:

Date/Time: Monday, August 8, 2016; 5:30 p.m.
(or as soon thereafter as possible)

Location: City Hall Conference Room 109
333 Civic Center Plaza, Tracy, CA 95376

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Measure E Residents' Oversight Committee on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. Items from the Audience – *In accordance with Procedures for Preparation, Posting, and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052, any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Measure E Residents' Oversight Committee Member to sponsor the item for discussion at a future meeting*
4. Approve Minutes: August 3, 2016
5. Review and Approve Measure E Residents' Oversight Committee Annual Presentation
6. Discuss Member Recruitment
7. Confirm Next Meeting Date
8. Items from the Audience
9. Adjournment

Posting Date: August 5, 2016

The City of Tracy complies with the Americans and Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6000), at least 24 hours prior to the meeting. Any materials distributed to the majority of the Measure E Residents' Oversight Committee regarding any item on this agenda will be made available for public inspection in the Finance Department located at 333 Civic Center Plaza, Tracy, CA during normal business hours.

SPECIAL MEETING MINUTES
MEASURE E RESIDENTS' OVERSIGHT COMMITTEE

August 3, 2016 5:30 p.m.

City Hall Conference Room 109, 333 Civic Center Plaza

City Website: <http://www.ci.tracy.ca.us>

1. CALL TO ORDER: Michel Bazinet called the meeting to order at 5:30 p.m.

2. ROLL CALL:
Present: Michel Bazinet, Bryan Thompson, Larry Fragoso

Absent: Eleassia Davis

Staff Present: Martha Garcia, Interim Administrative Services Director, Laura Borjon, Executive Assistant; Administrative Services Dept., Finance Division

Citizens Present: None
Recorded by: Laura Borjon

Those in attendance were provided with agenda packet.

3. ITEMS FROM THE AUDIENCE
None.

4. APPROVAL OF MINUTES FROM January 20, 2016:
Motion to approve Minutes: Larry Fragoso
Second motion: Michel Bazinet
All in favor: Michel Bazinet, Larry Fragoso, Bryan Thompson

5. UPDATE ON COMMITTEE MEMBERSHIP: Chairperson Bazinet requested staff to request direction from Council as to the recruitment of a new member to replace Kevin Tobeck.

6. CONDUCT ELECTION OF NEW OFFICER:
Motion to appoint Bryan Thompson as Vice-Chairperson: Bryan Thompson
Second: Larry Fragoso
All in favor: Bryan Thompson, Michele Bazinet, Larry Fragoso

7. DISCUSSION AND ACTION PLAN FOR PREPARING THE MEASURE E ANNUAL REPORT FOR FY 14-15: Michele to provide draft report to Laura Borjon for inclusion on the next meeting agenda.

8. DIRECTOR'S REVIEW OF THE FY 14-15 SALES TAX REVENUES (LOCAL SALES TAX AND S&U TAX) AND FORECASTS

9. REPORT AUDITED FINANCIAL STATEMENTS FOR FY 14-15

10. REPORT ON MEASURE E SALES TAX DATA

11. AUDITOR'S CERTIFIED LETTER: Chairperson Michel to extract necessary pages from online Comprehensive Annual Financial Report for inclusion on Measure E Residents' Oversight Committee Annual Report.
12. CONFIRM NEXT MEETING DATE: Next meeting will be held on Monday, August 8, 2016
13. ADJOURNMENT
Motion to adjourn: Michele Bazinet
Second: Larry Fragoso
All in favor: Bryan Thompson, Michel Bazinet, Larry Fragoso

The above agenda was posted at the Tracy City Hall in accordance with *In accordance with Procedures for Preparation, Posting, and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052. These are the summary and action minutes.*

Attest:

Martha Garcia, Staff Liaison

2016 Annual Report

Measure E Residents Oversight Committee

Presentation to Tracy City Council



Agenda

- Roles and Responsibilities
- Financial Analysis
- Measure E Committee Conclusions and Recommendations

MEROC Roles and Responsibilities

- Roles and Responsibilities
 - Serve in an advisory-only capacity to City Council
 - Provide oversight of sales tax revenues generated by Measure E
 - Review audited financial statements of City
 - Review other City financial reports pertaining to Measure E revenues
 - Provide Council with annual written report

The 2015 report is the third annual Measure E Committee report that highlights the City's 2014/15 General Fund fiscal year.

Prior Year Activities

- Review of financial audit report
 - Prepared by Maze & Associates, Certified Public Accountants
 - City of Tracy sales and use tax forecasts
 - City of Tracy General Fund Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2015
 - Miscellaneous reports, worksheets, and analysis related to fiscal issues of the City
- Measure E tax revenues in FY2014/15
 - Measure E Residents Oversight Committee confirms receipt of \$7,625,279 in Measure E revenues in fiscal year ending June 30, 2015
 - Amount deposited to City's General Fund in accordance with stipulations of Measure E.

Auditor's Report FY 2014/15



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Tracy, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tracy as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Pleasant Hill, CA 94523

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Source: City of Tracy CAFR for FY ending Jun 30, 2015

Measure E Deposit to General Fund

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

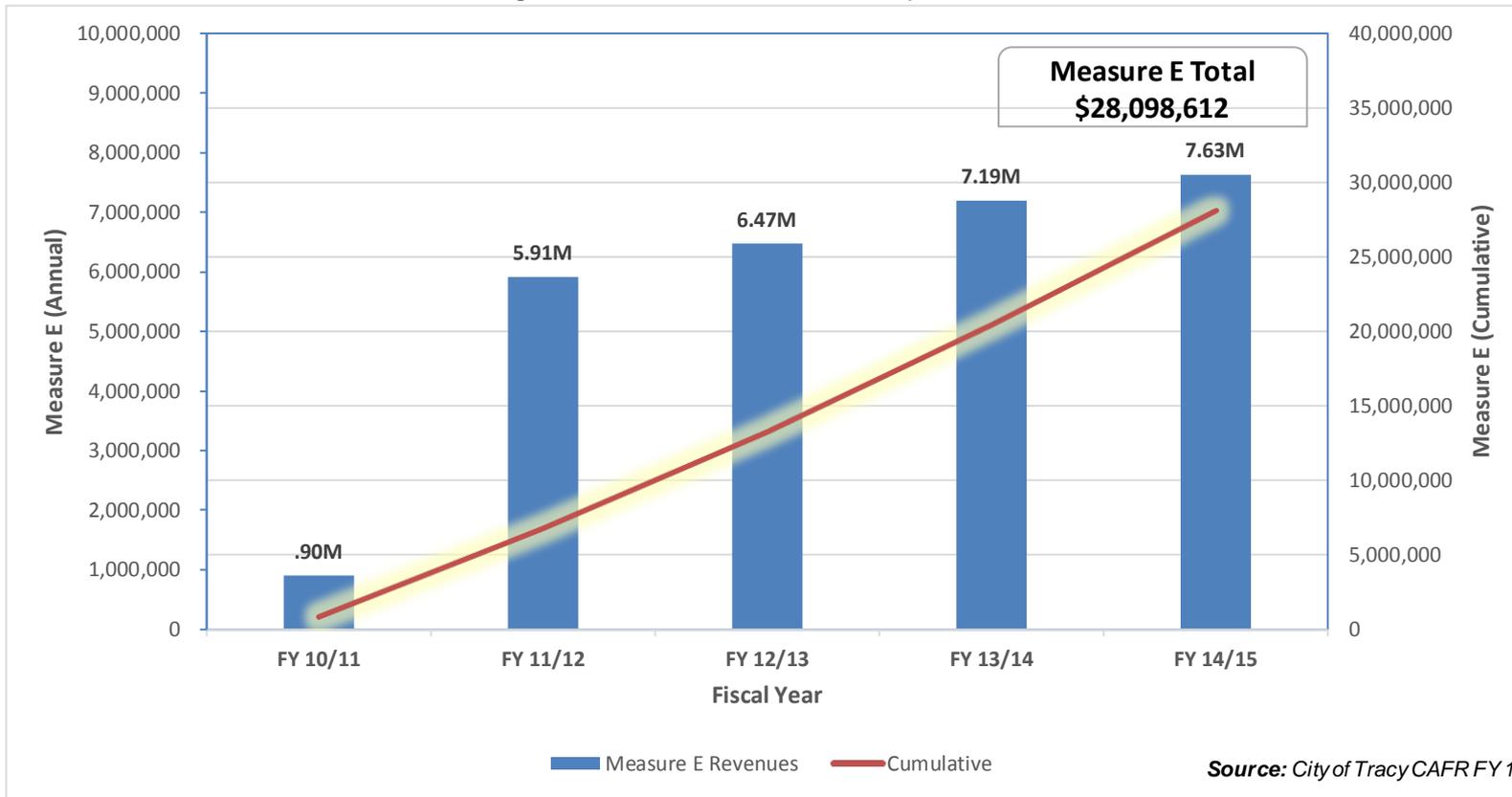
D. Measure E Sales Tax Revenues

The City receives tax proceeds from the Measure E one-half cent sales tax approved by Tracy voters in November 2010, commencing for a five year period beginning April 1, 2011. The amount of Measure E tax proceeds received and recorded during the fiscal year ending June 30, 2015 was \$7,625,279. Measure E is a general tax of the City and the revenues were deposited in the City's General Fund. Expenditures for a variety of City functions were made from the City's General Fund utilizing the Measure E and other revenue of the City.

Source: *City of Tracy CAFR for FY ending Jun 30, 2015*

Measure E Revenues by Year & Total

Measure generated \$28.1M since inception FY2010/11



General Fund Actual Revenues & Expenditures

Fiscal Years 2010/11 to 2014/15

Source: City of Tracy CAFR FY 10/11 to 14/15

Fiscal Year	Measure E Years											
	Actual		Actual		Actual		Actual		Actual		Budget	
	FY 10/11	No Measure E	FY 11/12	No Measure E	FY 12/13	No Measure E	FY 13/14	No Measure E	FY 14/15	No Measure E	FY 15/16	No Measure E
Revenues												
Taxes	27,753,578	26,857,027	34,079,771	28,166,463	37,134,728	30,665,661	40,282,107	33,087,700	44,083,078	36,457,799	43,907,150	37,592,250
Licenses, permits and fees	2,930,085		2,997,556		3,375,983		3,813,645		4,388,047		2,835,600	
Fines and penalties	1,543,198		1,526,402		566,473		790,326		195,891		178,000	
Use of money and property	1,396,757		993,509		370,414		832,258		637,267		679,800	
Intergovernmental	1,459,704		1,199,722		2,202,373		1,533,055		1,866,269		1,235,920	
Charges for Services	8,742,602		8,213,167		8,930,270		8,588,914		8,913,153		4,425,360	
Special assessments	343,435		352,344		363,536		370,643		379,936		385,000	
Contributions			4,651		47,847							
Other revenues	1,136,368		1,262,786		1,123,655		1,184,106		1,390,190		342,000	
Total revenues	45,305,727	44,409,176	50,629,908	44,716,600	54,115,279	47,646,212	57,395,054	50,200,647	61,853,831	54,228,552	53,988,830	47,673,930
Expenditures												
General government	5,583,662		5,985,311		5,715,236		6,076,961		7,039,517		8,171,180	
Public safety	29,024,232		30,625,436		30,232,518		30,814,096		31,713,057		33,593,750	
Public works/engineering	8,379,125		9,048,676		9,872,480		9,949,617		11,559,505		5,096,120	
Culture and leisure	3,509,014		3,463,370		3,329,534		3,112,681		3,019,366		3,749,630	
Capital outlay	185,658		132,688		312,597		55,225		241,745			
Debt service									52,732			
Total expenditures	46,681,691	46,681,691	49,255,481	49,255,481	49,462,365	49,462,365	50,008,580	50,008,580	53,625,922	53,625,922	50,610,680	50,610,680
Operating surplus (deficit)	(1,375,964)	(2,272,515)	1,374,427	(4,538,881)	4,652,914	(1,816,153)	7,386,474	192,067	8,227,909	602,630	3,378,150	(2,936,750)
Transfers in/(out)	(1,173,000)		(1,427,405)		(2,693,468)		(1,208,709)		(11,518,000)		(1,919,150)	
Net change in fund balance	(2,548,964)		(52,978)		1,959,446		6,177,765		(3,290,091)		1,459,000	
Beginning fund balance	29,536,058		26,987,114		26,934,136		28,893,582		40,943,524			
Ending fund balance	26,987,114		26,934,136		28,893,582		35,071,347		37,653,433			
Fund balance restatement							5,872,177					
Restated ending balance	26,987,114						40,943,524	0	37,653,433			
Measure E sales tax in Revenues	896,551	0	5,913,308	0	6,469,067	0	7,194,407	0	7,625,279	0	6,314,900	0

Two Years of Structural Surpluses

- Excluding Measure E, City had operating surpluses past 2 years
- FY2013/14
 - With Measure E: \$7,386,474
 - Without Measure E: \$192,067
- FY2014/15
 - With Measure E: \$8,227,909
 - Without Measure E: \$602,630

Note: Budget year numbers may be wrong needs to be fixed

Fiscal Year	Actual		Actual		Budget	
	FY 13/14	No Measure E	FY 14/15	No Measure E	FY 15/16	No Measure E
Revenues						
Taxes	40,282,107	33,087,700	44,083,078	36,457,799	43,907,150	37,592,250
Licenses, permits and fees	3,813,645		4,388,047		2,835,600	
Fines and penalties	790,326		195,891		178,000	
Use of money and property	832,258		637,267		679,800	
Intergovernmental	1,533,055		1,866,269		1,235,920	
Charges for Services	8,588,914		8,913,153		4,425,360	
Special assessments	370,643		379,936		385,000	
Contributions						
Other revenues	1,184,106		1,390,190		342,000	
Total revenues	57,395,054	50,200,647	61,853,831	54,228,552	53,988,830	47,673,930
Expenditures						
General government	6,076,961		7,039,517		8,171,180	
Public safety	30,814,096		31,713,057		33,593,750	
Public works/engineering	9,949,617		11,559,505		5,096,120	
Culture and leisure	3,112,681		3,019,366		3,749,630	
Capital outlay	55,225		241,745			
Debt service			52,732			
Total expenditures	50,008,580	50,008,580	53,625,922	53,625,922	50,610,680	50,610,680
Operating surplus (deficit)	7,386,474	192,067	8,227,909	602,630	3,378,150	(2,936,750)
Transfers in/(out)	(1,208,709)		(11,518,000)		(1,919,150)	
Net change in fund balance	6,177,765		(3,290,091)		1,459,000	
Beginning fund balance	28,893,582		40,943,524			
Ending fund balance	35,071,347		37,653,433			
Fund balance restatement	5,872,177					
Restated ending balance	40,943,524	0	37,653,433	0		
Measure E sales tax in Revenues	7,194,407	0	7,625,279	0	6,314,900	0

Current Year Activities

- Engaged in discussions with City staff
 - Related to recommended uses of excess revenues generated by Measure E.
 - Additional revenues help City achieve balanced budget with prudent reserve balances
- Committee examining recommendations to plan General Fund budgeting beyond FY 2016 without Measure E additional revenue
- Results of this year's oversight process are advisory recommendations presented later in this report



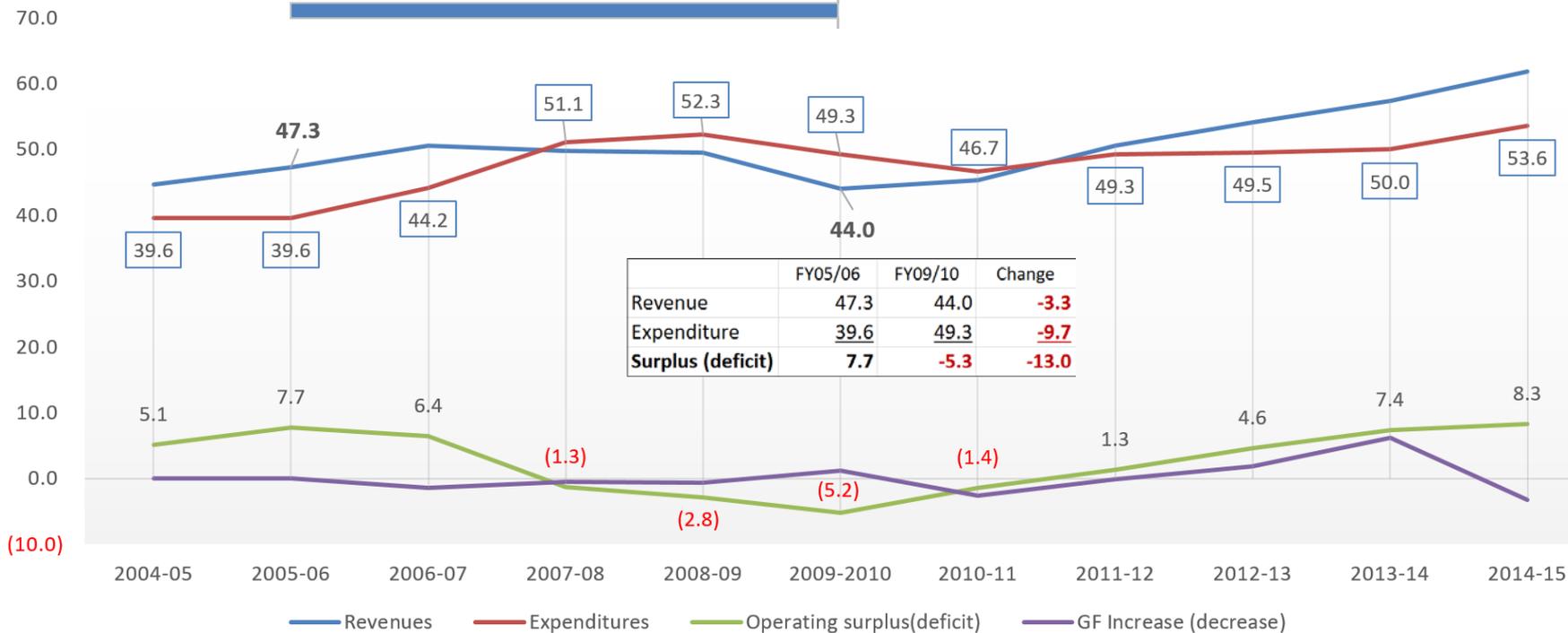
Concerns & Improvement Opportunities

Why the City Needed Measure E

5 Years from FY2005/06 to FY2009/10

Source: City of Tracy CAFR FY 04/05 to 14/15

General Fund Revenues & Expenditures
FY 2004 - 2016



No Explanations for Budgeted vs Actual Results

- FY2015/16 budgeted revenue can't be compared to prior year actuals
- FY2015/16 budgeted expenditures can't be compared to prior year actuals

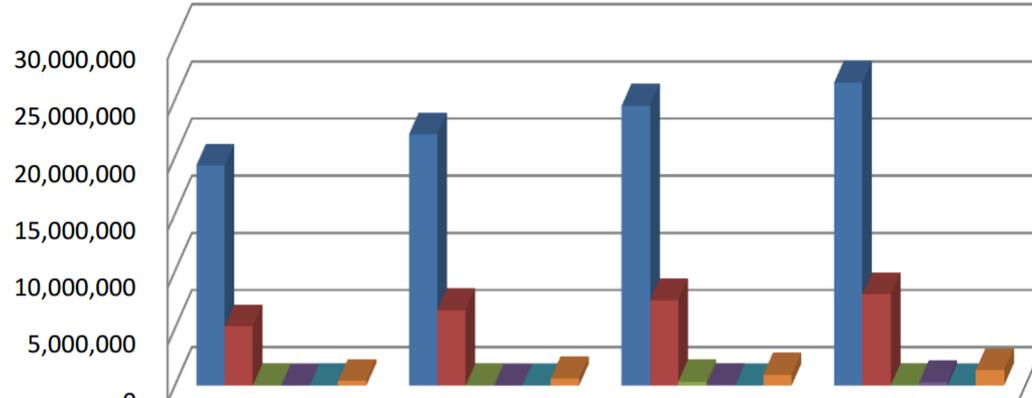
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Expenditures						
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Culture and leisure	3,112,681		3,019,366		3,749,630	
Capital outlay	55,225		241,745			
Debt service			52,732			
Total expenditures	50,008,580	50,008,580	53,625,922	53,625,922	50,610,680	50,610,680
Operating surplus (deficit)	7,386,474	192,067	8,227,909	602,630	3,378,150	(2,936,750)
Transfers in/(out)	(1,208,709)		(11,518,000)		(1,919,150)	
Net change in fund balance	6,177,765		(3,290,091)		1,459,000	
Beginning fund balance	28,893,582		40,943,524			
Ending fund balance	35,071,347		37,653,433			
Fund balance restatement	5,872,177					
Restated ending balance	40,943,524	0	37,653,433	0		
Measure E sales tax in Revenues	7,194,407	0	7,625,279	0	6,314,900	0

Example of Multi-Year Comparison – City of Manteca

- City should provide multi-year comparison of revenues, expenditures, operating surplus/deficit
- Facilitates city council evaluation of revenue, spending and operating surplus/deficit trends
- Allows proactive decisions on spending priorities

General Fund Expenditure Comparison FY2014-2017



	Actual Expenditure 2013-14	Actual Expenditure 2014-15	Projected Expenditure 2015-16	Proposed Budget 2016-17
Personnel	19,228,335	21,943,965	24,484,246	26,497,085
Materials & Supplies	5,179,717	6,589,075	7,448,970	7,972,565
Capital Outlay	19,494	11,490	353,755	27,515
Capital Improvement	0	0	52,500	289,750
Debt Service	24,740	0	0	0
Transfer Out	390,150	625,475	954,170	1,345,000

Example of Multi-Year Comparison – City of Manteca

	Actual 2013-14	Actual 2014-15	Estimate 2015-16	Budget 2016-17
Tax & Franchise Revenues				
Sales & use tax				
General	7,360,545	7,961,635	8,865,000	11,335,000
Public Safety (SB509)	254,600	270,545	255,000	275,000
Property Tax in Lieu of Sales Tax	0	0	0	0
Property Tax	11,051,870	13,054,965	12,322,650	12,707,100
Transient Occupancy Tax	678,155	794,100	908,265	999,000
Franchise Fees	1,383,520	1,422,100	1,491,125	1,558,215
Documentary Stamp Tax	286,835	282,065	335,000	355,000
Excise Tax	292,500	387,900	435,000	450,000
Other	2,444,430	2,611,385	2,222,220	0
License & Permits				
Business Licenses	514,395	590,670	625,000	655,000
Animal Licenses	215,245	291,880	277,405	277,870
Other	4,105	1,765	3,000	3,000



Committee Recommendations

Committee Recommendations

1. Reservation and use of Measure E surplus funds

- In years of General Fund surplus, reserve portion of surplus in discretionary Measure E special fund
- Special fund to be used to finance one-time operating or capital projects that reduce General Fund expenditures

Committee Recommendations

2. Enhance General Fund financial reporting

- City's financial statements not as informative enough to drive city council decisions on strategic spending priorities
- City does not publish multi-year financial statements
 - Recommendation: Enhance current CAFR to include comparisons between two previous year actuals, current year estimate and following year budget
- Large differences between budgeted and actual spending levels
 - Recommendation: prepare annual “management summary” reconciles budgeted and actual expenditure levels

Committee Recommendations

3. Implementation of additional revenue enhancement and cost reduction opportunities
 - Committee strongly recommends that the City Council and staff continue to explore additional cost reduction and revenue enhancement strategies to align General Fund revenue and expenditure levels in anticipation of the expiry of Measure E in the year 2016
 - Explore opportunities to diversify revenue sources to include event-based revenues such as those generated by local, regional and national sports league competitions and events