



THE CITY OF  
NOVATO  
CALIFORNIA

## NOVATO CITIZENS FINANCE ADVISORY/ OVERSIGHT COMMITTEE MEETING

held by

### TELECONFERENCE MEETING

922 Machin Avenue  
Novato, CA 94945  
415/899-8900  
FAX 415/899-8213  
[www.novato.org](http://www.novato.org)

July 16, 2020  
7:30 AM

### MINUTES

#### Chair

Regina Bianucci Rus

#### Vice Chair

Rafelina Maglio

#### Commissioners

Caitrin Devine

Cris MacKenzie

Mark Milberg

Tim O'Connor

#### A. CALL TO ORDER

*Meeting called to order at 7:34 am. Committee Members Present: Regina Bianucci Rus, Rafelina Maglio, Cris MacKenzie, Mark Milberg, Caitrin Devine. Staff Members Present: Finance Director Amy Cunningham, Payroll/Accounting Technician Susanna Castillo.*

#### B. APPROVAL OF FINAL AGENDA

*Motion to Approve agenda. Motion to Approve, seconded. Approved. Ayes: 5, (Bianucci Rus, Maglio, MacKenzie, Milberg, DeVine) Noes 0, Absent 1, (O'Connor)*

#### C. APPROVAL OF FEBRUARY 2020 MINUTES

*Motion to Approve minutes. Motion seconded. Approved: Ayes: 5, Noes 0, Absent 1*

#### D. PUBLIC COMMENT – NO PUBLIC COMMENT

#### E. GENERAL BUSINESS

##### E-A: COVID-19 Protocols and Safety – Amy Cunningham

After a brief return to in-person meetings, the City is holding public meetings online again due to the most recent spike in positive COVID-19 cases and Marin County being placed on the State “monitoring” list. All Committee, Commission, and Council meetings are currently using the WebEx format to prevent outside disruptions to the business meetings.

The City is evaluating moving to a Zoom platform as they have made improvements to their security services and this format is easier for the public to use/access.

Staff working in the office are using safety measures in compliance with County protocols. Departments have adapted to remote methods to serving customers. The doors to City administrative offices are locked to the public. Customers are required to schedule an appointment if there is a need to meet with City staff to conduct business in person.

##### E- B: Election of Chair and Vice Chair

Regina Bianucci Rus has served as Committee Chair the past year. Rafelina Maglio has agreed to take on the responsibility of being the Chair for this next term. Mark Milberg has agreed to serve as the Vice Chair for this next term.

Motion was made to approve item E-B, Seconded  
Approved: Ayes: 5, Noes 0, Absent 1

### **E-C: Finance Update – Amy Cunningham**

The world changed with the pandemic and staff had to figure out how to do business within the new sheltering constraints. Finance was declared as an essential function and after a short period of working at home, Finance staff returned to the office.

Routine finance activities are not current due to staffing vacancies. The backlog of work has created significant organizational challenges. Work on the FY18/19 CAFR is progressing and it is expected to be done in September.

Finance is experiencing several more staffing transitions, with an expectation that five (5) of the seven (7) authorized positions will be vacant effective August 1<sup>st</sup>. Temporary employees and subject matter expert consultants are being brought in to assist with the workload while recruitments for permanent employees are underway.

On July 28<sup>th</sup> Staff will present the Council with information on the potential to update the Transient Occupancy Tax (TOT). The Council will decide if a measure will be placed on the November 2020 ballot for voters to decide if the TOT should be updated. The proposal updates the TOT by 2%; it has not been updated since 1997. Pre-pandemic, the TOT change was expected to generate approximately \$700,000; more recently the estimates have been modified down to approximately \$400,000. The TOT is paid quarterly by operators of short-term rentals, hotels, and other qualified lodging via the lodger; it is not paid by property owners and is not a tax on residents that are not hotel or lodging guests. The results of a community survey conducted in May 2020 by Godbe Research indicated 63.4% support for a TOT update by the 681 Novato respondents. The survey margin of error is 3.71.

Motion made by Regina Bianucci Rus to support the TOT measure, Seconded by Cris MacKenzie:  
Approved: Ayes: 5, Noes 0, Absent 1

Rafelina Maglio and Mark Milberg, volunteered to attend the Council meeting to support the potential TOT update.

### **E-D Fiscal Year 20/21 Budget Overview – Amy Cunningham**

The pandemic has caused a significant impact on City revenues and services. In June, the Council approved a

Carryover Budget for Fiscal Year (FY) 20/21 – essentially a replication of the prior year budget with no service level changes. The Council intends to make modifications to the budget in September 2020. An approximate \$5.7 million deficit was projected in June. This figure will change as new economic information becomes available and the pandemic continues to evolve.

At the April Council meeting Staff has limited information on economic conditions making it difficult to accurately complete revenue projections for FY20/21. Specifically sales tax, TOT, and business license were expected to be impacted at varying levels. The impact on property tax was less clear, and potential changes to revenue for this category would not be realized for another twelve – eighteen months.

As part of the May report more economic information was available, but conditions were continuing to shift. The City's sales tax consultants provided preliminary projections based on information known at the time, however those projections turned out to be somewhat optimistic as they assumed a full reopening of businesses in June. The consultants will provide additional updates each quarter – or more frequently as many of their clients need the information for budget planning purposes.

One measure taken to reduce costs was implementation of a Voluntary Early Separation Program. Ten employees took advantage of the program. This program, in addition to the high number of existing vacancies, will help to address the deficit as over 70% of the City budget is comprised of personnel costs. It is simply not possible to reduce the deficit without closely examining this cost category.

Based on the limited information available, the Emergency Reserve balance is conservatively estimated to be around \$10.4 million. Staff will be better able to estimate the balance after the FY18/19 CAFR is complete. Additionally, Staff anticipates one-time revenues of approximately \$6.5 million (\$1 million from the Buck Center and \$5.5 million from City Ventures Projects) in FY20/21 that could be used to address the deficit. These one-time funds are not currently included in the FY20/21 carryover budget. Parks, Recreation and Community Services revenues are severely suppressed as many of those programs and services cannot be offered with the current sheltering restrictions. There is also some savings associated with not offering these programs, this will all be calculated and included as part of the presentation to Council in September. .

## **F. COMMITTEE / STAFF COMMENTS**

Mark Milberg is grateful to Staff for their hard work. Regina stated that the Committee wants to participate more with the community input.

The Committee asked for clarification on Measure F expenditures in FY20/21. The allocated FY19/20 fund balance from maintenance workers and CIP is carried over to FY20/21. It represents funding that was budgeted but not spent last year, but will be spent this year.

Staff confirmed that \$450,000 was transferred to the IRS Section 115 Retirement Fund Trust. It was noted that the Novato Theater has a \$400,000 earmark in the Emergency Reserve Fund.

Regina volunteered to complete the Measure F oversight presentation to Council with a 10 to 15-minute presentation. Mark suggested changing the name from Measure F Oversight to Finance Advisory Committee.

## **G. FUTURE MEETINGS**

Next meeting scheduled for August 27th @ 7:30 am.

## **H. ADJOURNMENT**

Meeting adjourned at 9:04 am.