



CITY OF NOVATO
CALIFORNIA

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Chair
Rafelina Maglio

Vice Chair
Mark Milberg

Committee Members
Regina Bianucci Rus
Caitrin Devine
Cris MacKenzie
Tim O'Connor

City Manager
Adam McGill

**NOVATO CITIZENS FINANCE ADVISORY/
OVERSIGHT COMMITTEE MEETING**

Agenda
Thursday, April 15, 2021
7:30 A.M.

Teleconference Only

Chair
Rafaelina Maglio

Vice Chair
Mark Milberg

Committee Members
Regina Bianucci Rus
Caitrin Devine
Cris MacKenzie
Tim O'Connor

Staff Liaison
Amy Cunningham

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Meeting ID: 957 8871 8883

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 - b. When the Chair calls for public comment on the item on which you wish to speak, please use the “Raise Hand” feature by clicking on the hand icon at the bottom of your screen to notify the Host that you would like to speak.
 - c. The host will unmute speakers in turn. Speakers will be notified when it is their turn to speak.
 - d. When called upon, please limit your remarks to the time limit allotted by the Chair or as specified on the agenda. Speakers will be muted when their time is up.
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Meeting ID: 957 8871 8883

Password: 281734

- a. When the Chair calls for public comment on the item on which you wish to speak, **press *9** to activate the “Raise Hand” feature to notify the Host that you would like to speak.
- b. The host will unmute speakers in turn. Speakers will be notified when it is their turn to speak.
- c. When called upon, please limit your remarks to the time limit allotted by the Chair or as specified on the agenda. Speakers will be muted when their time is up.

AGENDA

A. CALL TO ORDER

B. APPROVAL OF FINAL AGENDA

C. PUBLIC COMMENT

Anyone wishing to speak on non-agenda items will be recognized at this time. These items can legally have no action as they are not on the agenda. There is a three-minute time limit.

7:35 A.M. *(Time is approximate.)*

D. COMMITTEE ORGANIZATIONAL ITEMS

D-1: APPROVAL OF FEBRUARY 18, 2021 MINUTES

D-2: APPROVAL OF MARCH 18, 2021 MINUTES

E. GENERAL BUSINESS

Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three-minute time limit for public comment per item.

7:40 A.M. *(Time is approximate.)*

E-2: DISCUSSION ITEMS:

E-2.1: UPDATE ON FINANCE DEPARTMENT ACTIVITIES

F. COMMITTEE / STAFF COMMENTS

G. FUTURE MEETINGS

G-1. MAY 20, 2021 @ 7:30 A.M.

H. ADJOURNMENT

If urgent matters arise after the publication of the regular agenda, there will be an addendum. It will be posted at the referenced locations mentioned in the Affidavit of Posting by Friday at 5:00 p.m., the week before the meeting.

Materials, that are submitted to members of the City Council after the distribution of the agenda packet will be made available on the City of Novato website at novato.org when practical and provided that City staff is able to post those documents prior to the meeting. When non-confidential written materials are distributed to members of the City Council during a public meeting by staff or a member of the City Council, it shall be made available online following that meeting.

AFFIDAVIT OF POSTING

I, Amy Cunningham, certify that on April 9th, 2021, I caused to be posted the agenda of the April 15th, 2021 meeting of the Novato Citizens Finance Advisory/Oversight Committee meeting of the City of Novato, California, on the City Community Service Board at 922 Machin Ave and on the City's website at www.novato.org.

Amy Cunningham
Finance Director



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**NOVATO CITIZENS FINANCE ADVISORY/
OVERSIGHT COMMITTEE MEETING**

held by

TELECONFERENCE MEETING

**February 18, 2021
7:30 AM**

MINUTES

A. CALL TO ORDER

Meeting called to order at 7:33 a.m.

Committee Members Present:

Chair Rafaelina Maglio, Vice Chair Mark Milberg
Committee members: Regina Bianucci Rus, Caitrin Devine,
Tim O'Connor

Committee Members Absent:

Committee member: Cris MacKenzie

Staff Members Present:

Finance Director Amy Cunningham,
Sr. Accounting Assistant Susanna Castillo

B. APPROVAL OF FINAL AGENDA

Motion to Approve the agenda. Motion seconded.
Ayes: 5, Noes: 0 Absent: 1

C. PUBLIC COMMENT – NO PUBLIC COMMENT

D. COMMITTEE ORGANIZATIONAL ITEMS

D-1: APPROVAL OF JANUARY 21, 2021 MINUTES

Motion to approve the minutes. Motion seconded.
Ayes: 5, Noes: 0 Absent: 1

E. GENERAL BUSINESS – NO PUBLIC COMMENT

E-2: DISCUSSION ITEMS:

**E-2.1: FINANCE ACTIVITIES UPDATE – Finance Director
Amy Cunningham**

- **FY 19/20 COMPREHENSIVE ANNUAL FINANCIAL REPORT STATUS** – The goal is to get the FY19/20 Comprehensive Annual Financial Report (Report) done in less time than it took to complete the FY18/19 Report. Finance Department staff and consultants have already

started work on the activities needed to complete the year-end close and make progress on preparing for the auditors' review.

- **18/19 COMPREHENSIVE ANNUAL FINANCIAL REPORT**
– Finance Director Cunningham reviewed the independent auditors' findings which included several material weaknesses and significant deficiencies in finance operations.

Chair Rafelina Maglio asked if staff had identified a timeframe for the cleanup and the follow-up of the various issues. Finance Director Amy Cunningham stated that there is a meeting scheduled next week with the consultants to discuss an approach and a meeting with the auditors on March 1 to discuss their requirements. A timeline will be established through those meetings. Finance activities are over a year behind, and it will take time some to address the backlog, keep up to the extent possible with current activities, and rebuild/strengthen processes.

Committee members asked about which areas would be addressed first, Finance Director Cunningham stated that the bank reconciliations are the highest priority. In addition to closing out the FY18/19 audit, the consultants have been working for the last 4-5 months on rebuilding and documenting the bank reconciliation process. The review includes tracing where/how all City credit card transactions are going to the general ledger, and how each of the four main Umpqua accounts interact. The consultants are also reviewing the New World infrastructure to determine how the reconciliation process can be streamlined. Currently the consultants estimate it would take 15-20 hours to complete the reconciliation process for just one month. Once the reconciliation process has been documented and tested, the consultants will train staff to complete the process in-house.

Another area the auditors raised concern about was the financial oversight for Marin Valley Mobile Country Club. Staff has made progress on tightening the financial controls in this area, including modifying review processes, increasing oversight, and improving documentation. The Public Works Department works closely with the property management of the facility and is now auditing transactions and satisfying concerns before any fund transfers are made for accounts payable items. Due to the complete turnover of Finance Staff over the last year, there was a lack of knowledge on overall operations, including outstanding loans. One of the consultants has worked to bring the needed documentation in one place for easy reference and has been tracking financial activities throughout the year.

When Finance Staff have been hired and trained, this responsibility will shift to an employee.

Finance Director Cunningham briefly discussed the auditors concerns regarding employee credit card use. Staff is actively working to reduce the number of credit cards issued and is establishing new purchasing processes which will also help to reduce employee reliance on credit cards. Accounts payable has been re-establishing in-house vendor accounts and setting up proper controls for employee purchases at frequently used local businesses.

- **BUDGET DEVELOPMENT** - The City will be asking the community for input on the FY 2021/22 budget development process prior to the first April 2020 workshop. Two surveys will be released: (1) a mini survey asking about what format, date, time the community would be interested in participating in to hear and provide input on the budget - this will be a substitution for the in-person workshops held in prior years, and (2) a survey similar to the one launched last year asking the community about their budget priorities, that survey received record breaking feedback.

The Committee provided comments and feedback about potential formats for a community budget workshop. Suggestions included using social media to solicit additional feedback, conducting online workshops on specific budget areas, and holding neighborhood or district meetings.

- **FINANCE RECRUITMENTS** – The Accountant I/II recruitment opens today. The Management Analyst position will remain open for the time being. Staff is working to identify a consultant to assist with the FY21/22 budget development process, responsibilities typically assigned to the Management Analyst.
- **REPORTING REQUIREMENTS** – As a result of completion of the FY18/19 audit, outstanding reporting to the debt agencies is now complete.

The annual street report with the State is overdue. The State will delay the City's monthly disbursements until they receive the required annual report information. This is another report that requires up-to-date financial information to complete. The reporting requires up to date documentation on the receipt and expenditure of gas tax funds, including staff costs associated with various projects using gas tax money, including SB1. Staff is working through a backlog of issues associated with posting activity to the General Ledger. Once this is done, the report can be completed. This item, along with progress on the bank reconciliations, is a priority to address.

Committee Member Tim O'Connor asked if our debt rating has been impacted as a result of the late reporting. Finance Director Amy Cunningham confirmed that the City's credit has not been downgraded. Completion of the FY18/19 audit addressed outstanding credit reporting requirements.

PUBLIC COMMENT REGARDING FINANCE ACTIVITIES UPDATE – NO PUBLIC COMMENT

F. COMMITTEE / STAFF COMMENTS

Committee member Regina Bianucci Rus asked if business management companies could be brought in to oversee operations of more City owned properties to reduce disruptions caused by City employee turnover. Finance Director Amy Cunningham shared that property management for MVMCC does have outside accounting support but staff is still involved to provide oversight. Additionally, Public Works has reviewed the property management arrangement at Marin MOCA and is in the process of changing management companies. Public Works is involving Finance staff in the evaluation and set up of the new company's finance operations.

Vice Chair Mark Milberg asked if more Cal Cards can be closed by management. Finance Director Cunningham outlined the approach for reducing the number of cards issued and the renewed emphasis on users submitting documentation of their purchases which was one of the auditors' primary concerns. Milberg also asked if the City will be using New World for the long term. As New World was purchased and implemented prior to Finance Director Amy Cunningham's employment with the City, she was not involved with discussions about the expected longevity of New World.

Chair Rafelina Maglio stated that the committee wants to be helpful and asked that staff consider the different levels of experience each of the Committee members has when issues arise or assistance or support is needed. She mentioned that the previous Novato City Assistant City Manager has retired and may be useful in helping with institutional knowledge.

Committee member Tim O'Connor asked if the City requires purchase orders for all major purchases. Finance Director Amy Cunningham informed the committee that purchase orders have not been used extensively and is an area that should be researched once the higher priority issues have been addressed.

G. FUTURE MEETINGS

G-1. MARCH 18, 2020 at 7:30 a.m.

H. ADJOURNMENT

Meeting adjourned at 8:50 a.m.



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**NOVATO CITIZENS FINANCE ADVISORY/
OVERSIGHT COMMITTEE MEETING**

held by

TELECONFERENCE MEETING

**March 18, 2021
7:30 AM**

MINUTES

A. CALL TO ORDER

Meeting called to order at 7:40 a.m.

Committee Members Present:

Vice Chair Mark Milberg
Committee members: Caitrin Devine,
Cris MacKenzie, Tim O'Connor

Committee Members Absent:

Chair Rafaelina Maglio,
Committee member: Regina Bianucci Rus,

Staff Members Present:

Finance Director Amy Cunningham,
Sr. Accounting Assistant Susanna Castillo

B. APPROVAL OF FINAL AGENDA

Motion to Approve the agenda. Motion seconded.
Ayes: 4, Noes: 0 Absent: 2

C. PUBLIC COMMENT – NO PUBLIC COMMENT

D. COMMITTEE ORGANIZATIONAL ITEMS

D-1: APPROVAL OF FEBRUARY 18, 2021 MINUTES

Committee member Tim O'Connor requested an amendment to the minutes to include information about the delay in Gas Tax reporting. A motion to amend and approve the minutes cannot be made without a quorum. The item was continued to the next meeting.

E. GENERAL BUSINESS – NO PUBLIC COMMENT

E-2: DISCUSSION ITEMS:

E-2.1: FINANCE ACTIVITIES UPDATE –

Finance Director Cunningham stated that it is important that the Committee continue to meet and be updated about finance related activities. It is helpful to obtain Committee feedback on where to focus efforts. The department's current priority is to address

the backlog of work and rebuild the processes and systems needed to sustain basic department functions. This effort makes creating detailed Committee staff reports and/or taking on new Committee projects unattainable in the near term. The Committee was asked if the meeting updates provided the last few months have been valuable. Although they would like to do more, all members agreed that the information has helpful in understanding the department's current operational challenges. The Committee would like to continue to meet to stay informed on progress and help where they are able.

- **FY 19/20 YEAR END CLOSE STATUS ON THE ANNUAL FINANCIAL REPORT** – The bank reconciliation process is 90% reconciled through September 2019. Two of the four accounts at the City's primary bank are relatively straightforward to reconcile, but the other two accounts are proving challenging and more time consuming. The primary challenge is tracking the timing of credit card payments to the bank accounts. The consultants have established and documented a new reconciliation process, and two staff members are being cross-trained. Going forward, the consultants and Staff will be reconciling and rotating through the different accounts to ensure Staff can fully complete this responsibility in the future.

The Operating and Equipment Maintenance journal entries have now been completed through the end of FY19/20, and Staff are working on completing FY20/21 to current.

Committee member MacKenzie asked if there is a list of required reports that must be completed by a certain deadline. Finance Director Cunningham informed the Committee that she recently found a partial list of tasks to be completed monthly and quarterly which has been helpful in filling in missing pieces. Finance Department Staff and consultants are documenting each process completed for future reference.

- **PROGRESS ON ADDRESSING AUDITOR FINDINGS** – Arrangements have been finalized for making purchases on a house account at Pini Hardware. Staff is working with Novato Building Supply and Buck's Saw Service to set up with those businesses as well. The accounts will assist in reducing the number of employees that have credit cards, one of the audit findings.

New processes have been established that required supervisors to review/approve the credit card statements of their subordinates prior to submitting the statements to Finance. Additionally, all Department Head credit cards will

be reviewed and approved by the City Manager before payment is processed.

Information about appropriate use of credit cards has been distributed to employees. This includes a reminder that credit cards should not be used to purchase gift cards. Committee Member MacKenzie reminded the Committee that if City purchased gift cards are given to employees, the value is taxable to the employee.

- **BUDGET DEVELOPMENT** – The mid-year budget report will be delayed to April. The City was notified last week of several significant fiscal changes. This included a notice that approximately \$10.4 million will be received from the Federal American Rescue Plan. There are some restrictions on these funds. These funds cannot be used for pension liability. The use of funds for joint projects is being encouraged. All funds must be spent by December 2024. The primary purpose of the funds is to backfill revenue losses associated with the pandemic.

Committee member MacKenzie asked if the City can pay down loans, expenses and outstanding debt with the funds. Finance Director Cunningham stated that there is not clear information from the Treasury yet, but it could be a possibility. Vice Chair Mark Milberg asked what the process is for allocating the funds received. Finance Director Cunningham said the Council will make the final decision. Staff is considering a number of areas in which there is need, including the capital program, deferred maintenance, replenishment of reserves, OPEB or pension (from other one-time funds), debt, and other one-time uses. The primary use is to backfill lost revenue and limit or eliminate the use of the emergency funds to offset the deficit. The Committee provided further feedback on these areas.

Additionally, one-time monies were received on March 12th related to the sale of the Hamilton Commissary parcel. Through the sale the City received nearly \$5.7M from City Ventures. There are no restrictions on use of these funds. Staff anticipated the sale of this parcel would take place later in the year.

The Buck Center development agreement requirements was satisfied, releasing \$1,000,000 to the City. There are no restrictions on use of these funds.

Upon completion of the FY 18/19 audit, a savings of almost \$1.4 million was identified. Staff needs to research whether all these funds are available for allocation, or if a portion were dedicated for use in the FY 19/20 budget.

Any FY19/20 fiscal year end savings is currently unknown. The City did receive \$663,066 from the CARES Act COVID relief funds, however those funds were allocated in September 2020 and helped to offset the projected deficit.

- **FY 21/22 BUDGET STATUS** – The City will have new ongoing revenue with the Measure Q (TOT) 2% increase. Measure Q is expected to generate an estimated \$400,000 per year. This increase became effective January 2021, therefore only \$200,000 is projected this fiscal year.

The City is expecting new ongoing revenue with two new hotels, one will potentially open in the spring or summer of 2022. Overall, these revenues are expected to bring in close to \$1,000,000 in additional revenue per year. As a result of the Short-Term Rental ordinance, Staff projects an additional \$30,000 per year, approximately \$15,000 in FY21/22.

The City Council approved a new project at Vintage Oaks earlier in the month. If the project stays on schedule it is expected to generate an additional \$100,000 next year.

As the cannabis permit process is finalized and businesses start opening, additional revenue will be generated. The first business is expected to open late next year, generating approximately \$66,000 for FY21/22.

Vice Chair Mark Milberg asked if there are currently City owned properties that can bring in revenue. Finance Director Cunningham stated she was not familiar with the City's property inventory; this is something that is managed by the Public Works Department.

- **BUDGET SURVEYS** - The City has distributed emails and posted information on the website asking the community for input on the FY 2021/22 budget development process and is accepting feedback through April 7th. On April 13th the Council will hold their first FY21/22 Budget Workshop and will make preliminary decisions on the allocation of the one-time money.

As of March 16th, 2021, there have been 66 responses to the Budget Priorities Survey. Committee member MacKenzie asked if we closed the loop on the surveys. Finance Director Cunningham stated that she was unsure of the whole process, but the survey results are posted on the City website and will be attached to the City Council staff report.

- **FINANCE DEPARTMENT RECRUITMENTS** – Finance Department staffing is beginning to improve. One existing

employee will be placed in the Accountant II position, and the temporary employee that has been assisting since January has been offered the position of Account I.

Vice Chair Mark Milberg commented that this is good news and asked if the Finance Department will still need consultants. Finance Director Cunningham confirmed that consultants will continue to be needed to help address the backlog of work; they are also creating and documenting processes and helping to train the new staff.

The Budget Analyst position remains vacant. A challenge as the budget process is underway. Staff was able to identify a consultant with a strong municipal finance background that can help support the process. The estimated cost for this is approximately \$20,000.

Committee member MacKenzie asked if employees will stay and asked if Finance has enough help now. Finance Director Cunningham said she recently conducted some research and concluded that the number of employees for the department should be closer to 10 full-time employees, this is based on the size of the community and services provided, and the complexity of the City's finances. The current approved allocation is 7 full-time employees. Other departments, by necessity, have taken on work that should be completed in Finance. For instance, the Gas Tax Report would typically be completed by Finance Staff but this mandatory report has been completed by the Public Works Administrative Manager the past few years. Finance Director Cunningham indicated that she has shared the staffing analysis with the City Manager.

- **OTHER UPDATES** – The County said that Disaster Service Workers are now eligible for vaccinations.

PUBLIC COMMENT REGARDING FINANCE ACTIVITIES UPDATE – NO PUBLIC COMMENT

F. COMMITTEE / STAFF COMMENTS

Vice Chair Mark Milberg commented that the City Manager, Adam McGill did a phenomenal job delivering the State of the City Address. He also asked if there are any remaining funds from Measure F revenues. He would like to understand whether all Measure F revenues have been allocated. Finance Director Cunningham said that Measure F revenue is essentially depleted. Any remaining balance of funds have been budgeted for specific purposes but not spent. Approximately \$1.17 million was used to support the operating

budget in FY19/20. Remaining funds are primarily budgeted for capital projects.

The General Plan Draft is on the City's website. The final version is not yet complete, however there are no material changes between the draft and what was approved.

Vice Chair Mark Milberg asked if the old Chevy's location can be used to generate new revenues. Finance Director Cunningham was not familiar with the site.

Committee member MacKenzie asked if the Square owner is expected to improve the property because that location needs improvements. Committee member O'Connor suggested a City blight tax that fines owners for not maintaining properties. Committee member Devine suggested a vacancy fee to encourage property owners to lease their property. Finance Director Cunningham informed the committee that the water district approved a resolution requiring water conservation. In compliance with this, the City will only be watering medians, etc. that use recycled water.

G. FUTURE MEETINGS

G-1. APRIL 15, 2020 at 7:30 a.m.

H. ADJOURNMENT

Meeting adjourned at 8:51 a.m.

STAFF REPORT

MEETING

DATE: April 15, 2021

TO: Citizens Finance Oversight/Advisory Committee

FROM: Amy Cunningham, Finance Director

SUBJECT: Update on Finance Department Activities

REQUEST

Receive update on Finance Department activities.

DISCUSSION

Staff will provide the Citizens Finance Oversight/Advisory Committee (Committee) with updates on current finance activities including:

- FY19/20 Year End Close Status
 - Bank Reconciliation Status / Credit Cards
 - FY 20/21 Mid-Year Budget Update - Discuss City Council Report #J.1, meeting 04-13-2021
- FY 21/22 Budget
 - One-Time Funds – Discuss City Council Report #J.2, meeting 04-13-2021
 - FY 21/22 Budget Development Process – Discuss City Council Report #L.1, meeting 04-13-2021
- Update on Gas Tax Report
- Other Updates

Staff recommends the Committee receive the report and provide feedback on the above areas.

(For Reference - Link to City Council Meeting 04-13-2021:

https://novato.granicus.com/DocumentViewer.php?file=novato_1741d5f8c00b650c3df8983932c042ab.pdf&view=1)