



**Novato Citizens Finance Advisory/Oversight Committee
Minutes**

Thursday, March 3, 2022 – 7:30 AM

Teleconference Only

A. CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Maglio at 7:32 A.M.

Committee Members Present: Regina Bianucci Rus, Caitrin Devine, Andy Zmyslowski, Vice Chair Cris MacKenzie, Chair Rafelina Maglio

Committee Members Absent: Tim O'Connor

Staff Present: Finance Director Amy Cunningham, Senior Office Assistant Jean Holzgang de Buren

B. APPROVAL OF FINAL AGENDA

Commission Action: Upon motion by Vice Chair MacKenzie, and seconded by Committee Member Zmyslowski, the Committee voted 5-0-0-1 to approve the final agenda.

Ayes: Bianucci Rus, Devine, MacKenzie, Maglio, Zmyslowski

Noes: None

Abstain: None

Absent: O'Connor

Motion Carried

C. PUBLIC COMMENT

None

D. CONSENT ITEMS

D.1. Approve the Meeting Minutes from February 17, 2022

Committee Action: Upon a motion by Committee Member Bianucci Rus, and seconded by Committee Member MacKenzie, the Committee voted 5-0-0-1 to approve the Meeting Minutes from February 17, 2022.

Ayes: Bianucci Rus, Devine, MacKenzie, Maglio, O'Connor, Zmyslowski

Noes: None

Abstain: None

Absent: O'Connor

Motion Carried

E. UNFINISHED AND OTHER BUSINESS

None

F. GENERAL BUSINESS

F.1. Update from the Ad Hoc Subcommittee for Fiscal Sustainability and Discussion of the 2013-14 Fiscal Sustainability Options Tool

Committee Member Zmyslowski shared the new template of the Fiscal Sustainability Options Tool focusing on baseline expenses, staffing assumptions, revenue options, and discussed incorporating new ideas into the matrix.

A Committee Member discussed the importance of starting with the current deficit, considering revenue generators already under consideration by Council, and adding new ideas from the public to further expand the benefit of this Tool.

Committee Members discussed ways in which business licenses are calculated, the potential for a sales tax increase, the idea of charging park-user fees, and verifying that Novato is in line with what other Cities are charging for services. Additionally, educating the public on the deficit and inviting the public into the discussions and fiscal decision making is valuable.

An update will be provided at the next meeting.

F.2. Fiscal Year 2021/22 Mid-Year Budget Review

Staff Liaison Cunningham summarized the Mid-Year Budget Review for Fiscal Year 2021/22; The adopted FY 2021/22 budget included a deficit of \$208K, but that did not include any cost changes for new labor agreements, as those were still being negotiated at the time of budget adoption.

The following specifics were provided:

(NOTE: these numbers are based on data for the first six months of the year – through December 31; it is unknown how the events in Ukraine will affect the economy and these projections may change.)

General Fund Sales-Tax: Staff recommends a \$430,000 increase in sales tax revenue; this number is consistent with the projections from the City’s sales tax consultants through Quarter 3, 2021.

General Fund Other Revenues: Staff recommends a total decrease of \$57,230, which includes new grant funding in the amount of \$71,170, reducing the transfer in of the CalRecycle grant by \$151,400 (increased cost for rubberized pavement products are now unfeasible), and new revenue in the amount of \$23,000 associated with Electric Vehicle Charging Stations.

General Fund Expense: Staff recommends a \$522,530 increase in General Fund Expense, of which \$71,170 is offset by new grant funding. This amount includes increased ongoing costs associated with labor agreements approved after July 1, 2021 (\$240,360), increase for allocation to the Youth Financial Assistance Program (\$5,000), and ongoing costs associated with utility cost increases, facility maintenance, electric vehicle charging stations, and expenses associated with new grants (\$277,170).

General Fund Budget Summary: The adopted revenue budget for FY2021/22 is \$44,704,846, the proposed budget is \$45,077,616, which is a change of \$372,770. The adopted expense budget is \$(44,912,399), the proposed budget is \$(45,434,929), which is a change of \$(522,530). These numbers are inclusive of transfers in and out. Staff is continuing to work on other recommendations regarding one-time funds that will impact the operating budget but they are not anticipated to impact the projected deficit of \$357,313.

Other Funds Summary: Administrative changes are needed in Other Funds, primarily to account for changes in grant funding as referenced earlier, increased utility costs, and expenses for the Electric Vehicle charging stations.

American Rescue Plan (ARPA): Staff is recommending a new transfer in from ARPA to the operating budget of \$284,000 for one-time operational costs associated with tree maintenance/wildfire management (\$124,000), skate park fence repairs (\$60,000), and operations in Finance and Human Resources (\$100,000).

Additionally, \$1,577,355 in ARPA funding has been allocated since budget adoption:

Labor agreements – one-time costs: \$707,000
Pandemic Retention Pay: \$288,000
Homeless Initiatives: \$582,355

These changes, including future earmarks, result in approximately \$256,000 in ARPA remaining unallocated.

Capital Improvement Program (CIP): Staff Liaison Cunningham outlined the CIP changes recommended as part of the mid-year budget process. These are changes needed immediately to ensure that there is adequate funding available for projects underway. Staff still anticipates a separate report outlining proposed funding changes once the CIP reconciliation project is complete.

A Committee Member asked if the increase in sales tax numbers would be generated by the proposed sales increase that the Council is currently discussing. Staff Liaison Cunningham explained that staff would not make any assumptions about a possible voter approved ballot measure in the budget development process and are only using current sales tax information for the mid-year projections as provided by the City's consultants.

A Committee Member asked for clarification about the amount of the Rescue Funds used as \$4.8 million was budget. Staff Liaison Cunningham noted that the total amount discussed are earmarked monies to be used over several years. A detailed report about one-time monies will be presented in April.

A Committee Member asked who audits the use of the American Rescue Plan dollars money. Staff Liaison Cunningham stated that this audit is completed by the City's independent auditors.

A Committee Member asked if there was a way to quantify contributions made by staff (for example not receiving cost of living increases, using voluntary days off, etc.) when looking at one-time costs as well as the importance of educating the community on how staff have contributed toward cost containment by not receiving cost of living increases over the past four years.

A Committee Member asked if facility districts get adjusted based on expenses? Staff Liaison Cunningham explained that every year a fiscal analysis report is completed that identifies the anticipated cost associated for a specific district area. Public Works staff look at the costs versus how much fund balance is available, what the current assessment is, and determines if the assessment needs to be changed. This process is highly regulated by state law and other legislative actions.

A Committee Member asked how much money is in the Parks and Recreation fund to offset the cost of programs and classes. It was explained that, historically, the City has budgeted \$10,000 each year; this amount was matched by Supervisor Arnold's office. Deputy Director of Parks, Recreation, and Community Services Gauntlett is working on implementing a new software program with an option for community members to donate to the fund as well as ways to advertise and solicit additional donations.

F.3. Update on Finance Department Activities by Staff Liaison, Amy Cunningham

Staff Liaison Cunningham offered praise to payroll staff for completing the payroll process before noon on Wednesday, which is a huge success and the first time the bi-weekly process has been completed so early in over two years.

19/20 Year End Close: Staff are still experiencing software issues and are working on next steps with New World to implement another script. Hopefully staff will be able to regain time lost after this is completed.

Audit Update: Auditors are looking at the information that the City has been able to make available and will schedule another meeting when ready and their schedule allows.

Recruiting Update: The accountant recruitment closed; there are approximately ten applicants, and the interview process will move forward as quickly as possible; this new accountant will focus on getting bank reconciliations caught up and will partner with payroll as the cost recovery point person. The accounting assistant/accounts payable position closes on March 9th. The new Deputy Director is doing amazingly well and has already taken charge by reviewing the audit request list, identifying what has and has not been done, assigned tasks, and is tracking the entire process.

Capital Improvement Project: Reconciliation of FY 20/21 will be substantially done in a few weeks; a comprehensive CIP clean-up item will be taken to Council where staff will formally request funding be reallocated. Public Works also expects to close out some CIPs which will make funds available for other uses and/or returned to fund balances.

Measure F Reports: Retired annuitant, Nancy Andrews, has the narrative section of the last Measure F report done; once reviewed by Staff Liaison Cunningham, this information will be distributed to the Committee for review.

EDAC Joint Meeting: A joint meeting of the Novato Citizens Finance Advisory/Oversight Committee and EDAC is scheduled for Wednesday, March 9th at 6:00 PM via Zoom. HDL will present information on sales tax trends.

Committee Recruitment Process: The recruitment process closes March 16th. Council will conduct interviews in late March/early April and will solidify appointments on April 26th. If you know anyone who is interested in joining the Committee, please encourage them to apply as soon as possible.

G. COMMITTEE AND LIAISON REPORTS

G.1. Staff Updates

None.

G.2. Committee Member Reports

None.

G.3. Next Meeting Date

The next meeting is scheduled for April 7, 2022 at 7:30 AM via Zoom.

H. ADJOURNMENT

The meeting was adjourned at 8:52 AM.

I HEREBY CERTIFY that the foregoing minutes were duly adopted at the Novato Citizens Finance Advisory/Oversight Committee Meeting on April 7, 2022.

/ Jean Holzgang de Buren /

Jean Holzgang de Buren, Senior Office Assistant