



CITY OF NOVATO
CALIFORNIA

Finance Advisory Commission

APPROVED Minutes

Thursday, April 4, 2024 – 7:30 AM

A. CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Thomas at 7:30 A.M.

Commissioners Present: Regina Bianucci Rus, Cris MacKenzie, Rafelina Maglio, Tina McMillan, Larisa Thomas, Andy Zmyslowski

Staff Present: Interim City Manager Amy Cunningham, Finance Director Carla Carvalho-DeGraff, Management Analyst I Stacey Hoggan, Principal Management Analyst Jennifer Maldonado, Director of Public Works Nick Ngyuen.

B. APPROVAL OF FINAL AGENDA

Commission Action: Upon a motion by Commissioner Zmyslowski, and seconded by Commissioner Maglio, the Commission voted 6-0-0-0 to approve the final agenda.

Ayes: Bianucci Rus, MacKenzie, Maglio, McMillan, Thomas, Zmyslowski

Noes: None

Abstain: None

Absent: None

Motion Carried

C. PUBLIC COMMENT

None

D. CONSENT ITEMS

D.1. Approve Meeting Minutes of March 7, 2024

D.2. Receive and Approve Finance Department Updates

Commission Action: Upon motion by Commissioner MacKenzie, and seconded by Vice Chair McMillan, the Commission Voted 6-0-0-0 to approve items on consent.

Ayes: Bianucci Rus, MacKenzie, Maglio, McMillan, Thomas, Zmyslowski
Noes: None
Abstain: None
Absent: None

Motion Carried

E. UNFINISHED AND OTHER BUSINESS

None

F. GENERAL BUSINESS

F.1 Fiscal Year 2024/2025 Budget Study Preparation – Capital Program and Operating Budget

Commissioners were briefed by staff on the progress of the FY 2024/25 budget development, highlighting the crucial role of community outreach and input in light of the City's fiscal challenges. The budget process integrated two comprehensive community surveys and a hybrid budget workshop, providing attendees with both in-person and online participation avenues. Topics of discussion included the rising costs of operations, the growing capital needs due to deferred maintenance, the increase of service requests from the community, and the diminishing reserve balances to bridge the deficit.

Upcoming revenue and expense assumptions were discussed with the Commission. The expense updates included utility rate increases, personnel cost increases, and the CalPERS unfunded accrued liability increase. Revenue assumptions included a 2.72% increase in property taxes, 3% TOT (Hotel) tax, and a preliminary sales tax revenue increase of 5% (based on recent year trends).

Nick Nguyen, the Director of Public Works, delivered a comprehensive presentation to the Commissioners on the Capital Improvement Program plan for the upcoming fiscal year. He highlighted both ongoing and recently completed projects, providing insight into the diverse funding sources allocated for capital endeavors. Director Nguyen emphasized the different criteria utilized to prioritize and determine future projects.

Commissioners were advised of the projected revenue outlook through FY 2028/29. These estimates tend to be variable and may affect some ongoing or future projects. While some funding stems from previously secured grants earmarked for specific projects, no new grants have been secured for FY 2024/25.

At the February 22, 2024, Finance Advisory Commission meeting, Commissioners were presented with the Internal Fund Rate Study. This study noted that both the Equipment Maintenance Fund and the Equipment Replacement Fund had operational deficiencies related to their current rates. To address these issues, Staff provided Commissioners with different recommendations of remedies for each of these funds. The Commission emphasized its belief in the importance of funding essential city services and infrastructure improvements. The Commission noted their support of the City in a progression towards a locally controlled sales tax measure as a new revenue source.

Upon a motion by Chair Thomas and seconded by Commissioner Bianucci Rus, the Commission voted 6-0-0-0 to recommend that Staff adopt a fixed rate methodology to fully charge the General Fund for the cost of the Equipment Maintenance Fund, and that fund to retain no balance at the end of each fiscal year.

Ayes: Bianucci Rus, MacKenzie, Maglio, McMillan, Thomas, Zmyslowski
Noes: None
Abstain: None
Absent: None

Upon a motion by Chair Thomas and seconded by Commissioner Bianucci Rus, the Commission voted 6-0-0-0 to recommend that the full amount of costs for the Equipment Replacement Fund be budgeted and charged to the various City departments as appropriate.

Ayes: Bianucci Rus, MacKenzie, Maglio, McMillan, Thomas, Zmyslowski
Noes: None
Abstain: None
Absent: None

F.2. Creation and Appointment of Commissioners to Ad Hoc Lease Study Committee Commission Action:

Upon a motion by Chair Thomas, and seconded by Commissioner McMillan, the Commission voted 6-0-0-0 to establish a City Owned Property Lease Study Ad Hoc Committee, comprised of Commissioner MacKenzie and Commissioner Maglio. This Ad Hoc Committee will focus on recommendations regarding a lease policy for City owned properties.

Ayes: Bianucci Rus, MacKenzie, Maglio, McMillan, Thomas, Zmyslowski
Noes: None
Abstain: None
Absent: None

Motion Carried



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C A L I F O R N I A

FISCAL YEAR 2021/22 ANNUAL COMPREHENSIVE
FINANCIAL REPORT (ACFR)



AUDIT RESULTS

- Audit Results
 - Unmodified opinion (“clean”)
 - Both the ACFR and Single Audit

CHALLENGES

Challenges

- Lease Standard – GASB 87
- Covid-19 Funding (American Rescue Plan Act)
- Reconciliations
- Staff Vacancy

IMPROVEMENTS

- ActiveNet – allowed us to reconcile Park & Recreation
- Stable Staffing
- Management of the Audit
- General Ledger

OVERVIEW-NET POSITION

FY20/21	FY21/22	Change
\$293.2	\$303.2M	+10.0

	Business Type Activity MVMCC	All Government Funds (including restricted funds)
Revenues *	\$4.6	\$58.4
Expenses	3.0	50.3
Prior Period Adjustment	-	0.3
Change in Net Position	\$1.6	\$8.4

MVMCC - ARPA Revenue of \$1.2M
Government Funds – ARPA Revenue of \$2.7M



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OVERVIEW - FUND BALANCES

Governmental Funds	Fund Balance
<u>General Fund</u>	\$27.6M
General Fund	12.4
Measure F	0.9
Emergency Reserve	10.8
Self Insurance Reserve	1.2
Long Term Maintenance	1.4
Long Term Infrastructure	0.6
Other General Fund	0.3
Hamilton Trust Funds	32.2M
Other Governmental Funds	36.0M
Total	\$95.8M

Cash Category	MVMCC
Cash (all cash accounts) Total	\$8.4M
Working Capital	1.2
Operating Reserve	0.2
Capital Reserve	1.0
Long Term Reserve	3.0
American Rescue Plan (Pump Stations)	3.0

Cash Category	ISF Funds
Cash Total	\$6.5M
Committed	4.9
Working Capital	1.6

OVERVIEW – FUND BALANCE GASB 54

Fund Balance General Fund	
Nonspendable	\$364,641
Restricted	\$1,054,997
Assigned	\$23,999,385
Unassigned	\$2,178,183

OVERVIEW – GENERAL FUND UNASSIGNED FUND BALANCE

Unassigned Fund Balance General Fund	
2021-2022 Budget Savings	\$0.1M
Balance Sheet Changes/Corrections	0.4
Change in needed commitment of funds	1.6
Total	\$2.1M

NEXT STEPS

- Finalize work on FY 22/23 to prepare for auditor fieldwork
- Work on close for FY 23/24 at the same time
 - Bring entries current
- Implement accounting standards
- Continue
 - resolving audit findings
 - implementing controls
 - making improvements

AUDIT FINDINGS – SINGLE AUDIT

Audit Finding	Type	Status FY21/22	Status FY20/21
Financial Close & Financial Reporting	Material Weakness	Partially Implemented	Not Resolved
Cash & Investments	Material Weakness	Partially resolved	Not resolved
Deposits	Material Weakness	Not resolved	Not resolved
Internal Controls	Material Weakness	In progress – downgraded to control deficiency	Not resolved
Grant Accounting	Significant Deficiency	Partially resolved	Not resolved
Journal Entries	Significant Deficiency	Resolved	Not resolved
Internal Controls – Grants	Material Weakness	Resolved	Not resolved
Successor Agency Compliance	Compliance	Not resolved	Not resolved
Federal Grants Procedures	Compliance	Not resolved	Not resolved
Financial Reporting Timeliness – Single Audit	Compliance	Not resolved	Not resolved

AUDIT FINDINGS – MAGEMENT LETTER

Audit Finding	Type	Status FY21/22	Status FY20/21
Census Data	Control Deficiency – management letter	Not resolved	Not resolved
MVMCC Documentation	Control Deficiency – management letter	Not resolved	Not resolved
Capital Assets Additions and Deletions – CIP Timecards	Control Deficiency – Management letter	Not resolved	NA
Cash Disbursements MVMCC	Control Deficiency – Management letter	Not resolved	NA
Credit Cards – missing disbursements	Control deficiency – Management letter	Not resolved	NA
Accounts Payable – accruals	Control deficiency – Management Letter	Not resolved	NA
Unearned Revenue	Control deficiency – Management letter	Not resolved	NA
Capital Asset Additions – correct period and calculation	Control Deficiency – Management letter	Resolved	Not resolved
Reimbursements (TAM)	Control Deficiency – Management letter	Resolved	Not resolved

ACCOMPLISHMENTS

Areas Caught Up	Improvements
Day to Day Accounting Stabilized	Check Lists and Processing Schedules
Investment accounting and reporting	Policies and Procedures
Reconciliations (CIP, Banks, etc.)	Fee Study
Reporting to Council and some regulatory reporting	Implemented Debt Book for lease and software standard
Billing (Cost Recovery, TAM agreements)	Check Scanning for Deposits
Accruals	Accrual and Prepaid Methodology
Financial System Closing Processes	Centralized Contract Administration
Debt Accounting	Segregation of Duties
Collections for past due amounts	Training in the organization



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THANK YOU



G. COMMITTEE AND LIAISON REPORTS

G.1. Staff Updates

None

G.2. Commission Member Reports

The Fiscal Sustainability Ad Hoc Committee members provided an update on information obtained while researching the City's financial situation in comparison with other similar cities.

Public comment was taken at 922 Machin Ave

1. *Pam Drew*

H. ADJOURNMENT

The meeting was adjourned at 9:09 AM.

I HEREBY CERTIFY that the foregoing minutes were duly adopted at the Finance Advisory Commission Meeting of May 9, 2024.

/ Stacey Hoggan /
Stacey Hoggan, Management Analyst I