



CITY OF NOVATO
CALIFORNIA

Finance Advisory Commission

APPROVED Minutes

Thursday, May 9, 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, Michele Manos, Larisa Thomas, Andy Zmyslowski

Absent: Tina McMillan

Staff Present: Interim City Manager Amy Cunningham, Finance Director Carla Carvalho-DeGraff, Management Analyst I Stacey Hoggan, Principal Management Analyst Jennifer Maldonado, Accountant II Natalie Moline.

B. APPROVAL OF FINAL AGENDA

Commission Action: Upon a motion by Commissioner Manos, and seconded by Commissioner Zmyslowski, the Commission voted 6-0-0-1 to approve the final agenda .

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

Noes: None

Abstain: None

Absent: McMillan

Motion carried.

C. PUBLIC COMMENT

None

D. CONSENT ITEMS

D.1. Approve Meeting Minutes of April 4, 2024

Commission approved the meeting minutes of April 4, 2024, with a correction to Commissioners titles noted in the action approving minutes.

D.2. Investment Policy Update

Commissioners approved this report.

D.3. Fiscal Year 2023/2024 Quarter 3 Report

This item was removed from consent and placed in General Business.

D.4. Fiscal Year 2021/2022 Measure F Report

This item was removed from consent and placed in General Business.

D.5. Finance Department Updates

Commissioners approved this report.

Commission Action: Upon motion by Commissioner Bianucci Rus, and seconded by Commissioner Maglio, the Commission voted 5-0-1-1 to approve items on consent with items D.3 and D.4 removed and placed in General Business, and Commissioner Manos abstaining from approval of minutes.

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

Noes: None

Abstain: Manos

Absent: McMillan

Motion carried.

E. UNFINISHED AND OTHER BUSINESS

E.1. Introduction to New Commissioner

Commissioners were introduced to the newest Commissioner, Michele Manos.

F. GENERAL BUSINESS

ITEMS D.3, D.4 PULLED FROM CONSENT:

D.3. Fiscal Year 2023/2024 Quarter 3 Report

Commissioner questions were answered by staff. Report was accepted by Commission.

D.4. Fiscal Year 2021/2022 Measure F Report

Commissioner questions were answered by staff. Report was accepted by Commission.

Commission Action: Upon motion by Commissioner Bianucci Rus and seconded by Commissioner Zmyslowski, the Commission voted 6-0-0-1 to approve items D.3 and D.4.

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

Noes: None
Abstain: None
Absent: McMillan

Motion carried.

F.1. Fiscal Year 2024/2025 Budget Preparation Update

Staff presented Commissioners with a report on the FY24/25 budget development process. The report detailed previous budget history as well as significant fiscal challenges that the City has faced with in recent years.

The report outlined the upcoming fiscal year's anticipated revenues and expenditures, noting anticipated challenges and variances in expenditures that will need to be addressed by City Council in their upcoming meetings.

Staff detailed the financial projections for FY24/25 with information obtained from consultants and economic experts, department budget requests, review of funding resources, and assessments of organizational needs. The analysis of this information showed that the City's General Fund deficit is expected to increase with the anticipated rise in costs and limited revenue.

Commissioners had questions for staff and provided recommendations to bring to City Council at the May 14, 2024, meeting. Commissioners recommended that staff present the full projected deficit to Council to show the fully burdened cost of running the City. They also recommend that analysis of other funds be reviewed for possible transfers into the General Fund.

Commission Action: Upon a motion by Commissioner MacKenzie and seconded by Commissioner Maglio, the Commission voted 6-0-0-1 to recommend that staff present the full projected deficit to City Council as well as analysis of funds that can be used to offset the deficit to the General Fund.

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

Motion carried.

F.2. Fiscal Year 2021/2022 Audit

Staff presented Commissioners with the findings of the Fiscal Year 2021/2022 audit. The auditors examination resulted in an unmodified (clean) opinion for the year. Some of the challenges faced when working on this audit were the new lease standard (GASB 87), reconciliations, and the vacancy of the Deputy Finance Director. There were also notable

improvements in this audit. The implementation of Active-Net for PRCS, stable staffing in Finance, and needed controls had been put into practice.

The FY21/22 audit included some repeat findings that staff had anticipated, but also showed improvements over the past few years; one material weakness was resolved, one material weakness was downgraded, two material weaknesses were partially resolved, one significant deficiency was partially resolved, and two control deficiencies from the prior management letter were resolved. The auditors completed significant testing of controls and confirmed that those controls are being implemented.

In addition to the unmodified and clean opinion, the audit also revealed an unassigned fund balance in the General Fund (Fund 101) of \$2.1 million. This was the result of active cost containment efforts and American Recovery Act funding that offset impacts from the pandemic. At the May 7, 2024, City Council meeting, Council directed staff to transfer the unassigned fund balance to the Emergency and Disaster Response Fund (EDRF) – Fund 116. This action aligns with the City’s reserve policy that requires no General Fund reserves be maintained at year-end except those that are assigned per GASB 54.

Staff will continue work to prepare the FY22/23 financial data for auditor field work which is anticipated to take place in September. Staff are also working on implementation of a new accounting standard for software leases and the close of FY23/24. As staff continue to resolve audit findings and implement controls, it is important to note the significant progress that was made in this audit including partially implemented and/or resolved material weaknesses and significant deficiencies.

G. COMMITTEE AND LIAISON REPORTS

G.1. Staff Updates

None

G.2. Commission Member Reports

The ad hoc Property Lease Study Committee noted that there was discussion at a recent Economic and Development Advisory Commission (EDAC) in regard to forming a joint ad hoc committee on property leases with the Finance Advisory Commission. Members of the Property Lease Study ad hoc committee will defer this project until next steps are determined.

H. ADJOURNMENT

The meeting was adjourned at 9:33 AM.

I HEREBY CERTIFY that the foregoing minutes were duly adopted at the Finance Advisory Commission Meeting of June 6, 2024.

/ Stacey Hoggan /
Stacey Hoggan, Management Analyst I