



## Finance Advisory Commission

# **SPECIAL** Meeting Agenda

Thursday, July 18, 2024 – 8:00 AM

To Be Held At:

City Administrative Offices,  
Womack Conference Room  
922 Machin Avenue, Novato, CA 94945

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**Chair**  
Larisa Thomas

**Vice Chair**  
Tina McMillan

**Members**  
Regina Bianucci Rus, Cris MacKenzie, Rafaelina Maglio, Michele Manos, Andy Zmyslowski

**Staff Liaison**  
Amy Cunningham

The Finance Advisory Commission welcomes you to attend its meetings which are regularly scheduled for the first Thursday every month. Your interest is encouraged and appreciated.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk at (415) 899-8900. Notification at least 48 hours prior to the meeting will enable the City to make reasonable accommodation to help ensure accessibility to this meeting.

The Finance Advisory Commission may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the agenda items are described.

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**A. CALL TO ORDER AND ROLL CALL**

**B. APPROVAL OF FINAL AGENDA**

## **C. PUBLIC COMMENT**

*All members of the public wishing to address the Finance Advisory Commission are requested to submit a speaker card in advance to the Staff Liaison. (Please remember that all comment cards are PUBLIC RECORDS). The Chair will call the names of speakers from the cards. In addition to receiving comment from the public during the Public Comment period, the Chair will recognize persons from the audience who wish to address the Commission on a particular agenda item at the time that item is considered.*

*There is a three-minute time limit to speak although the Chair may shorten the time based on the number of speakers or other factors. A speaker may not yield his or her time to another speaker.*

*For issues raised during Public Comment that are not on the published agenda, except as otherwise provided under the Ralph M. Brown Act, no action can legally be taken. The Commission may direct that the item be referred to the Staff Liaison for action or may schedule the item on a subsequent agenda.*

## **D. CONSENT ITEM**

*All matters listed on the Consent Calendar are considered to be routine and will be enacted by a single vote of the Commission. There will be no separate discussion unless specific items are removed from the Consent Calendar for separate discussion and action. Any Commission Member may remove an item from the Consent Calendar and place it under General Business for discussion.*

### **D.1. Approve Meeting Minutes of June 27, 2024**

## **E. UNFINISHED AND OTHER BUSINESS**

## **F. GENERAL BUSINESS**

*These items include significant and administrative actions of special interest and will usually include a presentation and discussion by the Finance Advisory Commission. They will be enacted upon by a separate vote.*

### **F.1. Fiscal Sustainability Options**

## **G. COMMISSION AND LIAISON REPORTS**

*This section is used for Commission Members and the Staff Liaison to orally report on topics that can be considered for discussion at a future meeting.*

### **G.1. Staff Updates**

### **G.2. Commission Member Reports: Ad Hoc Committee Updates**

**The next meeting is scheduled for September 5, 2024, at 7:30 AM, and will be**

held in-person in the Womack Conference Room at 922 Machin Ave, Novato

**H. ADJOURNMENT**

*Materials that are submitted to members of the Commission after the distribution of the meeting's agenda packet will be available upon request.*

**AFFIDAVIT OF POSTING**

I, Stacey Hoggan, certify that on the Thursday before the Finance Advisory Commission meeting of July 18, 2024 that the agenda was posted on the City Community Service Board at 922 Machin and on the City's website at [novato.org](http://novato.org) in Novato, California.

/ Stacey Hoggan /  
Stacey Hoggan, Management Analyst I



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**CITY OF NOVATO**  
CALIFORNIA

**Finance Advisory Commission**

**DRAFT Minutes**

**Thursday, June 27, 2024 – 7:30 AM**

**A. CALL TO ORDER AND ROLL CALL**

The meeting was called to order by Vice Chair McMillan at 7:39 A.M.

**Commissioners Present:** Cris MacKenzie, Rafelina Maglio, Michele Manos, Tina McMillan

**Absent:** Regina Bianucci Rus, Larisa Thomas, Andy Zmyslowski

**Staff Present:** City Manager Amy Cunningham, Finance Director Carla Carvalho-DeGraff, Management Analyst I Stacey Hoggan, Principal Management Analyst Jennifer Maldonado, Andy Heath, Financial Consultant.

**B. APPROVAL OF FINAL AGENDA**

**Commission Action:** Upon a motion by Commissioner Maglio, and seconded by Commissioner MacKenzie, the Commission voted 4-0-0-3 to approve the final agenda.

**Ayes:** MacKenzie, Maglio, Manos, McMillan

**Noes:** None

**Abstain:** None

**Absent:** Bianucci Rus, Thomas, Zmyslowski

**Motion carried.**

**C. PUBLIC COMMENT**

None

**D. CONSENT ITEMS**

**D.1. Approve Meeting Minutes of June 6, 2024**

Commission approved the meeting minutes of June 6, 2024.

**Commission Action:** Upon motion by Commissioner MacKenzie, and seconded by Commissioner Maglio, the Commission voted 4-0-0-3 to approve items on consent.

**Ayes:** MacKenzie, Maglio, Manos, McMillan

**Noes:** None

**Abstain:** None

**Absent:** Bianucci Rus, Thomas, Zmyslowski

**Motion carried.**

## **E. UNFINISHED AND OTHER BUSINESS**

## **F. GENERAL BUSINESS**

### **F.1. General Fund 5-Year Financial Forecast**

Financial consultant, Andy Heath presented a conservative general fund 5-year financial forecast to Commissioners. This forecast allows for an assessment of the organization's financial health as well as an understanding of long-term financial trends for the fiscal years 2023/2024 through 2029/2030.

Staff collaborated with Mr. Heath to provide data from the City's financial system. A key challenge was processing the high volume of accounts in the general ledger. Staff acknowledged the need to address this structural challenge in the future for smoother budgeting, accounting, and daily financial transactions.

Mr. Heath provided a forecast that reflected the financial challenges that have been prevalent for the past few years and noted that the General Fund Reserves would be exhausted by Fiscal Year 2026/27. In creating this forecast, it is important to note the following: the use of one-time revenues and expenditures were not included; no assumption for staff cost-of-living increases for staff that had not already been approved by City Council. He also provided an additional forecast that reflected the implementation of .75% TUT increase. The addition of this tax rate increase would add approximately \$10.5 million to the General Fund annually to be used to offset the operating deficit, replenish reserves, and address aging and deferred infrastructure needs.

The Commissioners received the report and provided feedback.

The Commission endorsed the use of the forecast for financial planning purposes and expressed concern about the City's ability to sustain services and maintain infrastructure in the future.

### **F.2. Update on Finance Department Activities**

Staff provided Commissioners with an update on the City's fiscal sustainability activities. Staff have been actively engaging in community outreach and education regarding the City's financial outlook. Public Works will be presenting the Pavement Condition Index to City Council at their July 9<sup>th</sup> meeting. This presentation will include discussions on what the City's roads needs are and the funding that is needed to maintain/improve the roads.

Staff also provided an update on activities in the Finance Department, including the upcoming scheduled audit work for Fiscal Year 2022/2023. Auditors will be on site the week of September 16, 2024. Staff are also currently working on the year end close for Fiscal Year 2023/2024. The Deputy Director position remains open with a potential candidate under consideration.

There was recognition of a need for further discussion regarding the fiscal sustainability of the City. In response, it was agreed upon by staff and Commissioners to convene a Special Finance Advisory Commission meeting on July 18<sup>th</sup> to discuss this matter.

## **G. COMMITTEE AND LIAISON REPORTS**

### **G.1. Staff Updates**

### **G.2. Commission Member Reports**

## **H. ADJOURNMENT**

The meeting was adjourned at 9:21 AM.

**I HEREBY CERTIFY that the foregoing minutes were duly adopted at the Finance Advisory Commission Meeting of \_\_\_\_\_, 2024.**

/ Stacey Hoggan /  
Stacey Hoggan, Management Analyst I

## STAFF REPORT

### MEETING

DATE: July 18, 2024

TO: Novato Finance Advisory Commission

FROM: Amy Cunningham, City Manager

**SUBJECT: Fiscal Sustainability Efforts**

### REQUEST

Receive presentation and provide feedback.

### DISCUSSION

As illustrated in the table below, the City has experienced increasing budget deficits over the past five years. To sustain essential services, the City has depended on one-time funds and reserves from the Emergency and Disaster Fund. Despite various revenue-enhancing and expense-reducing measures implemented by the City Council, service levels have gradually declined due to the strict cost containment. This has affected our ability to meet community expectations.

| General Fund<br>Budget Deficits    |                              |                               |                              |                              |                                  |                                   |
|------------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|----------------------------------|-----------------------------------|
|                                    | Adopted<br>Budget<br>FY20/21 | Revised<br>Budget<br>FY20/21* | Adopted<br>Budget<br>FY21/22 | Adopted<br>Budget<br>FY22/23 | Amende<br>d<br>Budget<br>FY23/24 | Propose<br>d<br>Budget<br>FY24/25 |
| <b>Surplus<br/>/<br/>(Deficit)</b> | (\$5.7M)                     | (\$2.5M)                      | (\$0.2M)                     | (\$1.7M)                     | (\$3.3M)                         | (\$4.1M)                          |
| *September 2020 Budget Revise      |                              |                               |                              |                              |                                  |                                   |

The City Council's 2023-2025 Strategic Plan includes several work plan initiatives intended to create a fiscally sustainable organization:

<https://www.novato.org/home/showpublisheddocument/33385/638308922177600000>

One such initiative is:

- #16 - Address long-term revenue shortfalls: explore a November 2024 ballot initiative to increase sales tax by  $\frac{3}{4}$  cent.

Over the past year, the City Council and Staff have focused on enhancing community outreach and engagement and educating the community on the City's fiscal challenges. In addition to "meeting the community where they are" at events such as the Farmers' Market and district Open Office Hour events, informational mailers have been distributed to the community; feedback has been solicited through budget and service priority surveys, public budget workshops, and presentations to community groups. Staff has also developed educational social media postings, and a Local Funding webpage that provides comprehensive details about the City's finances and systemic financial challenges and needs:

<https://www.novato.org/government/finance/local-funding>

Over the past several months, the City Council has spent considerable time assessing the City's growing capital investment needs and contemplating how to preserve existing services.

In the spring of 2024, the City Council adopted the City's first Parks Master Plan that identified the community's desire to preserve and maintain the existing parks in Novato. The Plan included a comprehensive list of park project needs, totaling over \$13M, that had been identified and prioritized by the community through a robust engagement process.

Additionally, at their meeting on July 9, 2024, the City Council received three presentations relevant to the ongoing fiscal sustainability efforts:

1) Presentation on Novato's Pavement Condition Index (Attachment 1) -

This report outlined the serious and growing need to properly invest in the City's road and street infrastructure.

In summary, Novato's local road conditions have been declining over the past 10 years, as a result of ongoing deferred investment in capital assets:

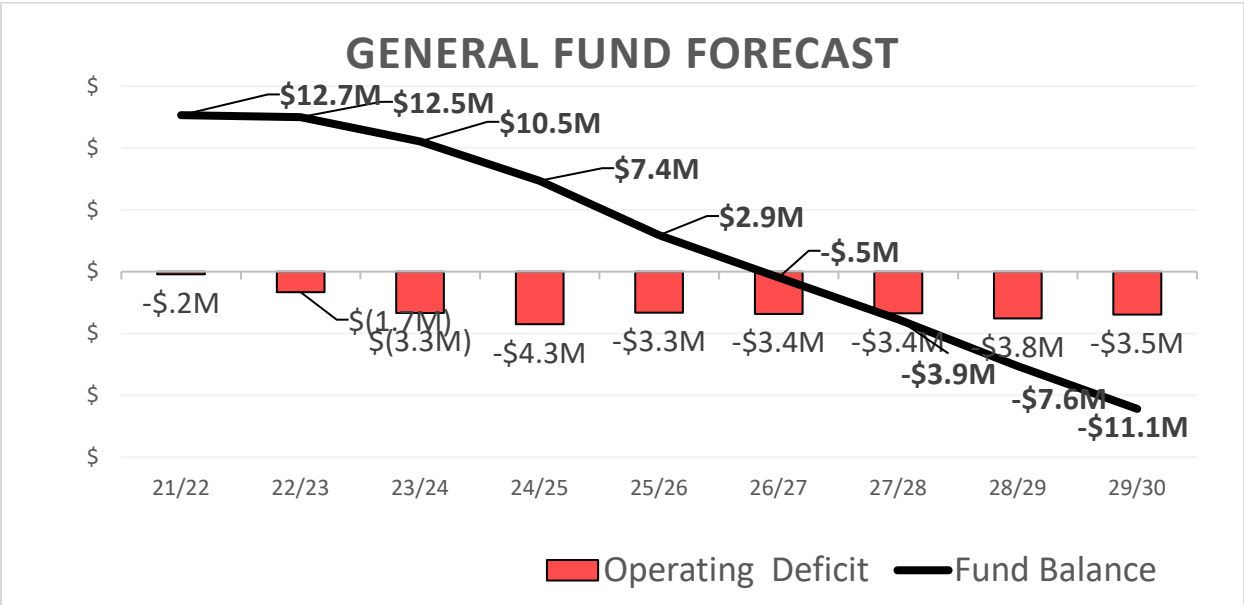
- Currently, the City is investing about \$3M a year into local roads;
- To sustain the *current condition*, the City should be investing an **additional** \$5M per year;
- To *improve current conditions*, the City should be investing an **additional** \$8M per year;
- And to reach industry "*best practice*" the investment should be an **additional** \$11M per year.

2) Presentation on the General Fund 5-Year Forecast (Attachment 2) -

This report provided future projections on General Fund revenue and expense and demonstrated that if structural fiscal changes aren't made by FY2026/27 – only two fiscal years away, the City will have used all available reserves and will not be able to maintain the already suppressed service levels.

The following table is an excerpt from that report, showing projected systemic deficits of between \$3.3M to \$3.8M a year over the next five years. Financial assumptions are detailed in the report and presentation.





3) Presentation on Community Opinion Survey (Attachment 3) -

This report detailed the results of a recently completed survey on residents’ opinions about service priorities and funding preferences. The survey showed that Novato residents value their quality of life, with over 80% rating it as Excellent or Very Good. This is compared to 66% stating that they are Very or Somewhat Satisfied with City Services. The survey results also show that resident satisfaction with City services has incrementally declined since 2015, coinciding with a time when expense reductions were initiated.

The survey also provided insight into community funding priorities, including:

- Fixing potholes and streets
- Maintaining 9-1-1 emergency response, crime and gang prevention
- Attracting and retaining small businesses.
- Maintaining parks and street medians
- Enhancing wildfire prevention

Finally, the survey indicated that Novato voters would support a sales tax measure to ensure locally controlled revenue is available to support the above priorities.

A ¾ cent local sales tax measure would generate approximately \$10.3M annually to:

- Preserve current priority services as identified in the survey by bridging the systemic operating deficit;
- Replenish emergency reserves;
- Address deferred infrastructure and capital needs;
- Mitigate fiscal and risk liabilities; and
- Invest in Innovation to generate reliable ongoing revenue.

Next Steps:

On July 23, 2024, the City Council will discuss placing a measure on the November 5, 2024, ballot asking Novato voters to approve a local sales tax measure.

Staff are requesting feedback on the City’s fiscal sustainability efforts and potential

solutions to include in the July 23, 2024 report to the City Council.

**ATTACHMENTS:**

1. Presentation: Pavement Condition Index Report
2. Presentation: 5 Year General Fund Forecast
3. Presentation: Community Opinion Survey

J.1.1



CITY COUNCIL  
JULY 9, 2024

# PAVEMENT MANAGEMENT PROGRAM UPDATE (P-TAP23)



# What Does the City Own/Maintain?

| Functional Class | Centerline Miles | % of the Entire Network<br>(by Pavement Area) |
|------------------|------------------|---|
| Arterials        | 20.1             | 19.4  |
| Collectors       | 23.0             | 17.1  |
| Residentials     | 109.2            | 63.5  |
| <b>Totals</b>    | <b>152.3</b>     | <b>100%</b>                                   |

**Asset value = \$277 million**

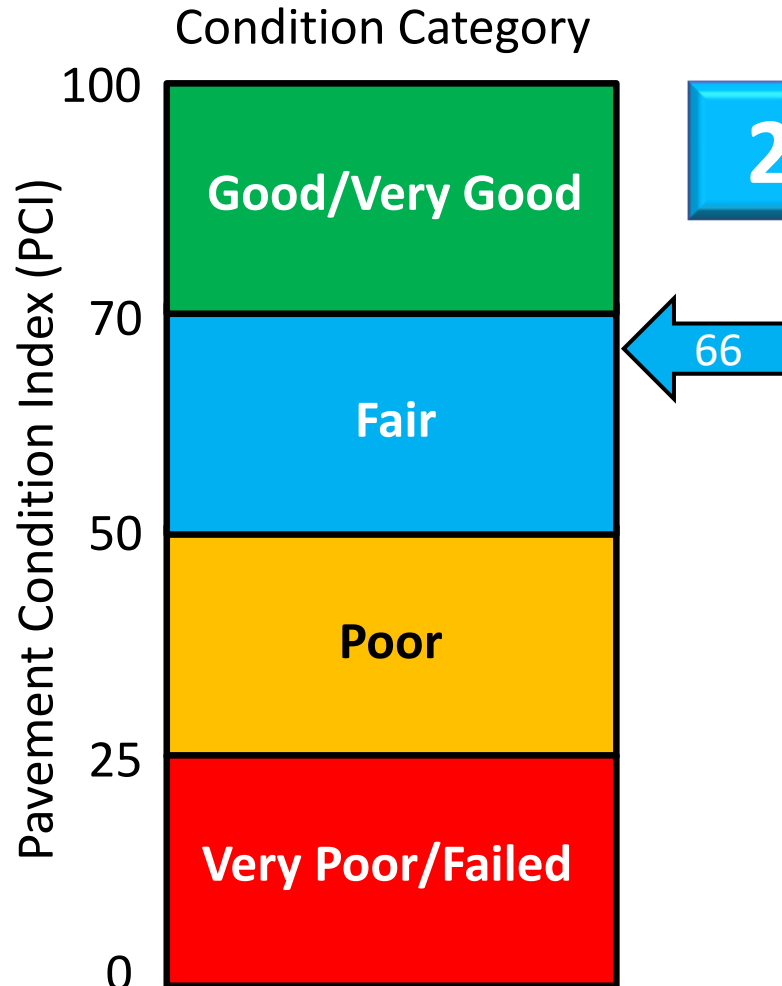
# What Do Other Similar Agencies Own/Maintain?

| Agency        | Population*   | Centerline Miles**/1000 people |
|---------------|---------------|--------------------------------|
| Fairfax       | 7,423         | 3.77                           |
| Larkspur      | 12,754        | 2.59                           |
| San Anselmo   | 12,569        | 6.44                           |
| San Rafael    | 59,971        | 2.88                           |
| Petaluma      | 58,652        | 3.02                           |
| <b>Novato</b> | <b>52,184</b> | <b>2.92</b>                    |

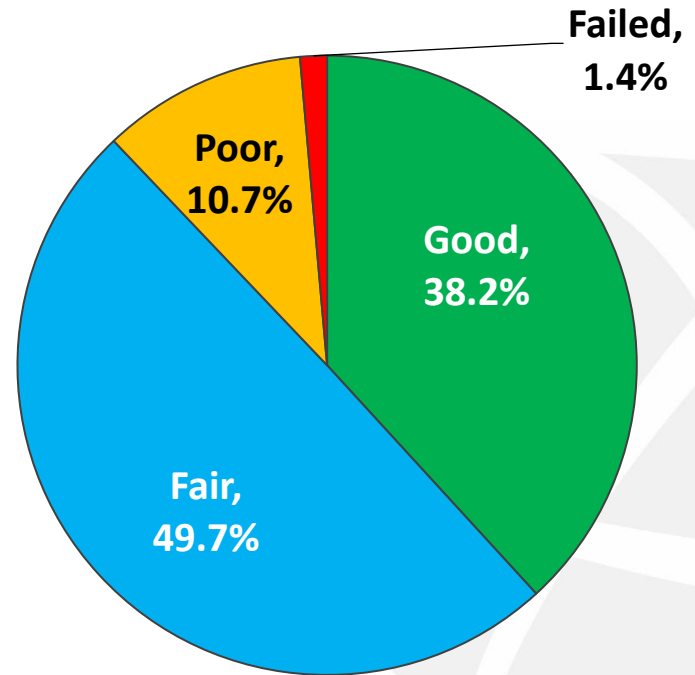
\*Population from US Census Bureau

\*\*Centerline Miles from Statewide Local Needs and Assessment Report 2022

# What are Street Conditions?



**2022 Network PCI = 66**





May 2024

**Tamalpais Ave, PCI = 91  
Treatment: Do Nothing**



May 2024

**Eucalyptus Ave, PCI = 75**  
**Treatment: Microsurfacing**





May 2024

**Samrosa Dr, PCI = 60**  
**Treatment: Scrub Seal w/ Microsurfacing**



May 2024

**Hanover Ct, PCI = 41**  
**Treatment: Mill & HMA Overlay**

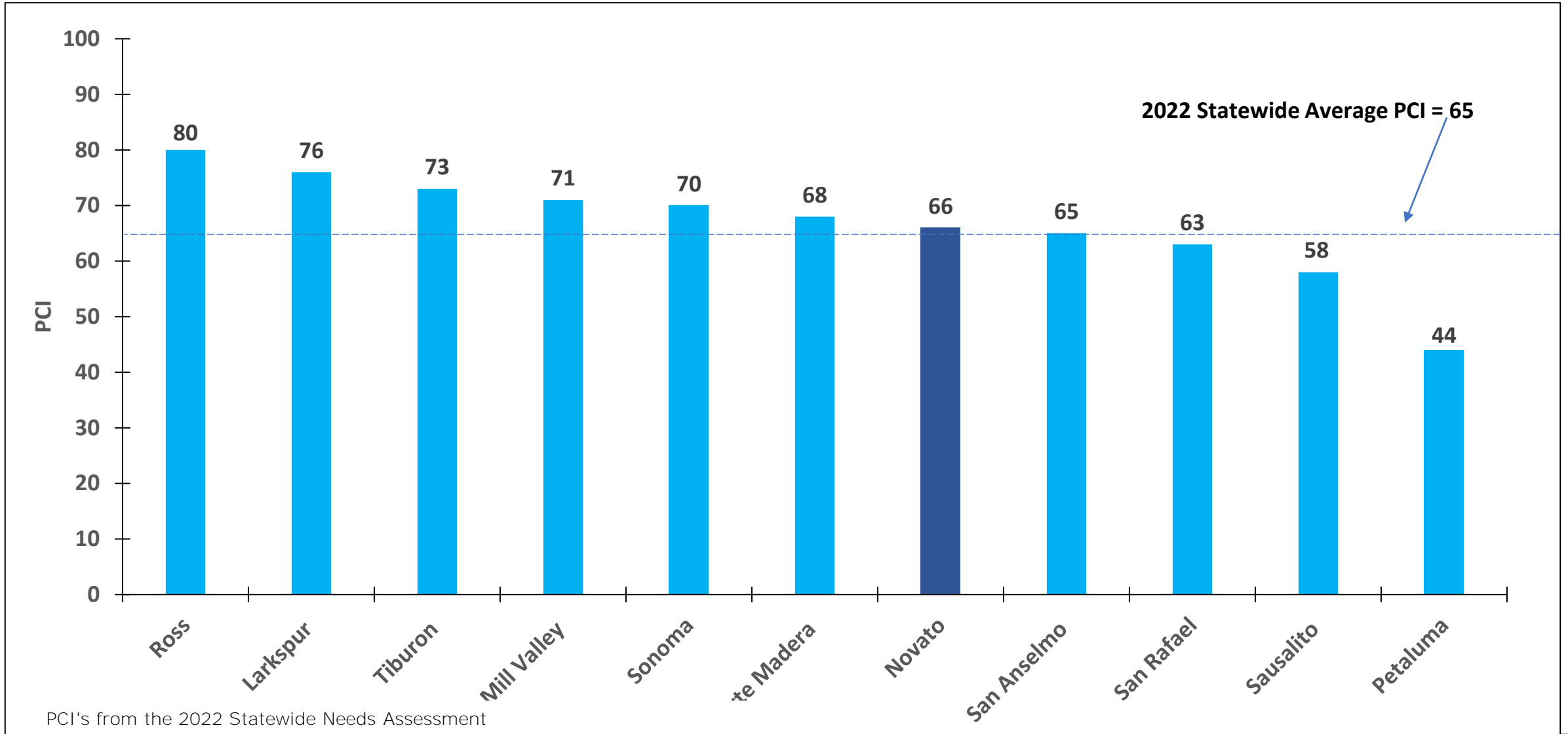


May 2024

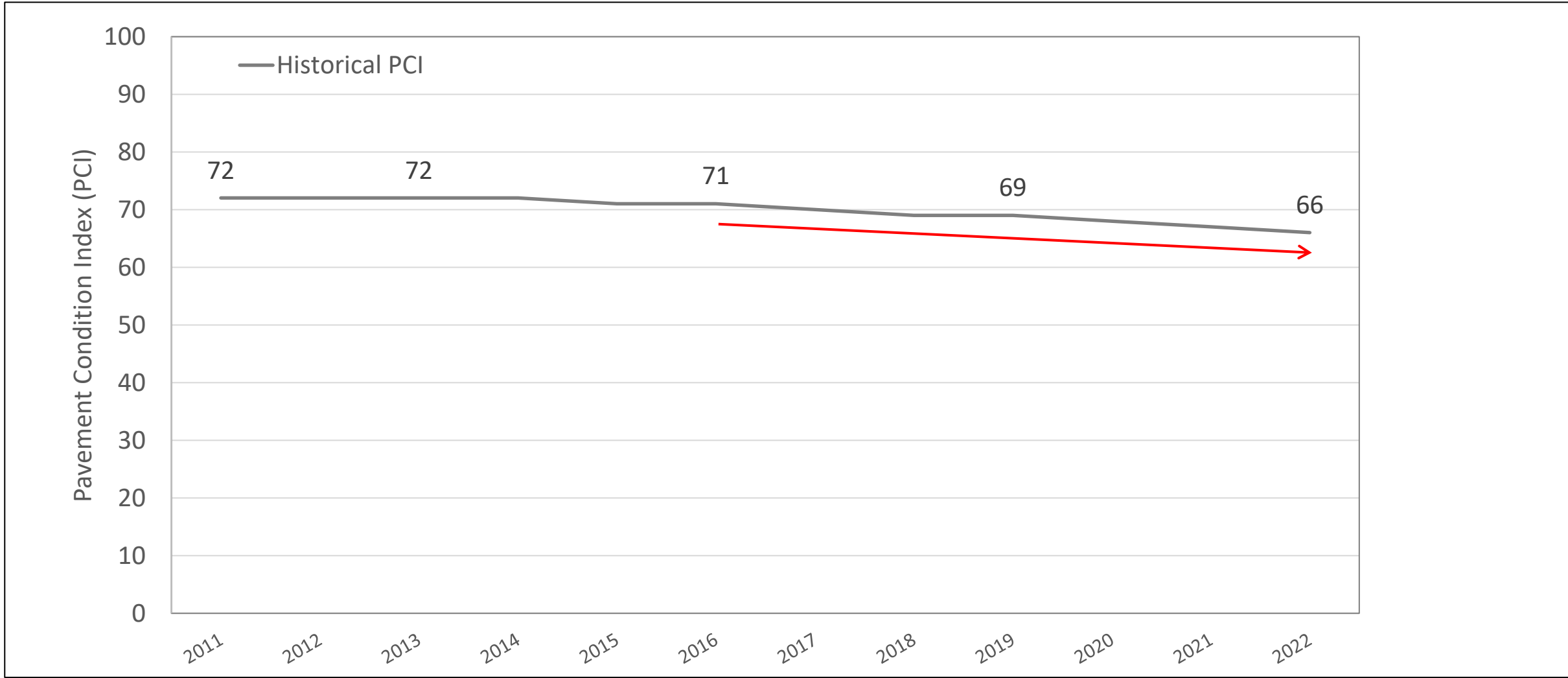
**Armstrong Ave, PCI = 24**  
**Treatment: Surface Reconstruction**



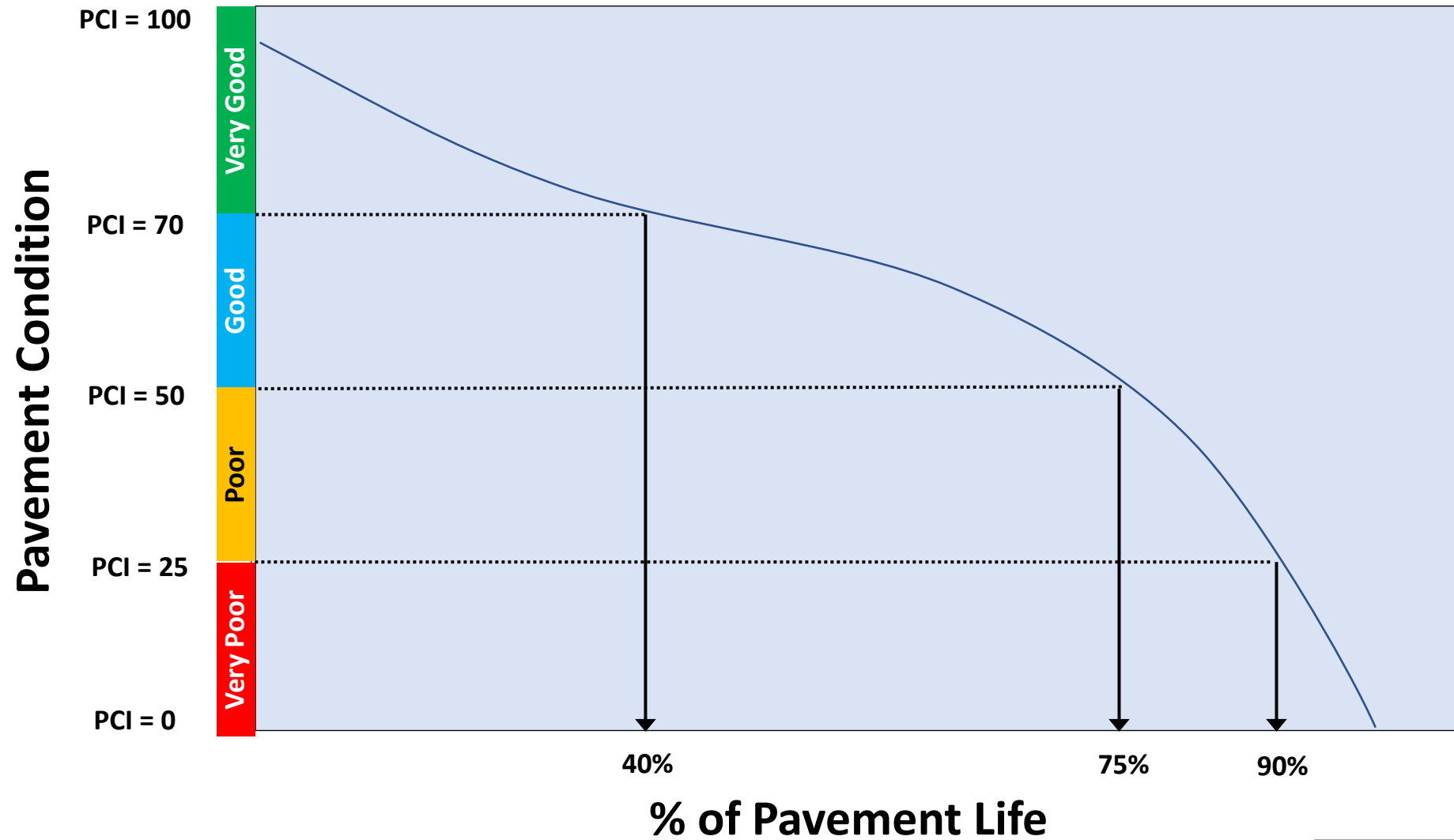
# How Does Novato Compare With Other Cities?



# Novato Historical PCI Data

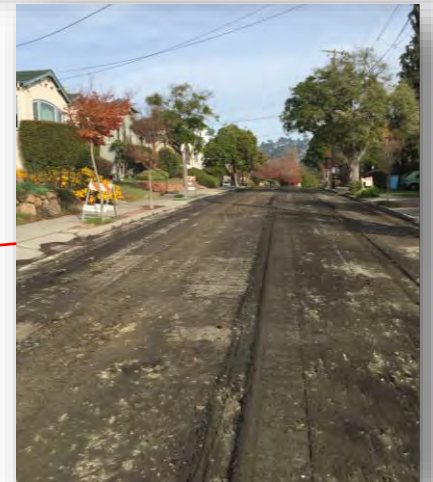
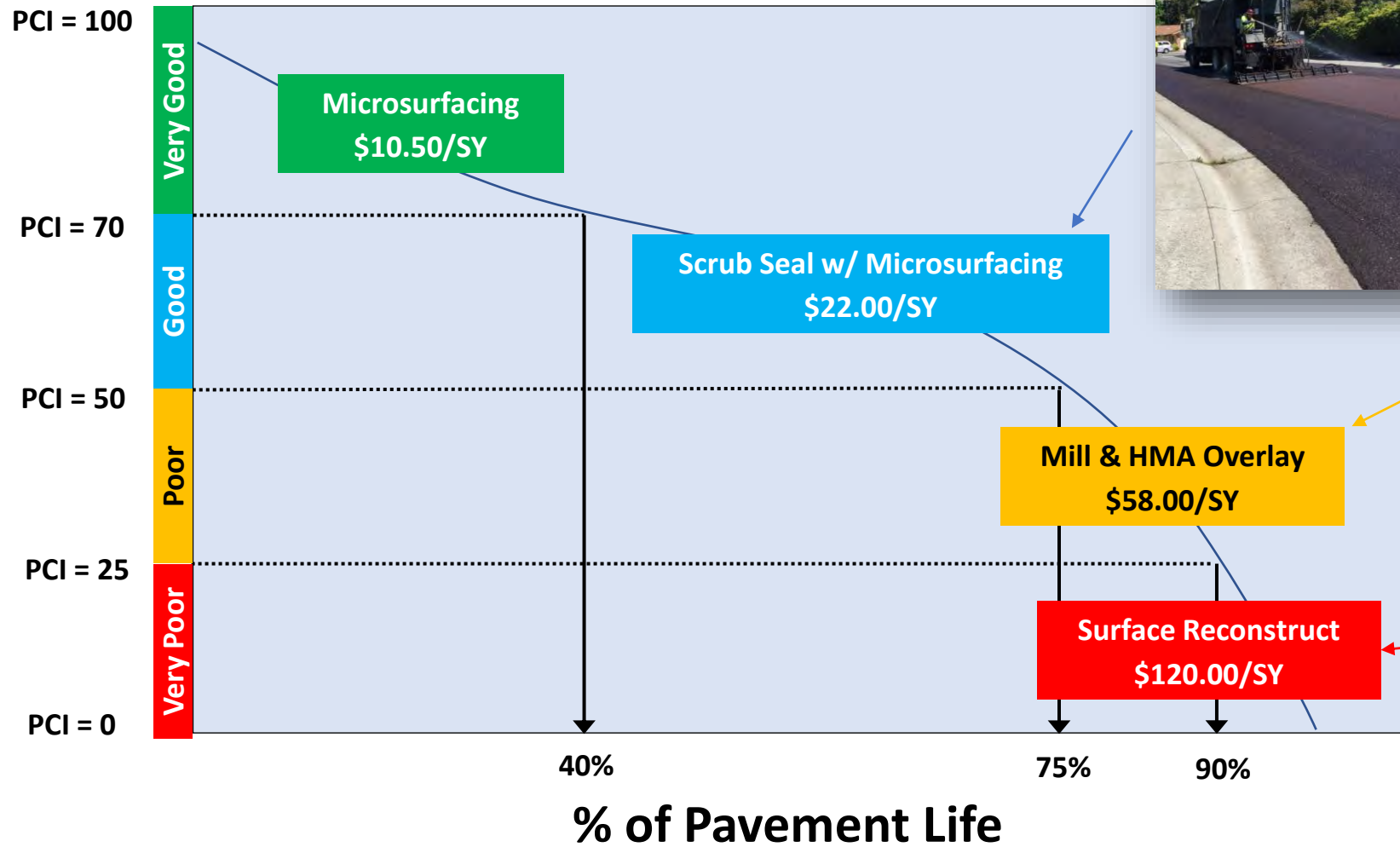


# How Do Pavements Deteriorate?

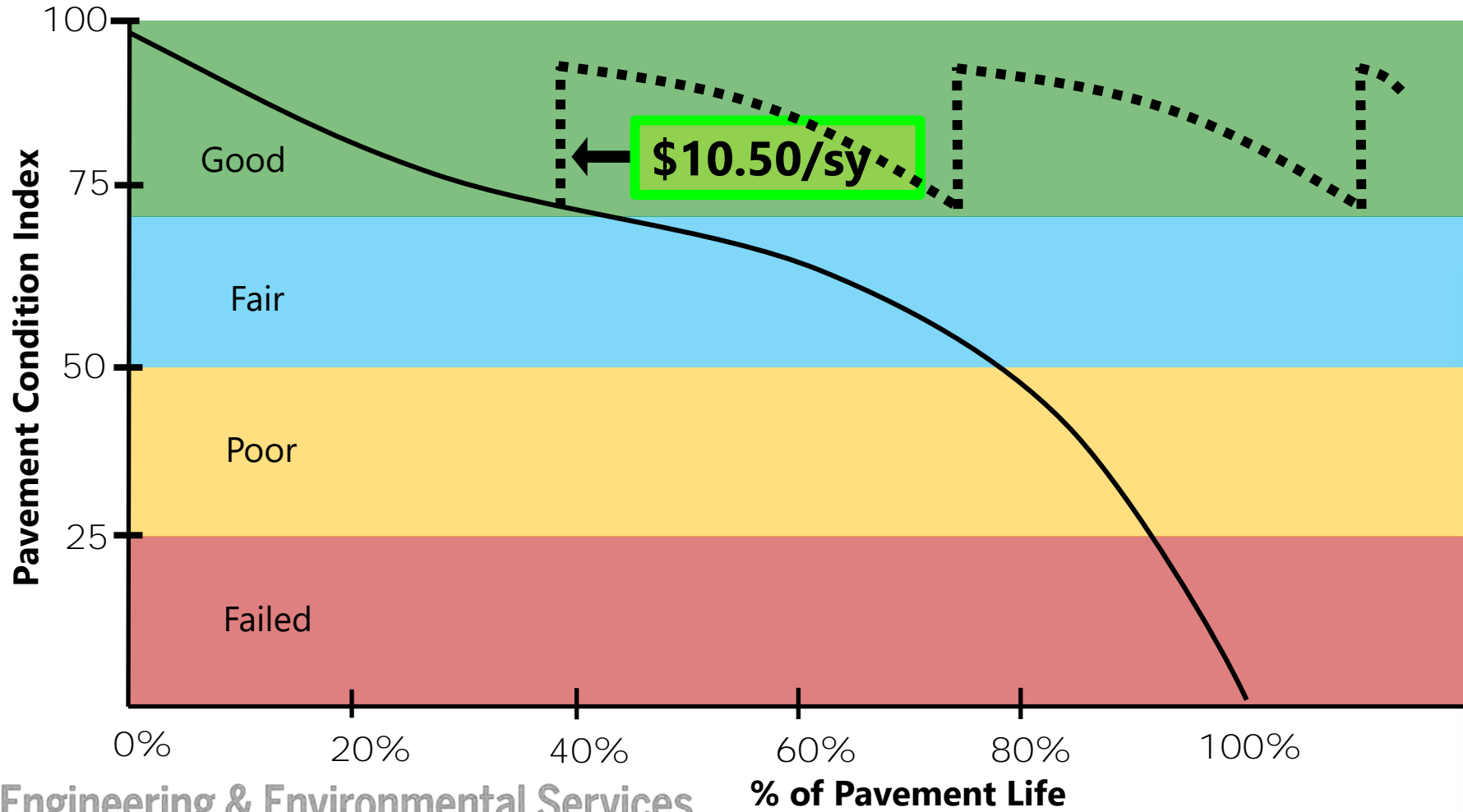


# How Much Do Repairs Cost?

Pavement Condition



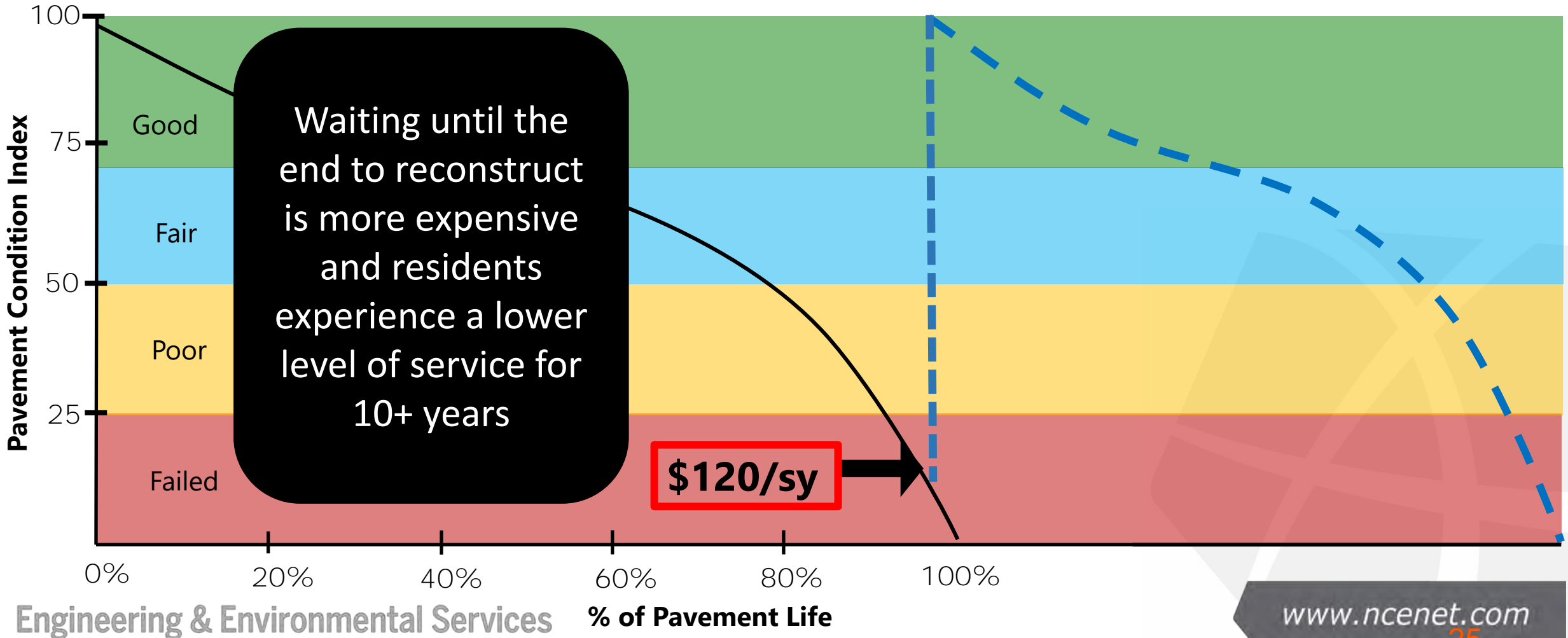
# Importance of Preventive Maintenance



Residents experience a higher level of service & City saves money



# Reconstruction Is Not As Cost-Effective

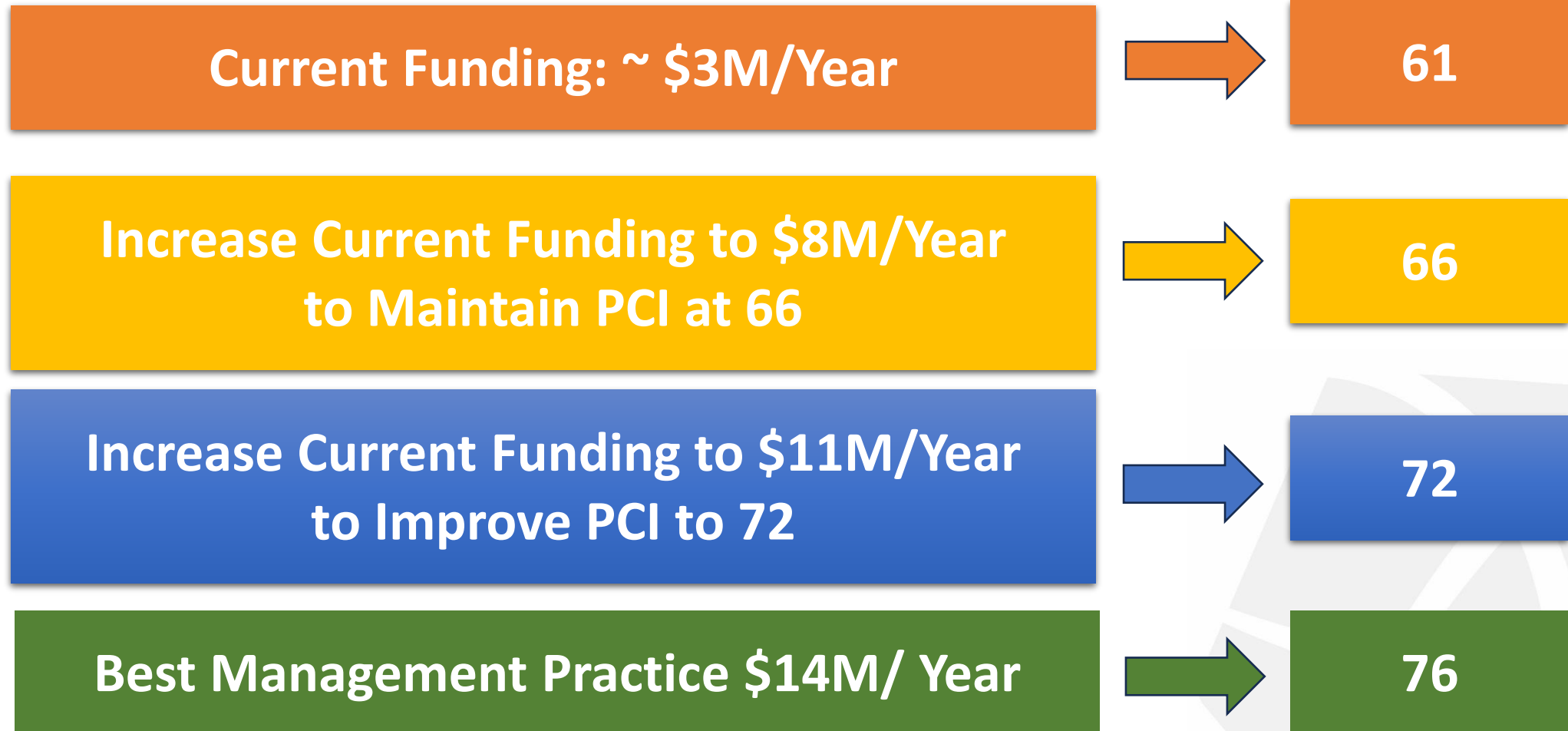


# What is Deferred Maintenance?

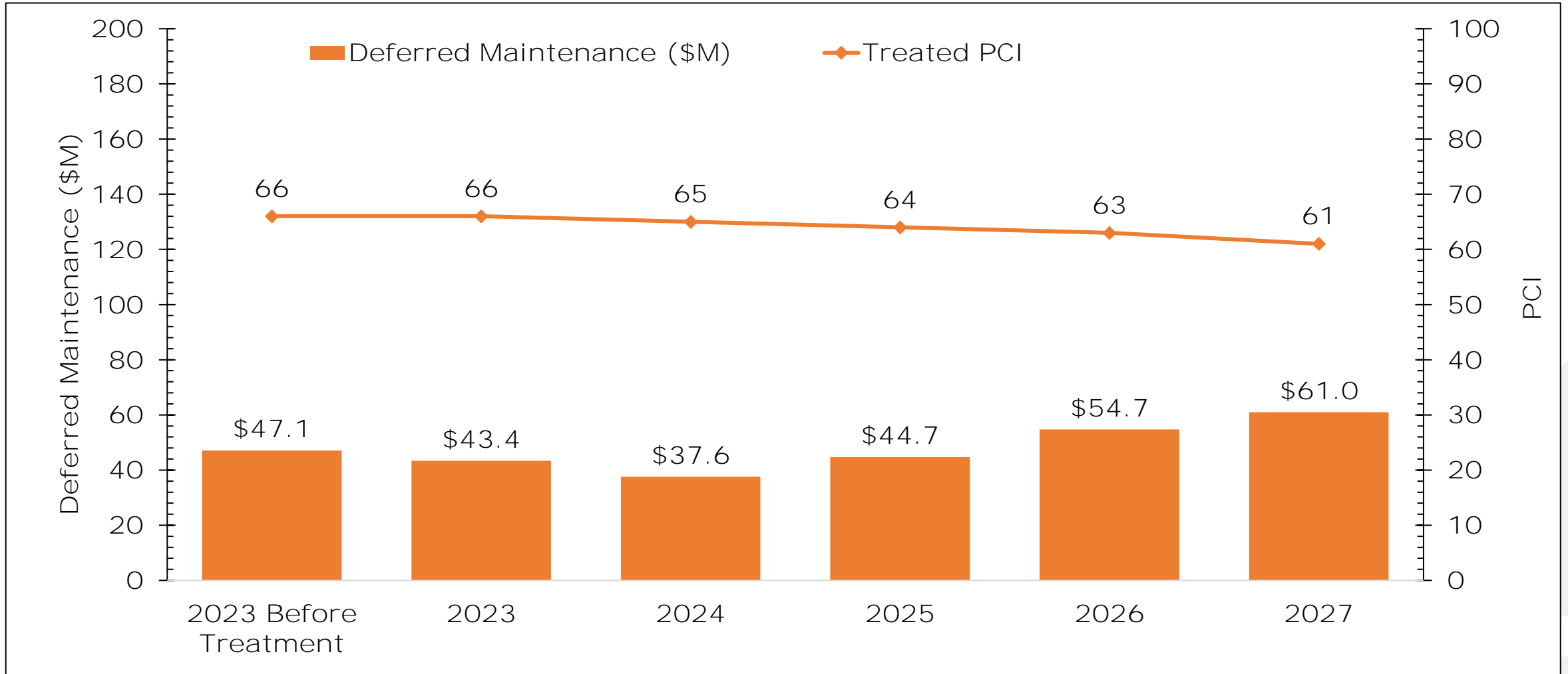
- Deferred Maintenance is the cost of repairs that are needed but cannot be performed because of insufficient funding.
- Another way to refer to this is “unfunded backlog”.
- If there was sufficient funding to fix everything, the deferred maintenance would be zero.

# Novato Funding Scenarios

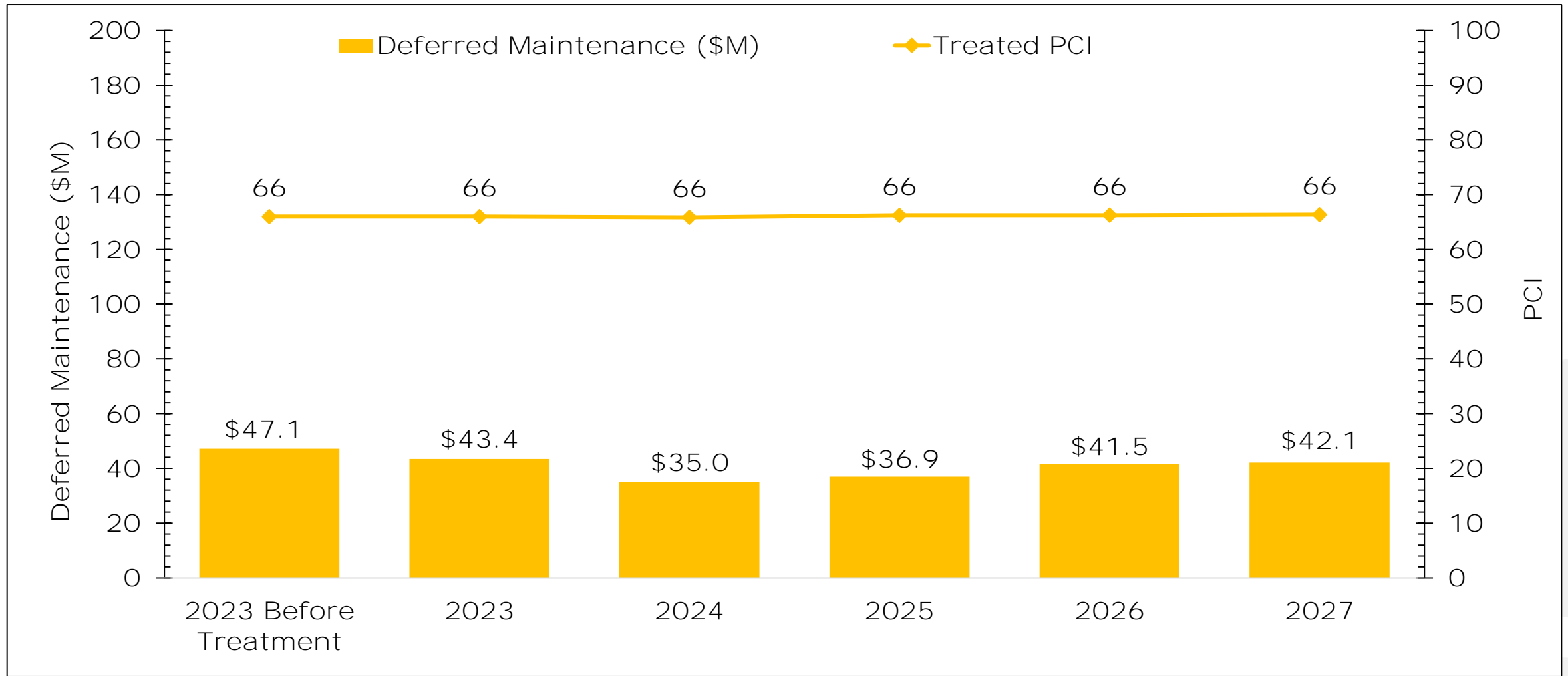
2027 Projected PCI



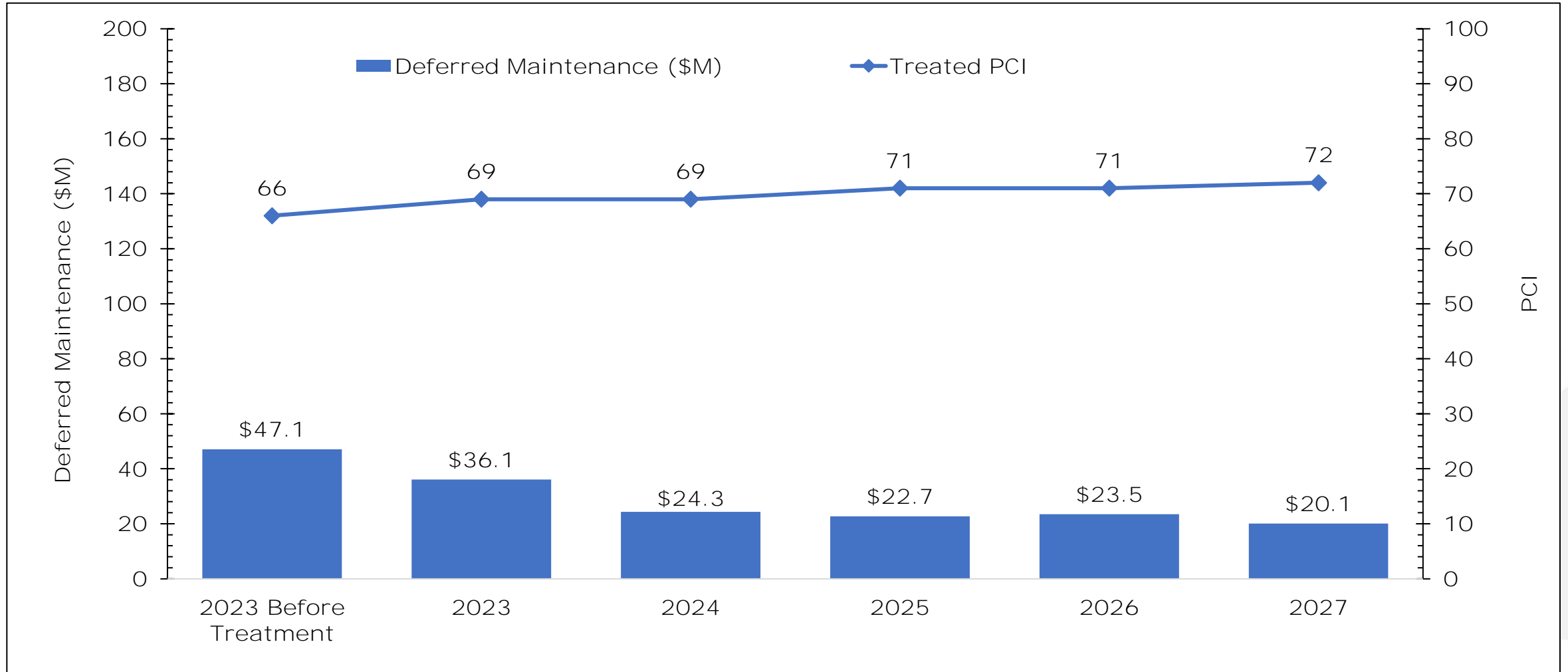
# Current Funding Level : \$3M/Year



# Increase Budget to \$8M/Year

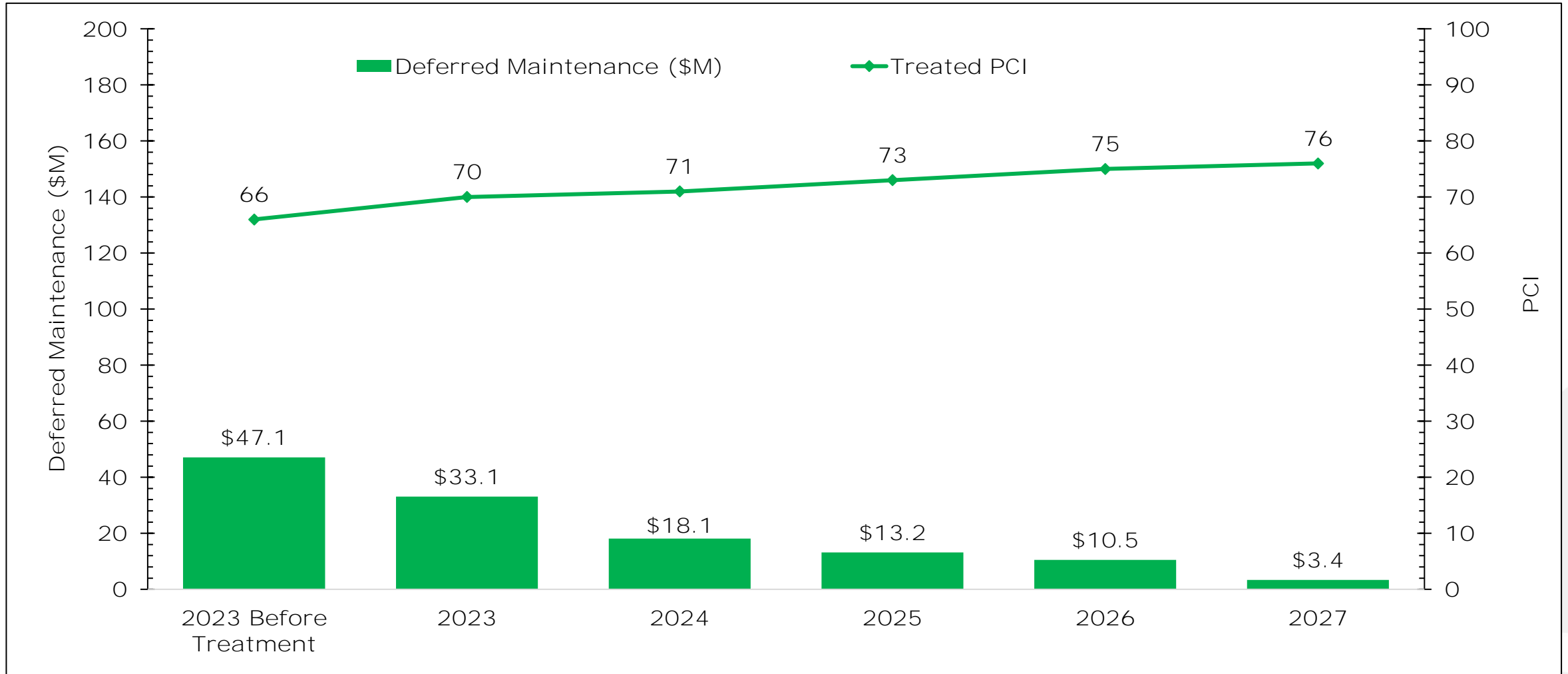


# Increase Budget to \$11M/year





# Best Management Practice \$14M/year



# Typical Funding Sources

## Federal

- Regional Surface Transportation Program (RSTP)
- Community Development Block Grant (CDBG)
- Surface Transportation Program (STP)
- Bipartisan Infrastructure Investment and Jobs Act (IIJA)

## State

- Gas Tax
- Transportation Development Act (TDA)
- State Transportation Improvement Program (STIP)
- Vehicle Registration Fees
- CalRecycle
- Traffic Congestion Relief Fund

## Local

- General Funds
- Local Transportation Funds
- Parcel Tax
- Sales Tax/Local Measures
- Impact Fees
  - Development
  - Waste Vehicle
  - Utility Cut
  - Traffic





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President

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**CITY OF NOVATO**  
CALIFORNIA

**FIVE-YEAR GENERAL FUND FINANCIAL FORECAST**

# OVERVIEW

- Review General Fund Budget
- Background on Development of 5 Year General Fund Forecast
- Five-Year General Fund Forecast



# BUDGET DEFICIT HISTORY

| General Fund Budget Deficits  |                        |                         |                        |                        |                        |                        |
|-------------------------------|------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|
|                               | Adopted Budget FY20/21 | Revised Budget FY20/21* | Adopted Budget FY21/22 | Adopted Budget FY22/23 | Amended Budget FY23/24 | Adopted Budget FY24/25 |
| Surplus / (Deficit)           | (\$5,746,581)          | (\$2,485,409)           | (\$207,553)            | (\$1,656,330)          | (\$3,332,725)          | (\$4,253,246)          |
| *September 2020 Budget Revise |                        |                         |                        |                        |                        |                        |



# INTRODUCTION TO THE FIVE-YEAR GENERAL FUND FORECAST

- A key financial planning document – long-term financial planning (forecast)
  - Long-term objectives
  - Promotes organizational financial literacy
  - Helps achieve organizational alignment
  - Forecast of revenue and expenses
  - Can help determine long-term debt capacity
  - Help analyze the internal and external economic environment
  - Determine the long-term financial impact of priorities and goals
- Government Finance Officer Association (GFOA) recommended best practice
- Related to the budget, strategic plan, and capital plan



# DEVELOPMENT OF FIVE -YEAR GENERAL FUND FORECAST

- Work started in early 2024
- Financial Data
  - Used audited fund balance and actuals FY2021/22
  - FY2022/23 has preliminary results
  - FY2023/24 has budget as closing the FY is currently happening
- Contracted with Consultant





**CITY OF NOVATO**  
CALIFORNIA

**5-YEAR GENERAL FUND FORECAST**

**GENERAL FUND  
MULTI-YEAR FINANCIAL FORECAST  
FISCAL YEARS 2023-24 TO 2029-30**



**CITY OF NOVATO  
CITY COUNCIL  
JULY 9, 2024**



# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST DISCUSSION OUTLINE

- PURPOSE OF BASELINE FINANCIAL FORECAST
- FORECAST DEVELOPMENT PROCESS / ASSUMPTIONS / CHALLENGES
- KEY REVENUE AND EXPENDITURE ASSUMPTIONS
- FORECAST RESULTS / KEY OBSERVATIONS
- FORECAST UPDATE WITH IMPLEMENTATION OF 0.75% TRANSACTIONS & USE TAX
- QUESTIONS

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## PURPOSE OF BASELINE FINANCIAL FORECAST

**DEVELOP BETTER UNDERSTANDING OF “BASELINE” GENERAL FUND FUNDING REQUIREMENTS TO PROVIDE A DEFINED LEVEL OF ONGOING SERVICES BY RECOGNIZING IMPACTS OF:**

- ANNUAL REVENUE AND EXPENDITURE CHANGES OVER A MULTI-YEAR HORIZON BASED UPON A GIVEN SET OF CONSERVATIVE ASSUMPTIONS
- SIGNIFICANT COST DRIVERS DEMANDING AN INCREASING SHARE OF DISCRETIONARY REVENUES:  
*EMPLOYMENT COSTS; ONGOING CAPITAL AND OUTLAY NEEDS; INSURANCE COSTS; ENERGY COSTS, ETC..*
- REMOVAL OF KNOWN ONE-TIME REVENUES / EXPENDITURES AS NEEDED FROM “BASE CASE”
- FUTURE SUSTAINABILITY OF PROVIDING A CURRENT / DEFINED LEVEL OF SERVICE UNDER ARRAY OF ASSUMPTIONS  
*EXISTING LEVEL OF SERVICE IS SUPPRESSED DUE TO FISCAL RESTRAINTS*

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## FINANCIAL FORECAST DEVELOPMENT

### FORECAST DEVELOPMENT PROCESS / ASSUMPTIONS:

- FULL RECONCILIATION OF FY 2024-25 RECOMMENDED STAFFING FUNDED BY CITY'S GENERAL FUND
- UPDATED FISCAL INFORMATION FROM FY 2021-22 AUDIT / FY 2022-23 AND FY 2023-24 ESTIMATES / FY 2024-25 CITY MANAGER'S RECOMMENDED BUDGET (GENERAL FUND)
- ALL POSITIONS ASSUMED FILLED FOR ENTIRETY OF FISCAL YEAR
  - *AGGREGATE ANNUAL VACANCY SAVINGS ASSUMPTION OF \$450,000 (1.2%) IS BUILT INTO FORECAST*
- FUND BALANCES INCLUDE AMOUNTS IN UNASSIGNED GENERAL FUND AND CITY'S GENERAL FUND EMERGENCY RESERVE
- CALPERS COSTS (ACTUAL AND ESTIMATED) TAKEN FROM JULY 2023 ACTUARIAL REPORTS FOR ALL CITY PLANS
- GENERAL FUND TRANSFERS OUT ONLY INCLUDE INFUSIONS OF FUNDING FOR FACILITIES LONG-TERM MAINTENANCE (\$144,000) AND INFRASTRUCTURE LONG-TERM MAINTENANCE (\$300,000)

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## FINANCIAL FORECAST DEVELOPMENT

### FORECAST DEVELOPMENT CHALLENGES:

**NUMBER OF DIVISIONS / COST CENTERS IN CITY'S GENERAL FUND IS EXCESSIVE –  
COLLECTION AND MANIPULATION OF DATA DIFFICULT AND INEFFICIENT**

- CITY ACCOUNTS FOR COSTS IN 85 DEPARTMENTS / DIVISIONS
- DIVISIONS COULD BE COMBINED TO REDUCE THE MORE THAN 1,500 EXPENDITURE LINE ITEMS IN CITY'S GENERAL FUND
- UPDATING CITY'S GENERAL LEDGER COULD MAKE INFORMATION DISSEMINATION EFFICIENT AND EASY TO UNDERSTAND FROM A REPORTING PERSPECTIVE

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

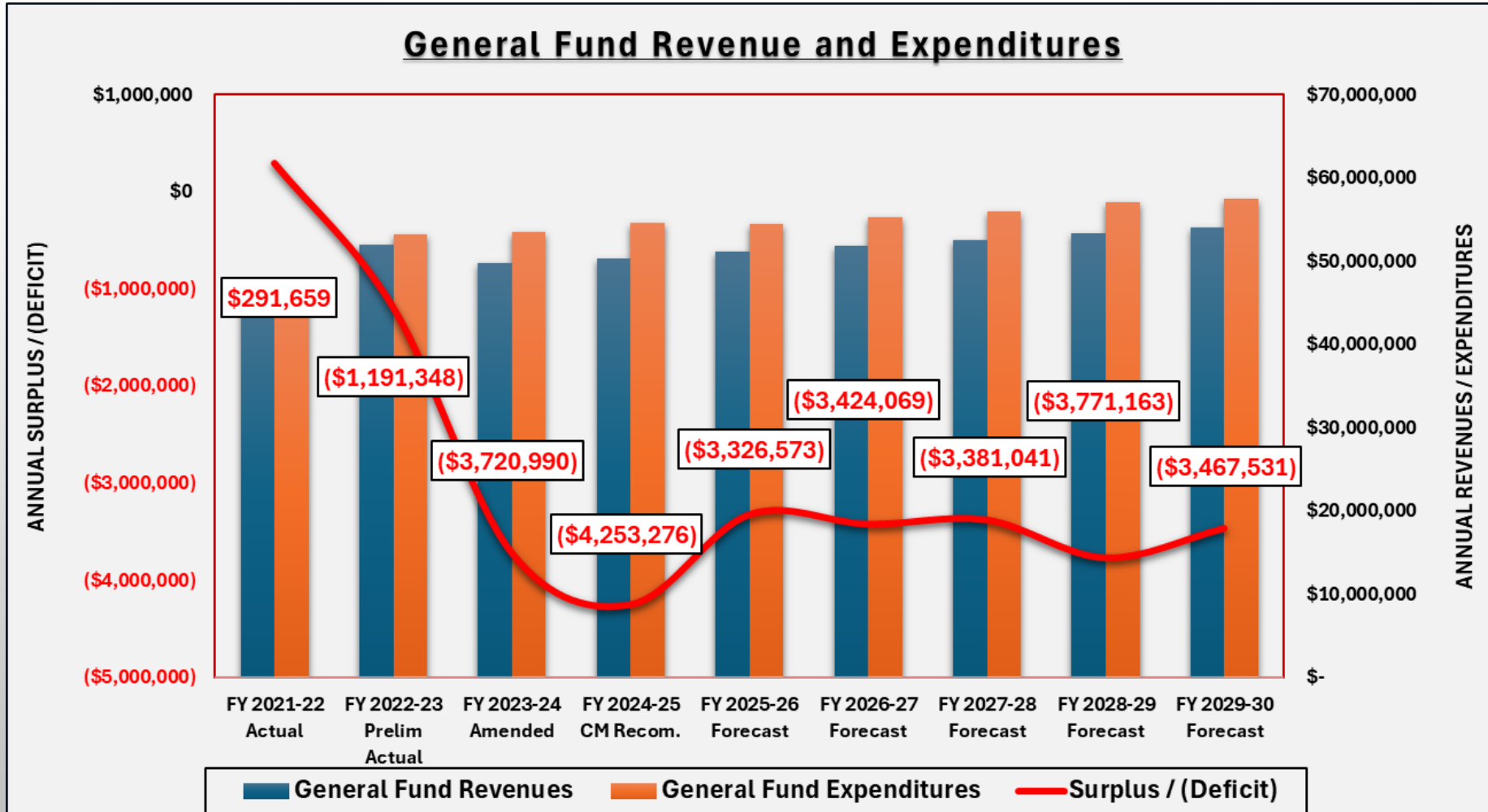
## REVENUE & EXPENDITURE ASSUMPTIONS

**KEY ASSUMPTIONS USED TO DEVELOP FORECAST (BASED ON FY 2024-25 CITY MANAGER'S RECOMMENDED BUDGET):**

| KEY ASSUMPTIONS   |   |
|---|---|
| REVENUES  | EXPENDITURES  |
| <ul style="list-style-type: none"> <li>- Property-Related Taxes ~2.5% - 3.0%</li> <li>- Sales Taxes ~ 1.4% - 1.5%</li> <li>- Transient Occupancy Tax ~2.0%</li> <li>- PG&amp;E Franchise Fees ~ 2.5% - 4.0%</li> <li>- Development / Planning Revenues - Flat</li> <li>- Annual Transfers In:               <ul style="list-style-type: none"> <li>- Gas Tax Fund - \$1.4 million</li> <li>- Measure A Fund - \$300,000</li> <li>- Novato PFA Fund - \$13,000</li> <li>- Hamilton Trust Fund - \$443,400</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>- All Authorized Positions Filled</li> <li>- Negotiated Salary Increases (FY2024-25 Only)</li> <li>- Employment-Related Costs ~ 1.0% - 2.0%</li> <li>- CIP-Based Cost Drivers ~ 0.0% - 4.0%</li> <li>- CalPERS Costs Based on July 2023 Actuarial Reports</li> </ul> |

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

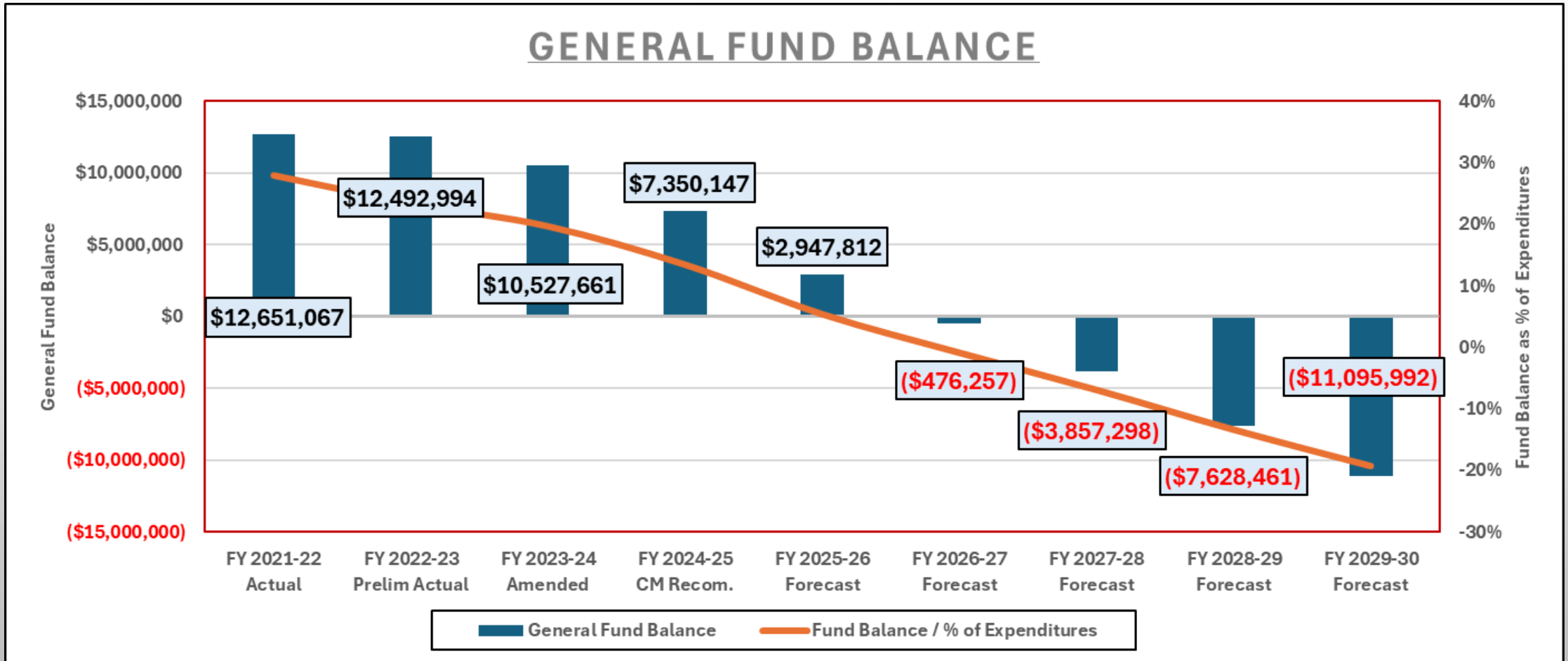
## BASELINE FINANCIAL FORECAST – RESULTS



Systemic deficits of \$3.4 - \$3.8 million begin in FY 2025-26

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## BASELINE FINANCIAL FORECAST – RESULTS



**General Fund Reserves exhausted by end of FY 2026-27**

# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## BASELINE FINANCIAL FORECAST – OBSERVATIONS

### FORECAST KEY OBSERVATIONS:

- SYSTEMIC DEFICITS OF \$3.4 - \$3.8 MILLION BEGINNING IN FY 2025-26
- PERSONNEL COSTS REQUIRED TO DELIVER SUPPRESSED LEVEL OF SERVICE (DUE TO FISCAL RESTRAINTS) REPRESENT ~ 70% OF ALL EXPENDITURES IN GENERAL FUND
- GENERAL FUND INVESTMENT IN CAPITAL EACH YEAR IN FORECAST = \$640,000  
– *THIS AMOUNT IS INSUFFICIENT BASED ON CITY'S CAPITAL IMPROVEMENT PLAN*
- TRANSIENT OCCUPANCY TAX GENERATED FROM THE ADDITION OF A 100-ROOM HOTEL STARTING IN JANUARY 2025 - \$440,000 ANNUALLY
- GENERAL FUND PORTION OF ANNUAL CALPERS UAAL COSTS EXPECTED TO INCREASE BY APPROXIMATELY \$2.2 MILLION IN NEXT FIVE YEARS
- THE FULLY-LOADED COST OF PROVIDING 1% OF SALARY TO ALL EMPLOYEES CITYWIDE IN FY 2025-26 IS APPROXIMATELY \$256,000

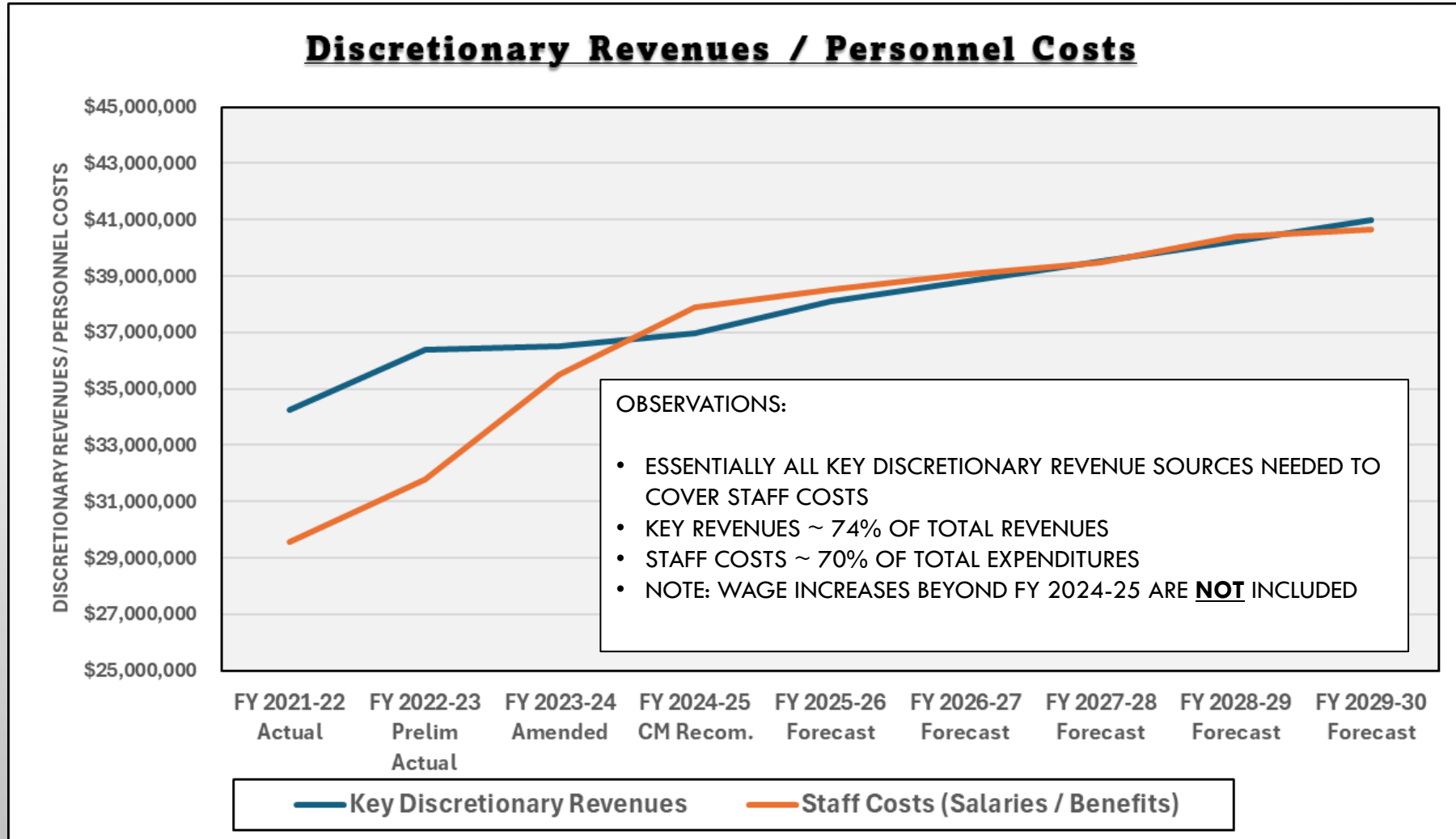


# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## BASELINE FINANCIAL FORECAST – OBSERVATIONS

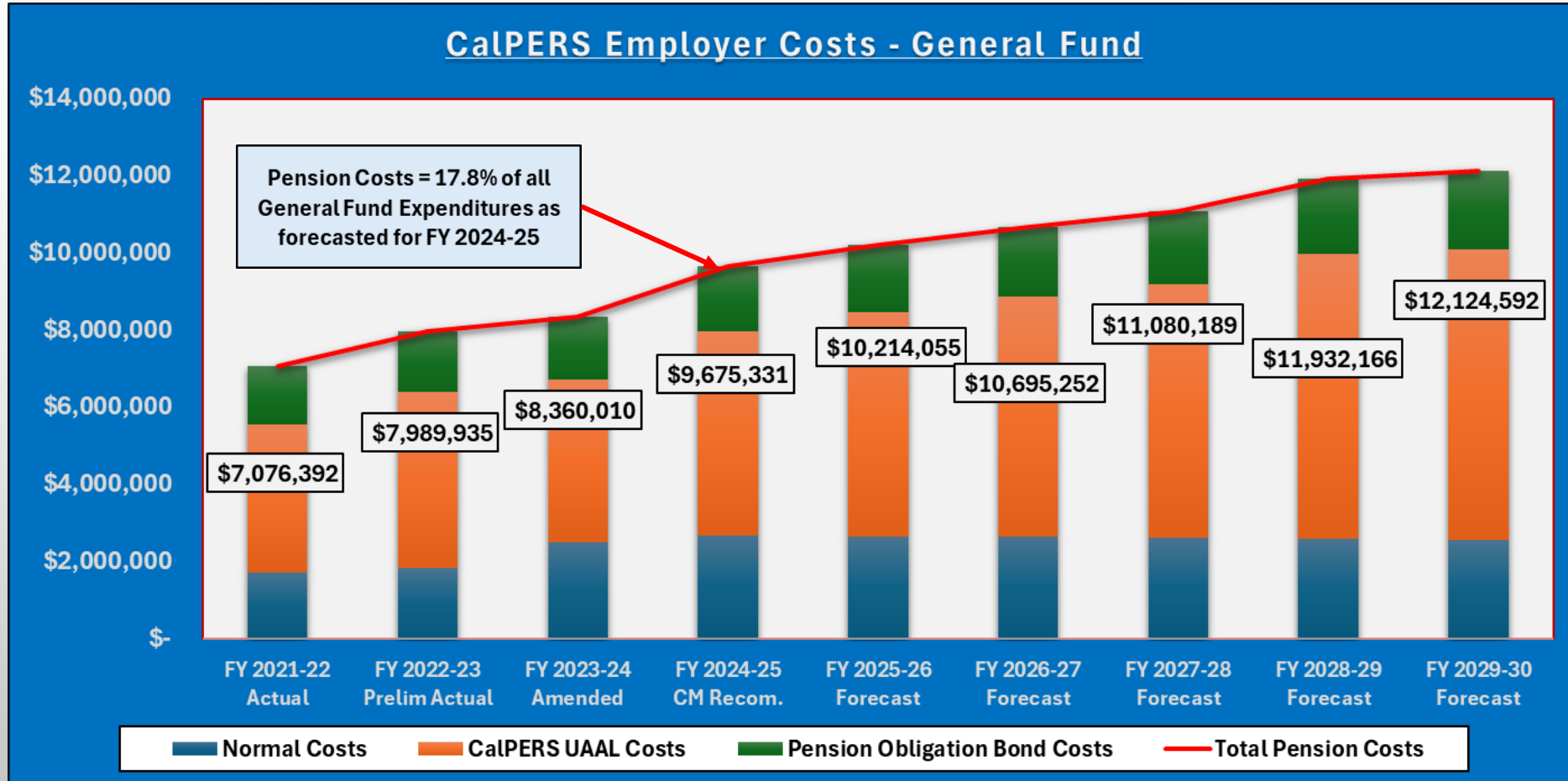
### KEY REVENUES:

- Property and Related Taxes
- Sales Taxes
- Transient Occupancy Taxes



# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## BASELINE FINANCIAL FORECAST – OBSERVATIONS

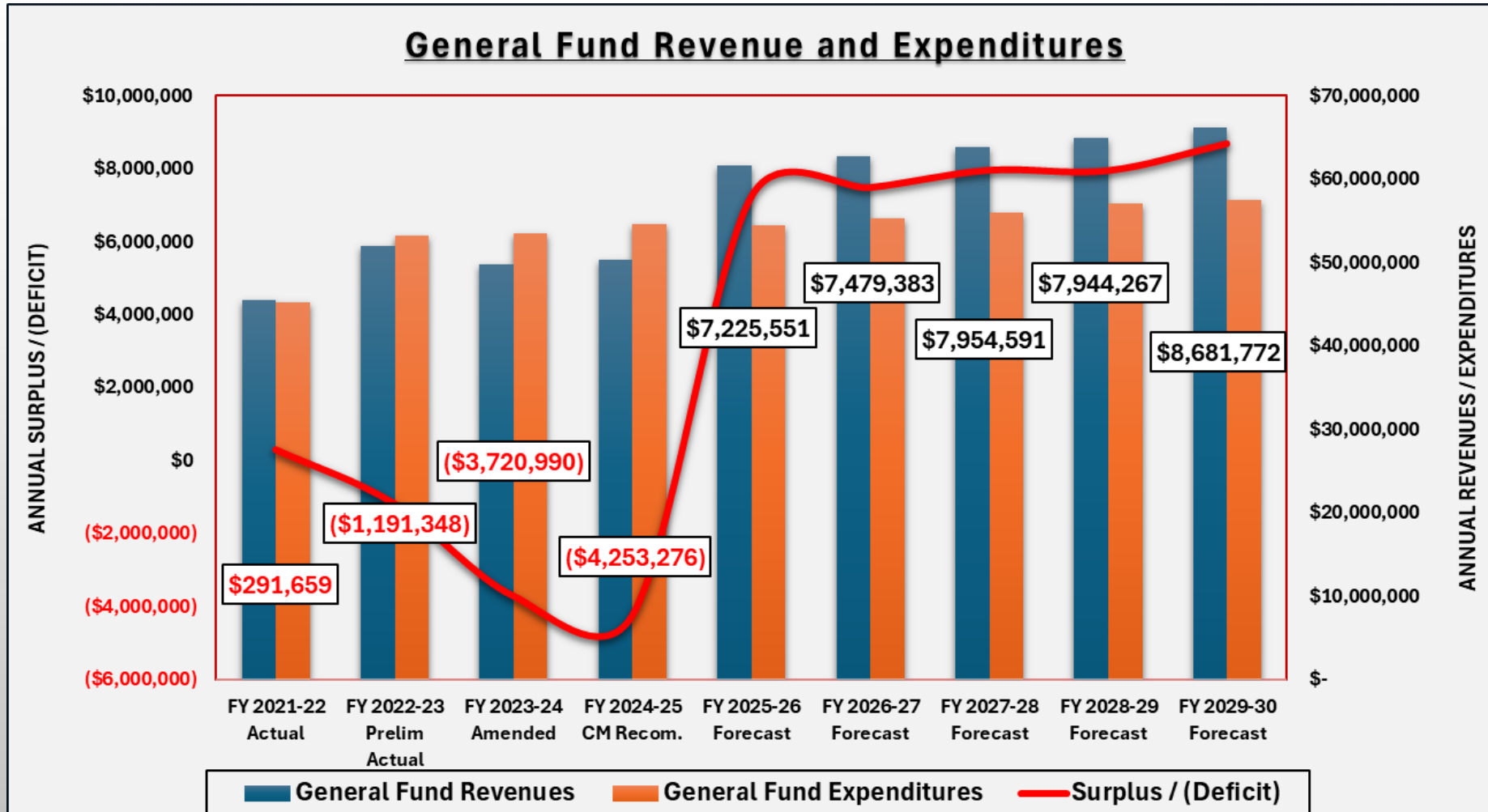


|                               | FY2021-22<br>Actual | FY2022-23<br>Prelim Actual | FY2023-24<br>Amended | FY2024-25 CM<br>Recom. | FY2025-26<br>Forecast | FY2026-27<br>Forecast | FY2027-28<br>Forecast | FY2028-29<br>Forecast | FY2029-30<br>Forecast |
|-------------------------------|---------------------|----------------------------|----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Normal Costs                  | \$ 1,717,356        | \$ 1,839,208               | \$ 2,501,147         | \$ 2,676,269           | \$ 2,671,430          | \$ 2,657,179          | \$ 2,625,510          | \$ 2,611,642          | \$ 2,583,907          |
| CalPERS UAAL Costs            | \$ 3,846,583        | \$ 4,578,561               | \$ 4,234,000         | \$ 5,316,686           | \$ 5,797,696          | \$ 6,232,632          | \$ 6,582,474          | \$ 7,375,900          | \$ 7,529,441          |
| Pension Obligation Bond Costs | \$ 1,512,453        | \$ 1,572,166               | \$ 1,624,863         | \$ 1,682,376           | \$ 1,744,928          | \$ 1,805,441          | \$ 1,872,205          | \$ 1,944,624          | \$ 2,011,243          |
| <b>Total Pension Costs</b>    | <b>\$ 7,076,392</b> | <b>\$ 7,989,935</b>        | <b>\$ 8,360,010</b>  | <b>\$ 9,675,331</b>    | <b>\$ 10,214,055</b>  | <b>\$ 10,695,252</b>  | <b>\$ 11,080,189</b>  | <b>\$ 11,932,166</b>  | <b>\$ 12,124,592</b>  |



# GENERAL FUND MULTI-YEAR FINANCIAL FORECAST

## FORECAST IMPACTS OF IMPLEMENTATION OF 0.75% TUT



**TUT of 0.75% adds approximately \$10.5 million to General Fund annually**

**GENERAL FUND MULTI-YEAR FINANCIAL FORECAST**  
**DISCUSSION AND QUESTIONS**

***DISCUSSION AND QUESTIONS***



GODBE RESEARCH  
Gain Insight



## City of Novato: 2024 City of Novato Sales Tax Survey

June 2024

# Overview and Research Objectives

The City of Novato commissioned Godbe Research to conduct a survey of local voters with the following research objectives:

- Gauge overall perceptions of quality of life in Novato;
- Gauge satisfaction with the City's provision of services and management of public funds;
- Assess potential voter support for a sales tax measure to maintain City services with funding that cannot be taken by Sacramento;
- Prioritize projects and programs to be funded with the proceeds;
- Identify the rate and duration at which voters will support the measures; and
- Assess opinion on the future direction of the economy;
- Identify any differences in voter support due to demographic and/or voter behavioral characteristics.

# Methodology Overview

- Data Collection Landline (16), cell (45), text to online (292), and email to online (57) interviewing
- Universe 30,257 likely November 2024 voters in the City of Novato
- Fielding Dates May 20 through 29, 2024
- Interview Length 25 minutes
- Sample Size n=410
- Margin of Error  $\pm 4.81\%$



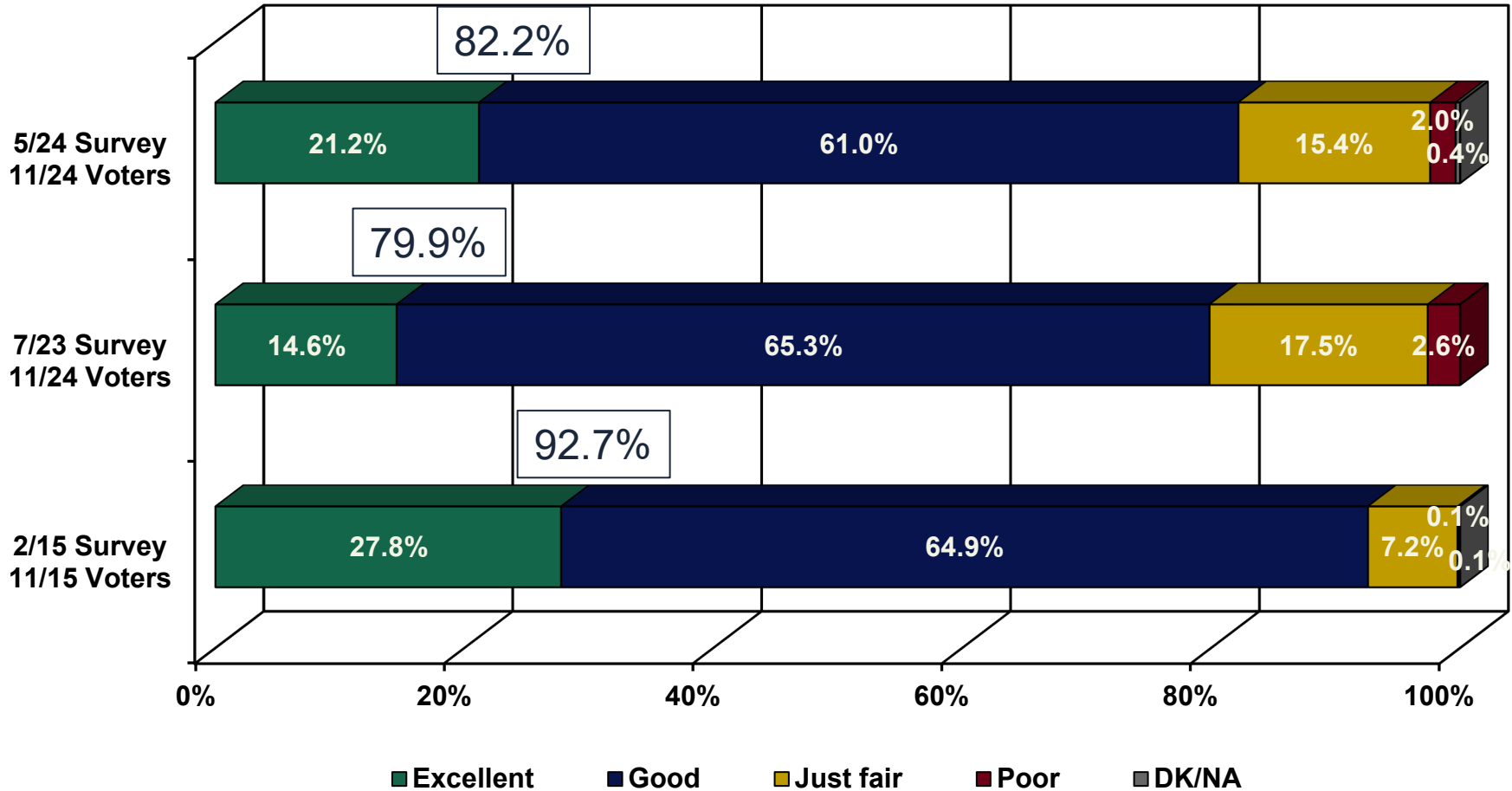
GODBE RESEARCH  
Gain Insight



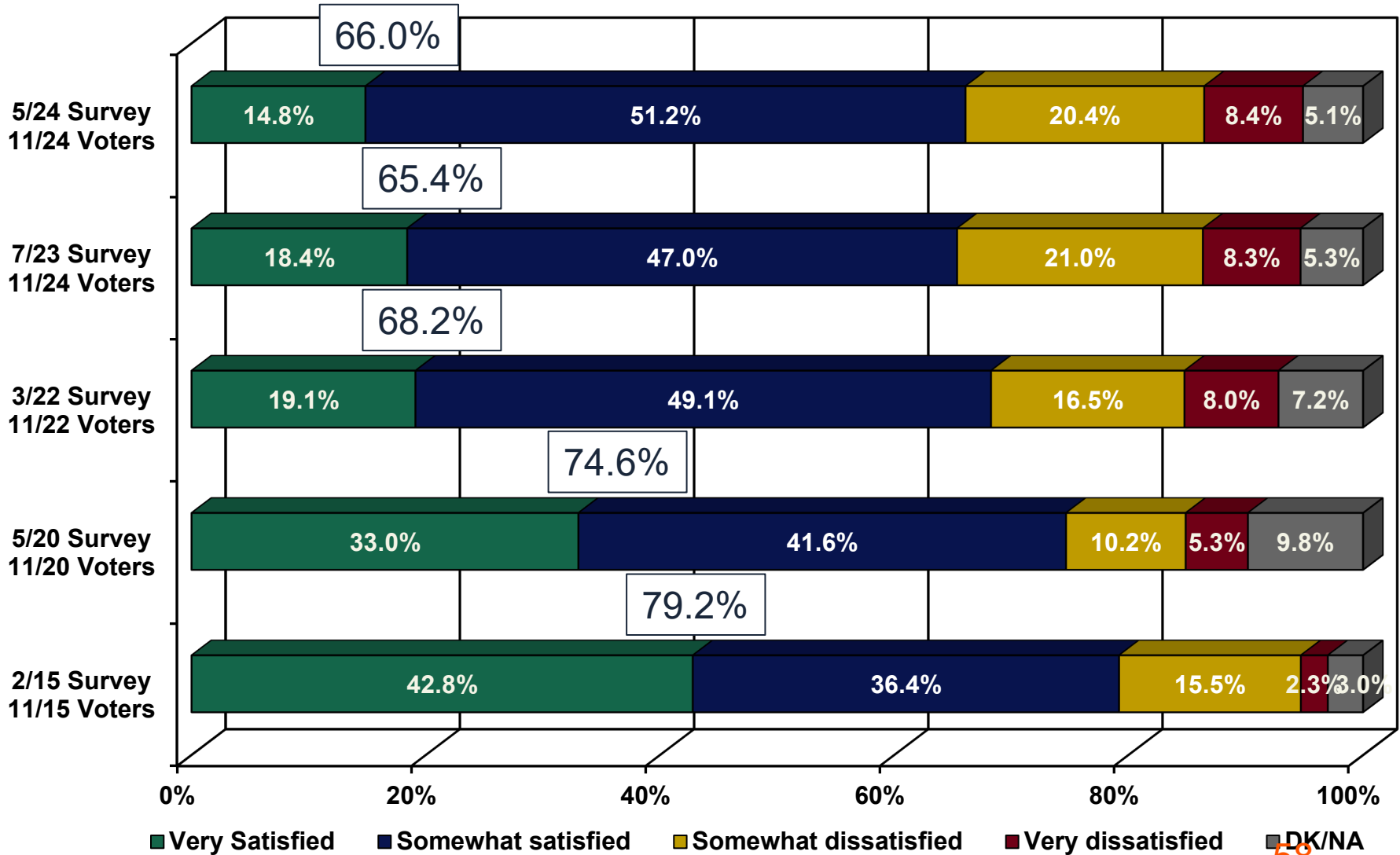
## Key Findings



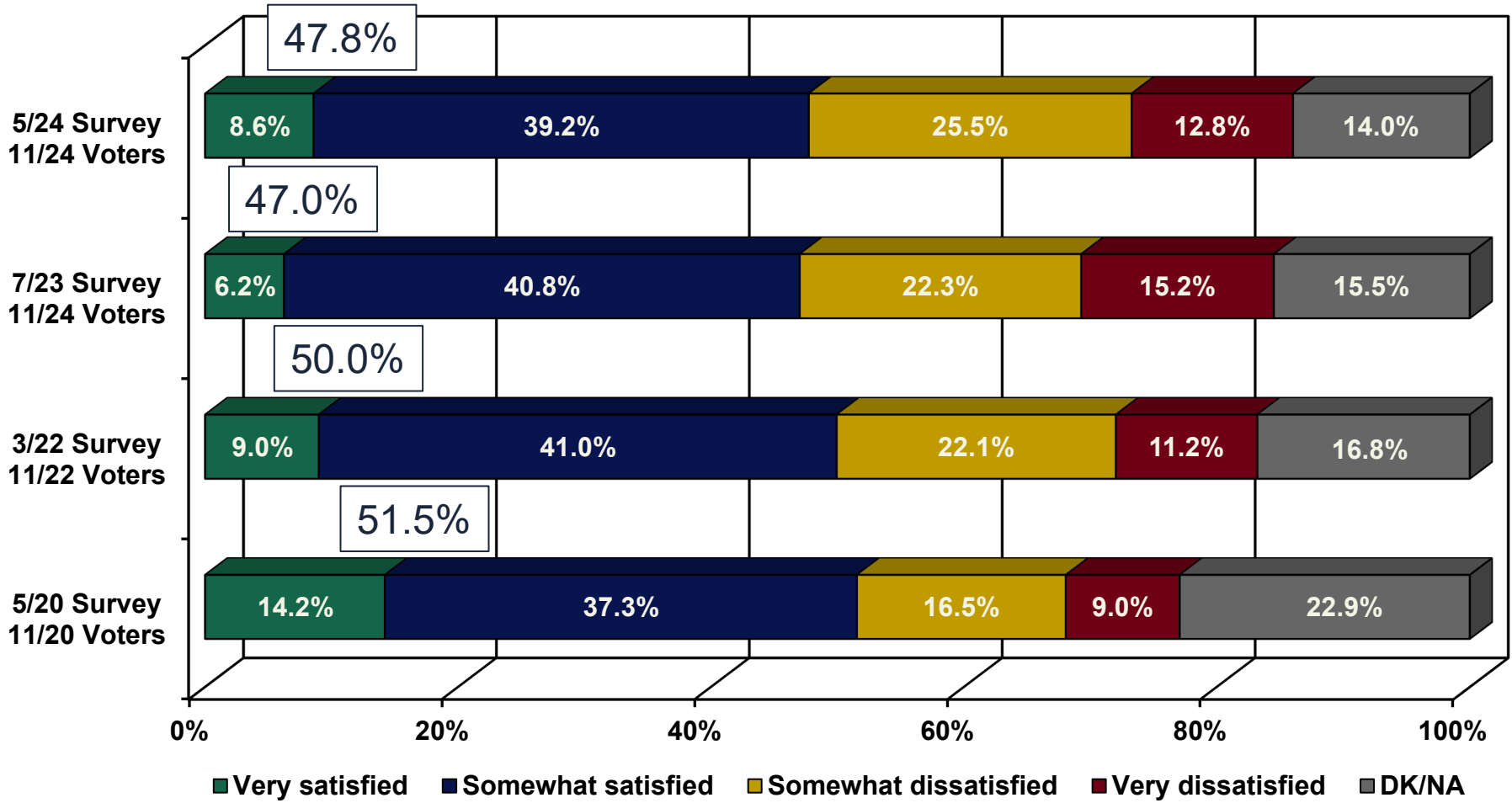
# Q1. Satisfaction With Overall Quality of Life



# Q2. Satisfaction With Provision of City Services

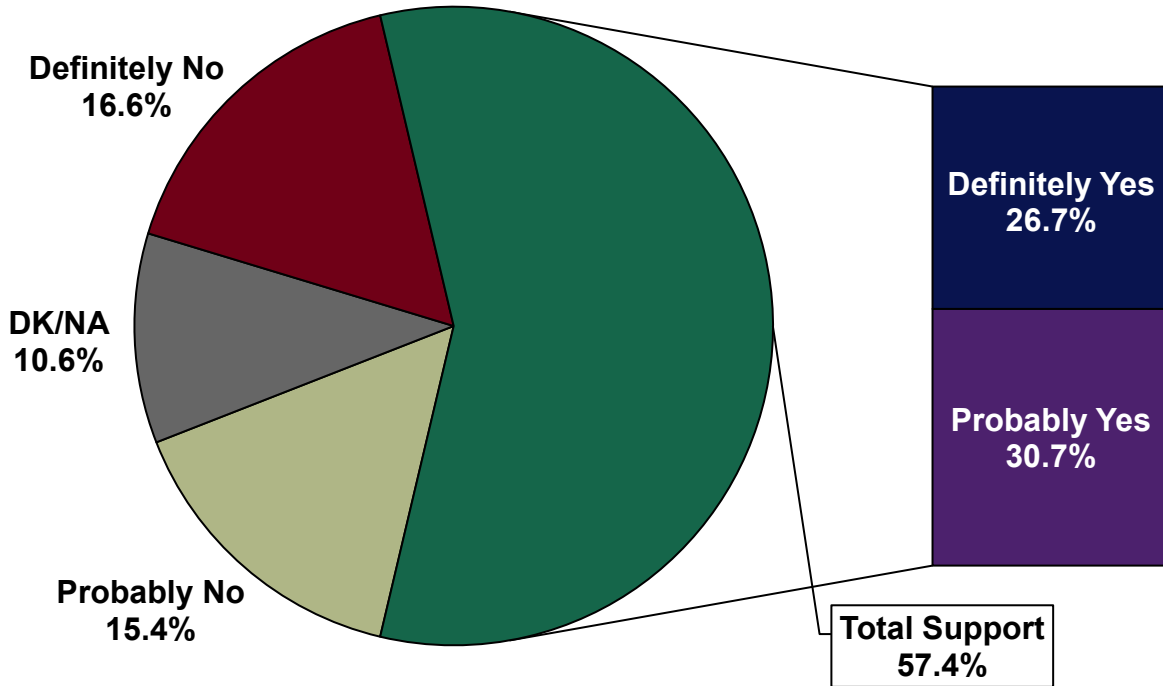


# Q3. Satisfaction With the Management of Public Funds



# Q4. Uninformed Support for Sales Tax Measure

## Likely November 2024 Voters

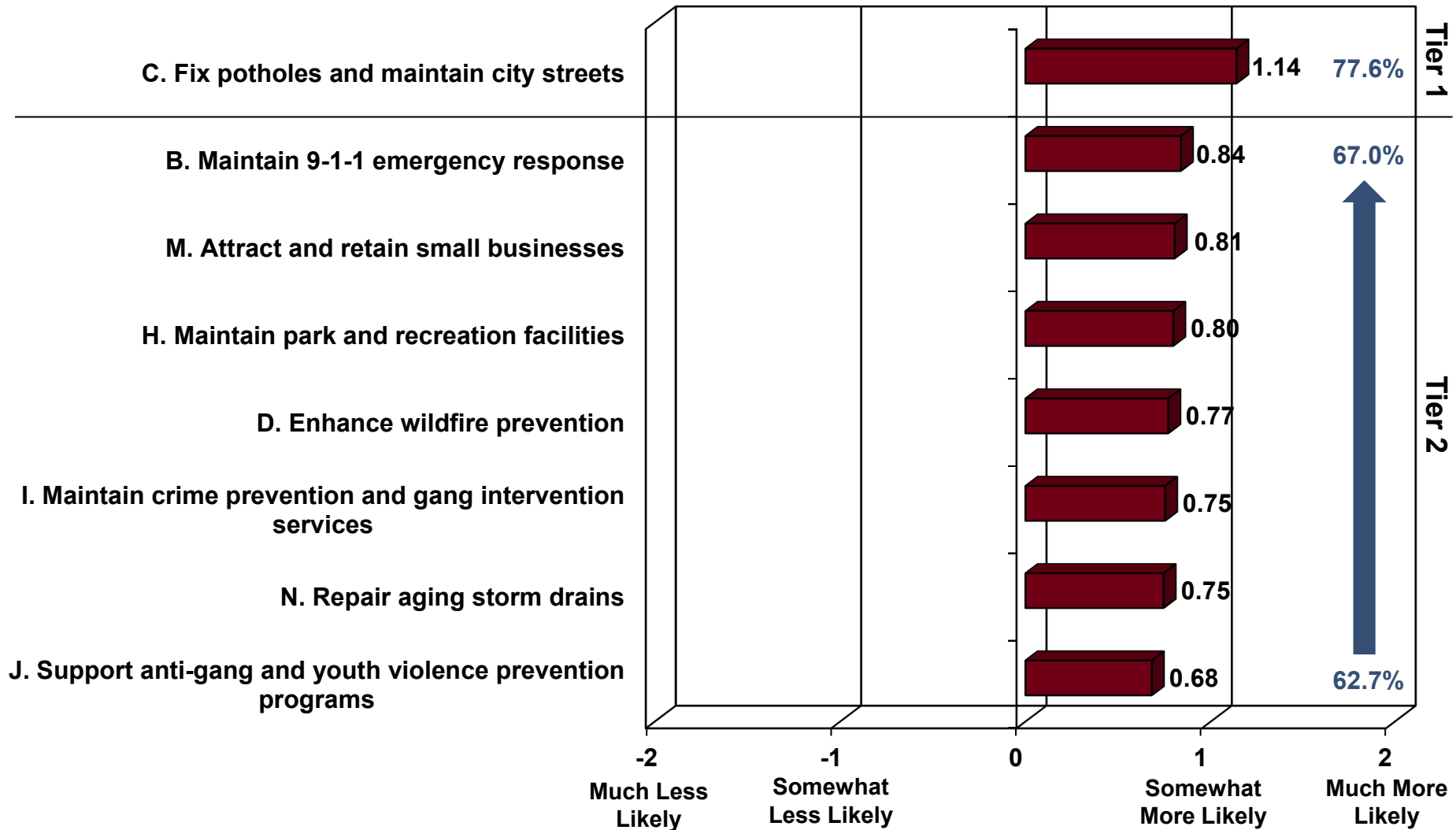


Shall the measure continuing locally controlled funding, that the State cannot take away, and maintain City of Novato's services, such as:

- fixing potholes/ streets;
- enhancing wildfire prevention;
- maintaining 9-1-1 emergency response, crime/ gang prevention;
- maintaining parks/ street medians;
- addressing homelessness/ mental health; and
- attracting/ retaining small businesses;

by establishing a  $\frac{3}{4}\text{¢}$  sales tax in the City of Novato, until ended by voters, for general government use, providing an additional \$10,300,000 annually, with independent citizens' oversight, annual audits be adopted?

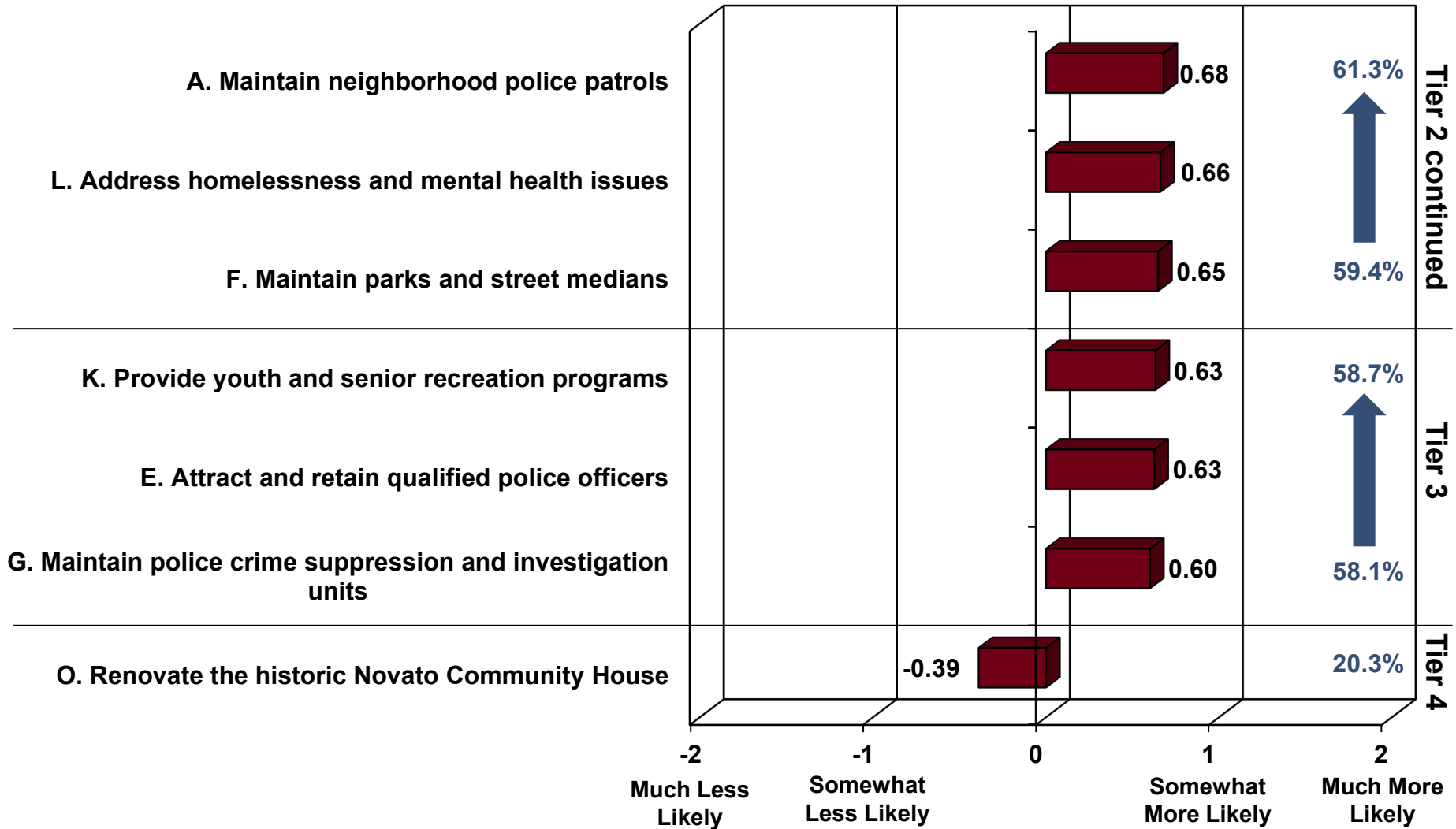
# Q5. Features of the Measures I Likely November 2024 Voters



Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, "No Effect" = 0, "Somewhat Less Likely" = -1, and "Much Less Likely" = -2.

# Q5. Features of the Measures II

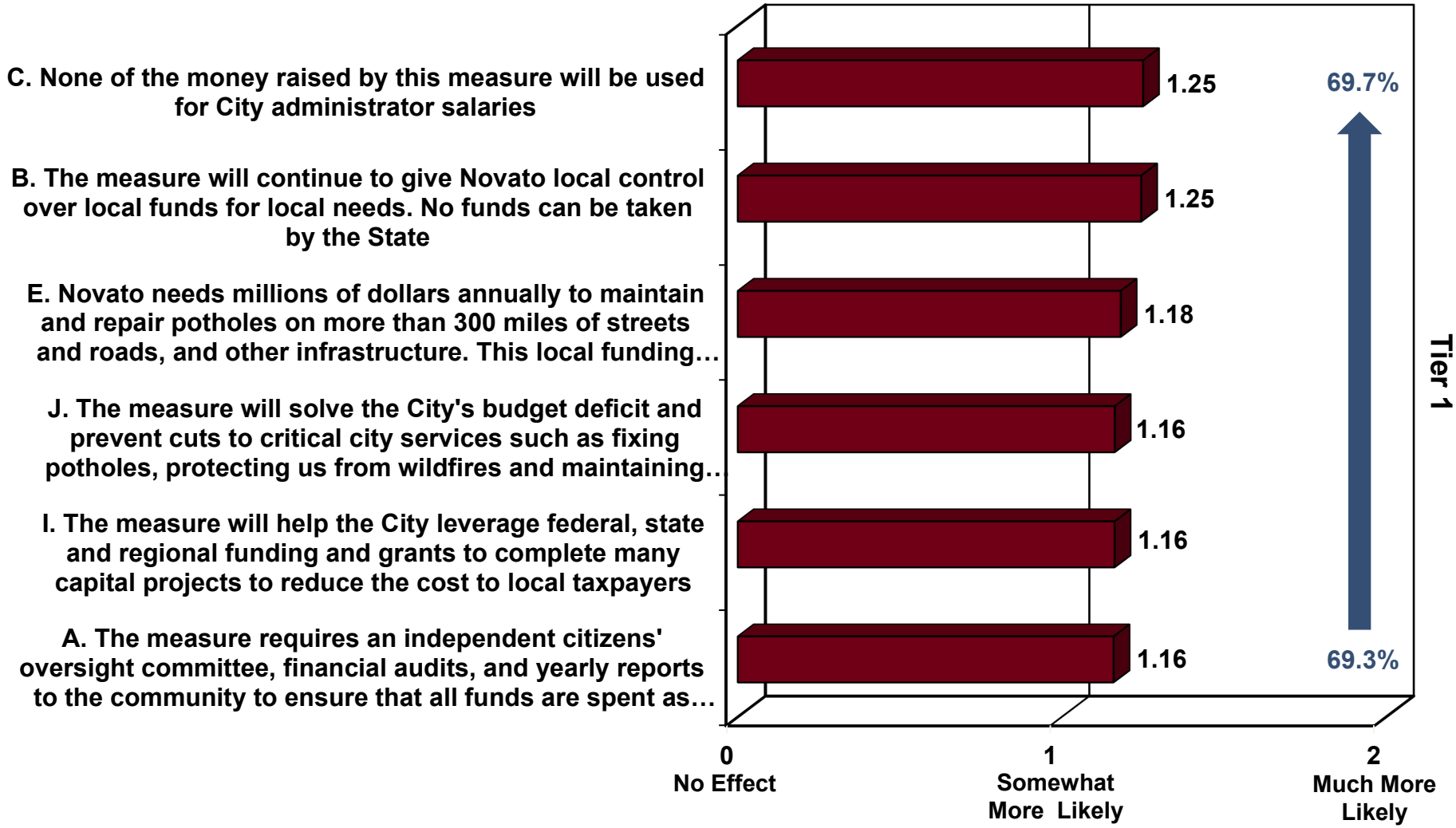
## Likely November 2024 Voters



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# Q6. Informational Statements I

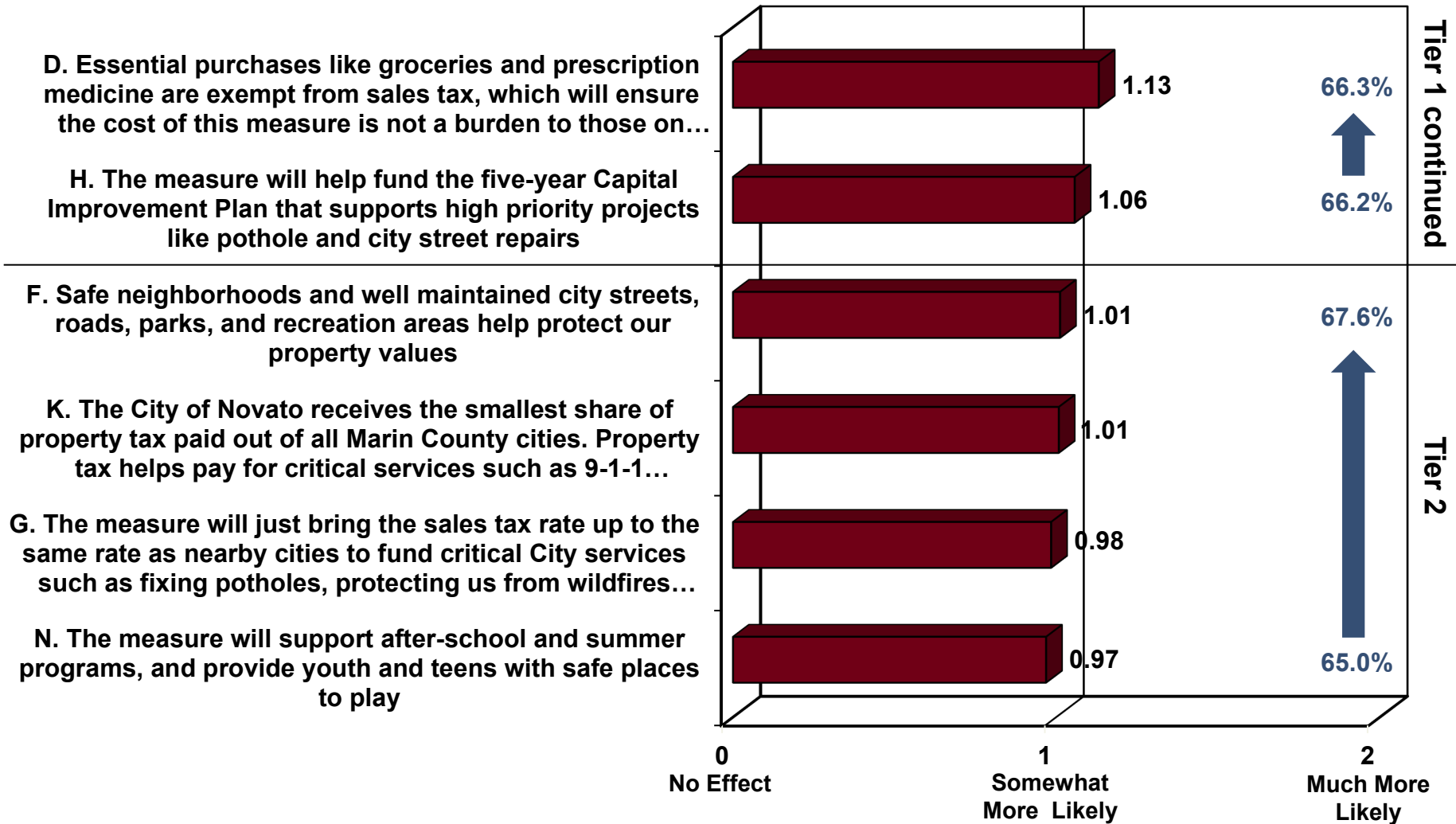
## Likely November 2024 Voters



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# Q6. Informational Statements II

## Likely November 2024 Voters

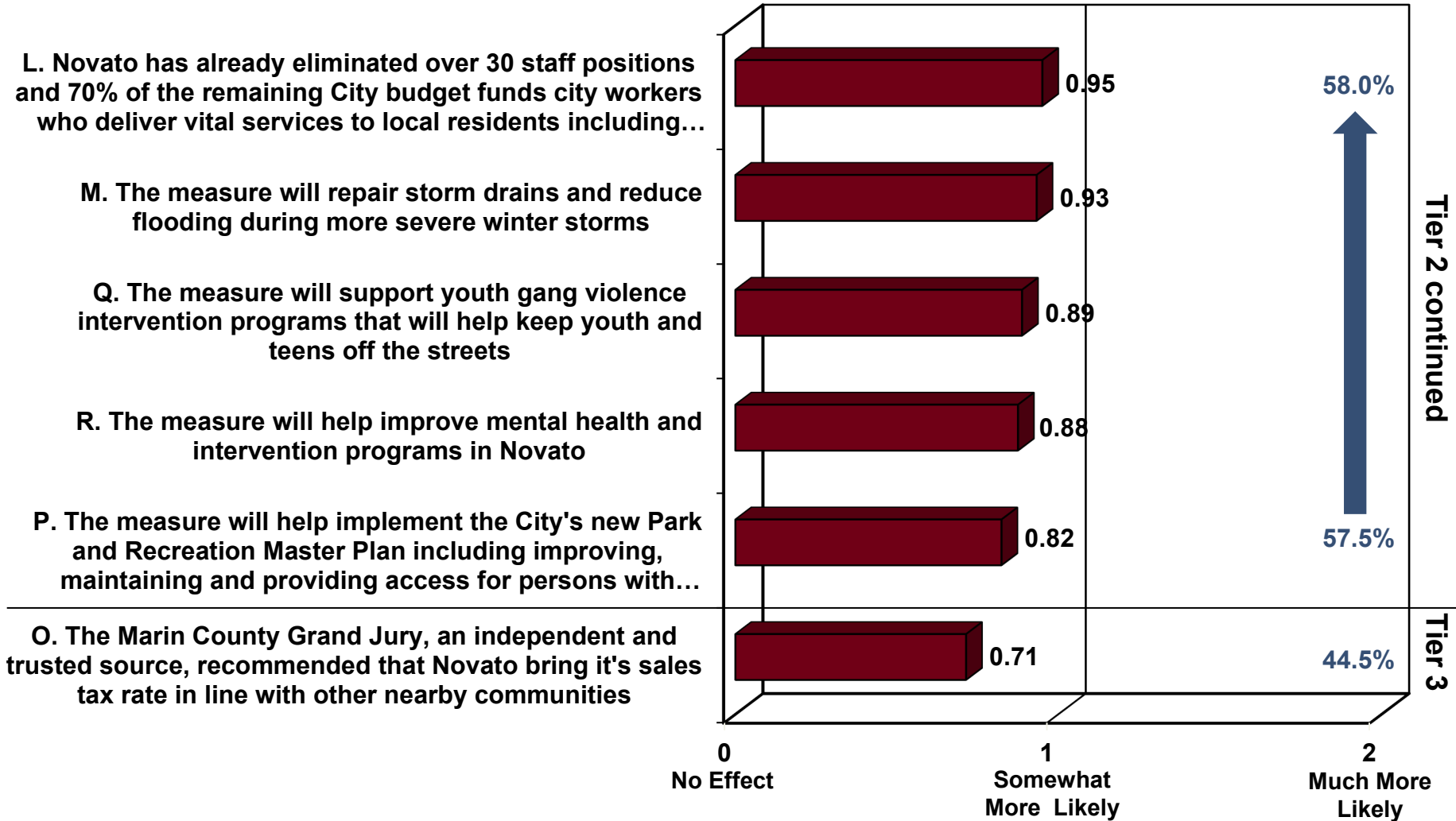


Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.



# Q6. Informational Statements III

## Likely November 2024 Voters

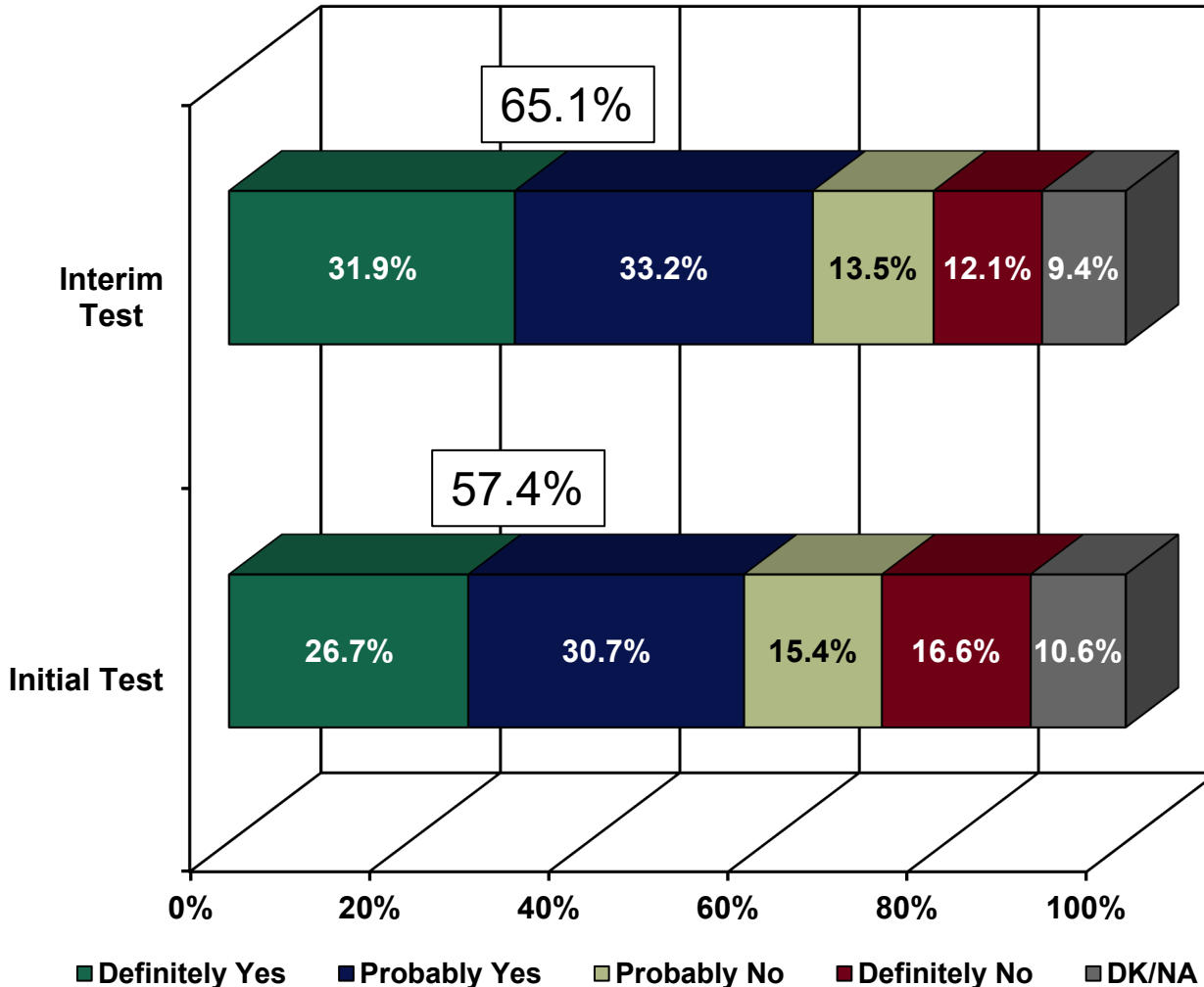


65

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.

# Q7. Interim Support for Sales Tax Measure

## Likely November 2024 Voters

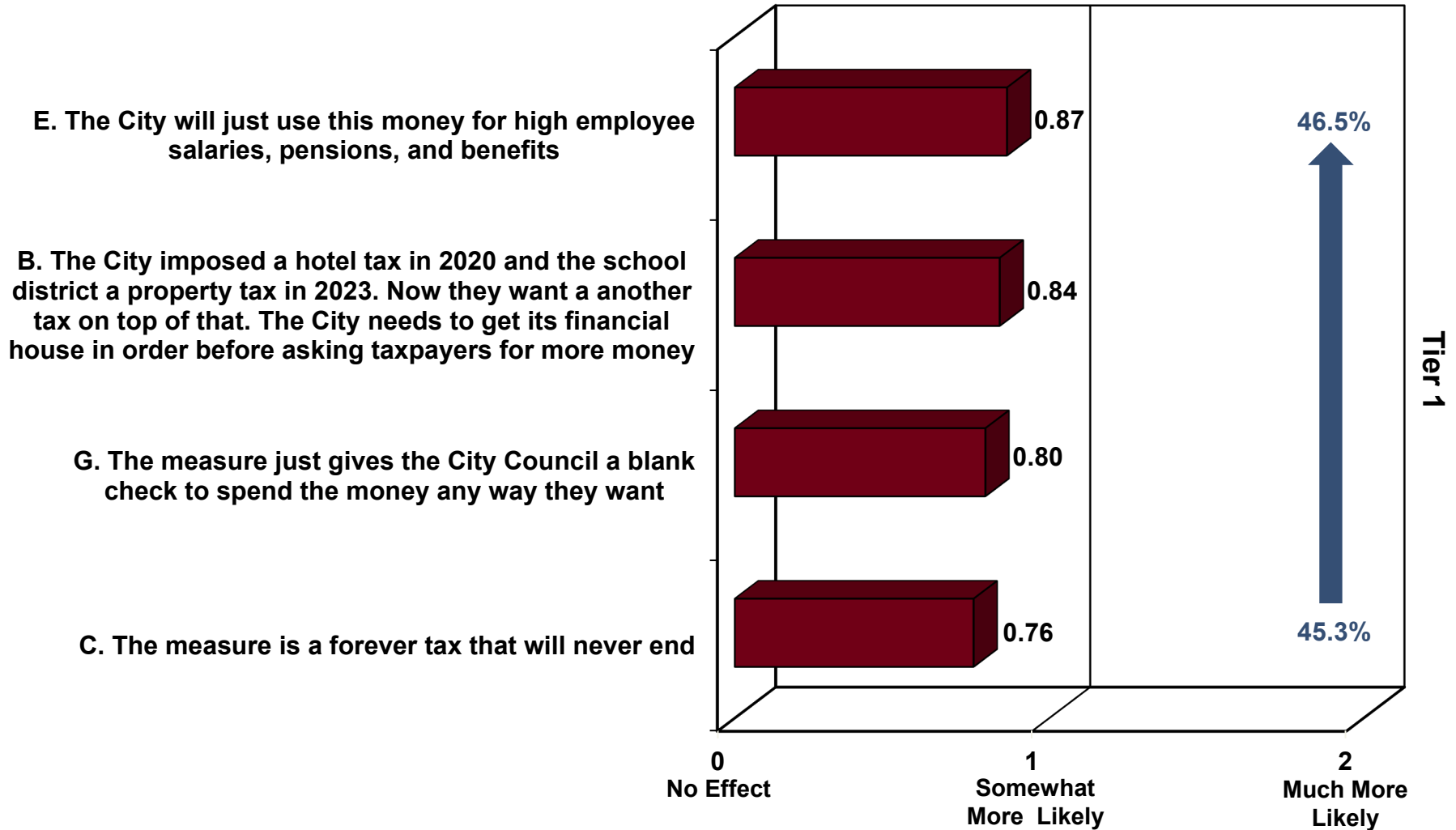


Shall the measure continuing locally controlled funding, that the State cannot take away, and maintain City of Novato's services, such as:

- fixing potholes/ streets;
- enhancing wildfire prevention;
- maintaining 9-1-1 emergency response, crime/ gang prevention;
- maintaining parks/ street medians;
- addressing homelessness/ mental health; and
- attracting/ retaining small businesses;

by establishing a  $\frac{3}{4}\text{¢}$  sales tax in the City of Novato, until ended by voters, for general government use, providing an additional \$10,300,000 annually, with independent citizens' oversight, annual audits be adopted?

# Q8. Critical Statements I Likely November 2024 Voters

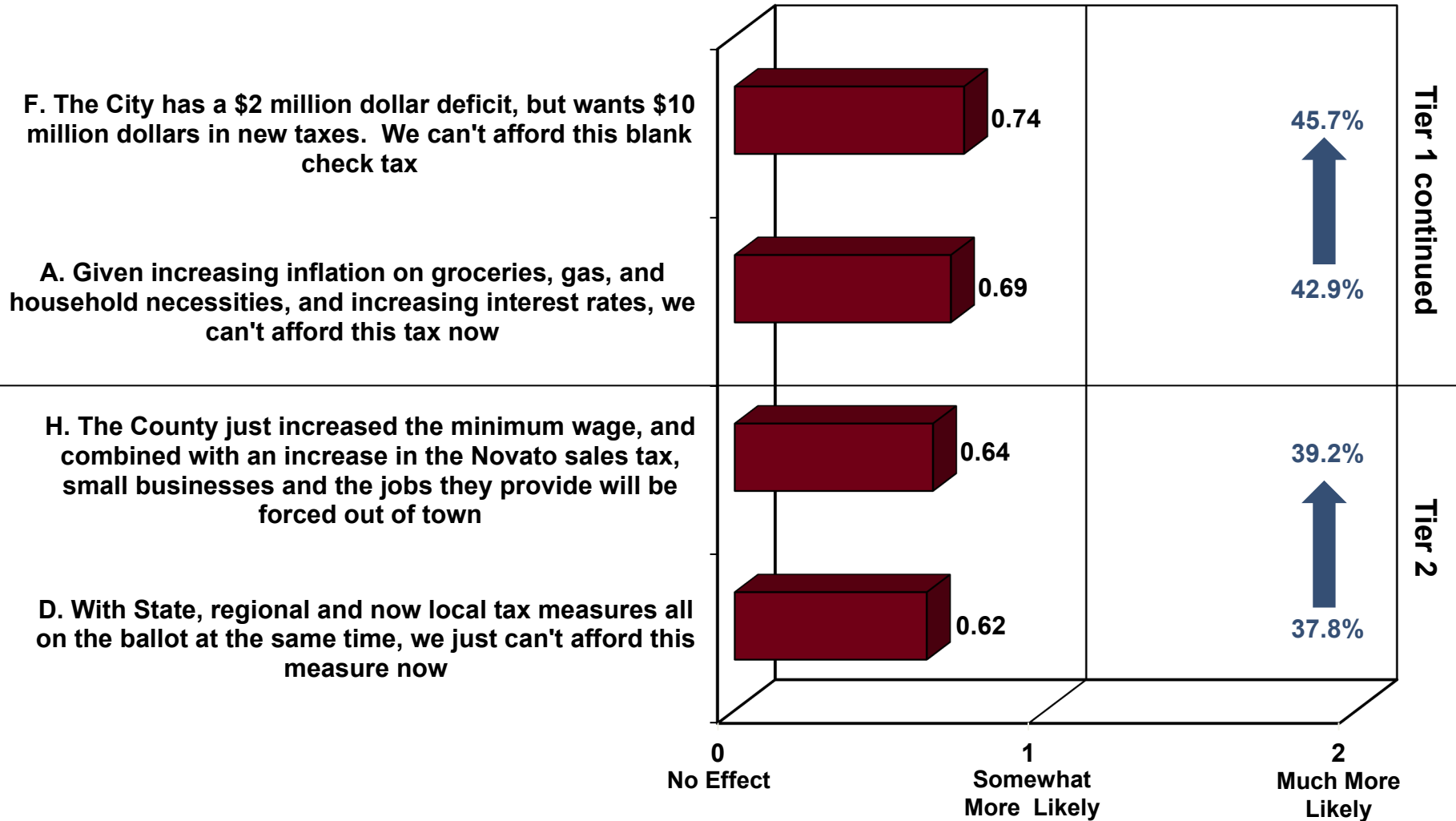


67

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.

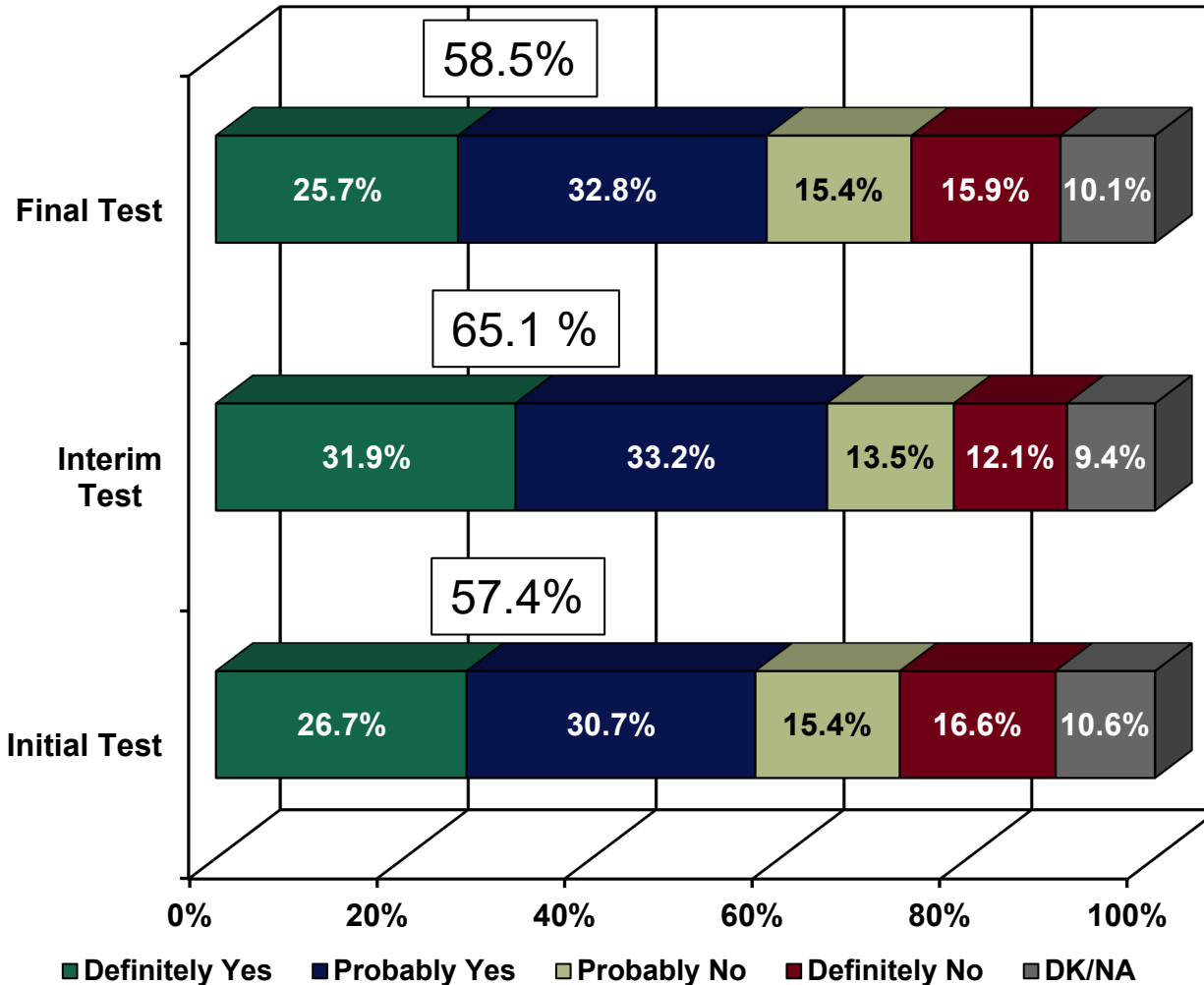
# Q8. Critical Statements II

## Likely November 2024 Voters



Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.

# Q9. Informed Support for Sales Tax Measure Likely November 2024 Voters



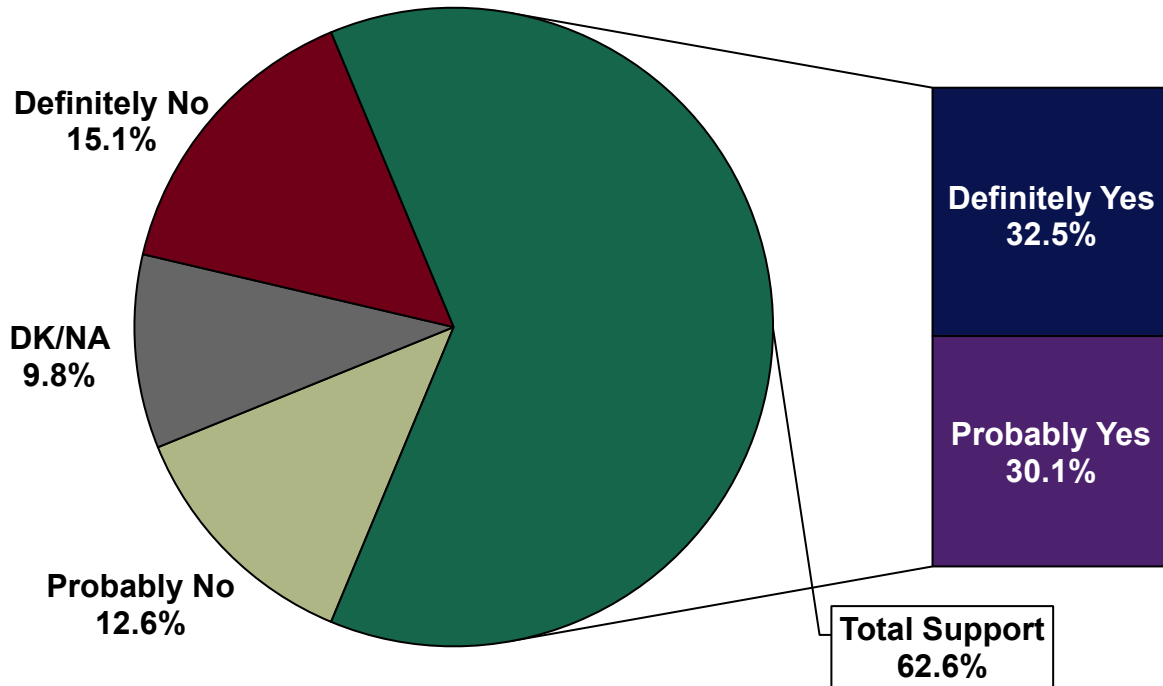
Shall the measure continuing locally controlled funding, that the State cannot take away, and maintain City of Novato's services, such as:

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- maintaining parks/ street medians;
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by establishing a  $\frac{3}{4}\%$  sales tax in the City of Novato, until ended by voters, for general government use, providing an additional \$10,300,000 annually, with independent citizens' oversight, annual audits be adopted?

# Q10. Support for Alternative 1/2¢ Sales Tax Measure

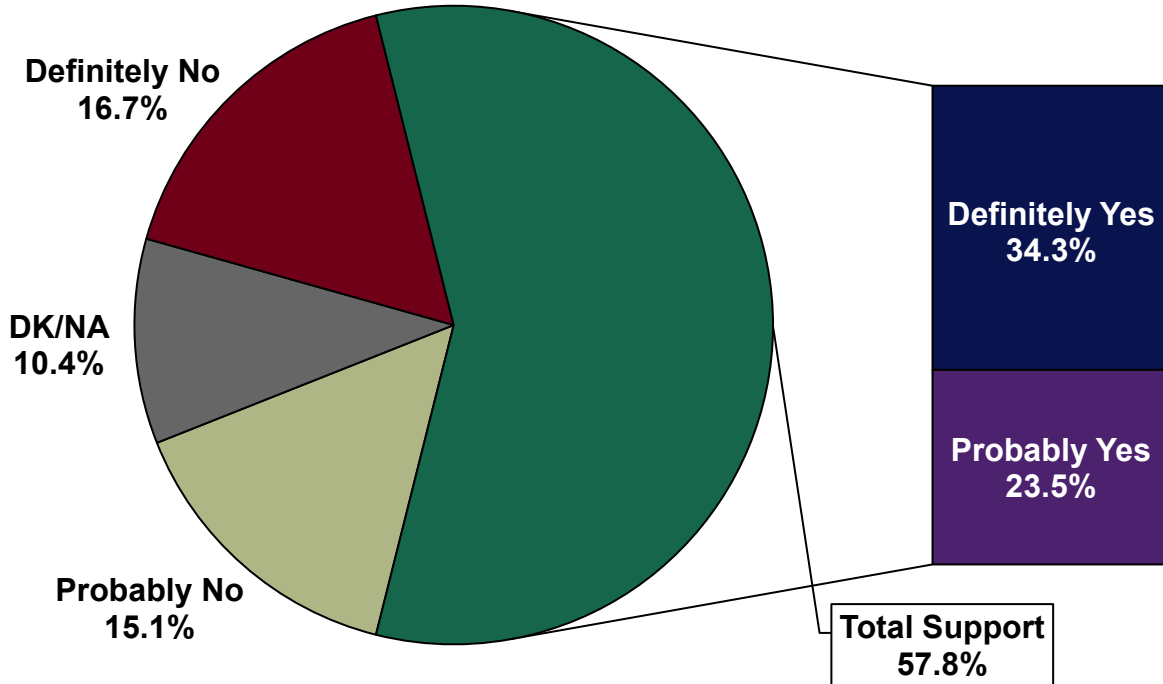
## Likely November 2024 Voters



Instead of increasing the local sales tax rate by 3/4 cent to fix potholes and streets; enhance wildfire prevention; maintain 9-1-1 emergency response, crime and gang prevention; maintain parks and street medians; address homelessness and mental health issues; and attract and retain small businesses, another alternative would be to increase the local sales tax rate by 1/2 cent until ended by voters.

# Q11. Support for Alternative 12 Year Duration Sales Tax Measure

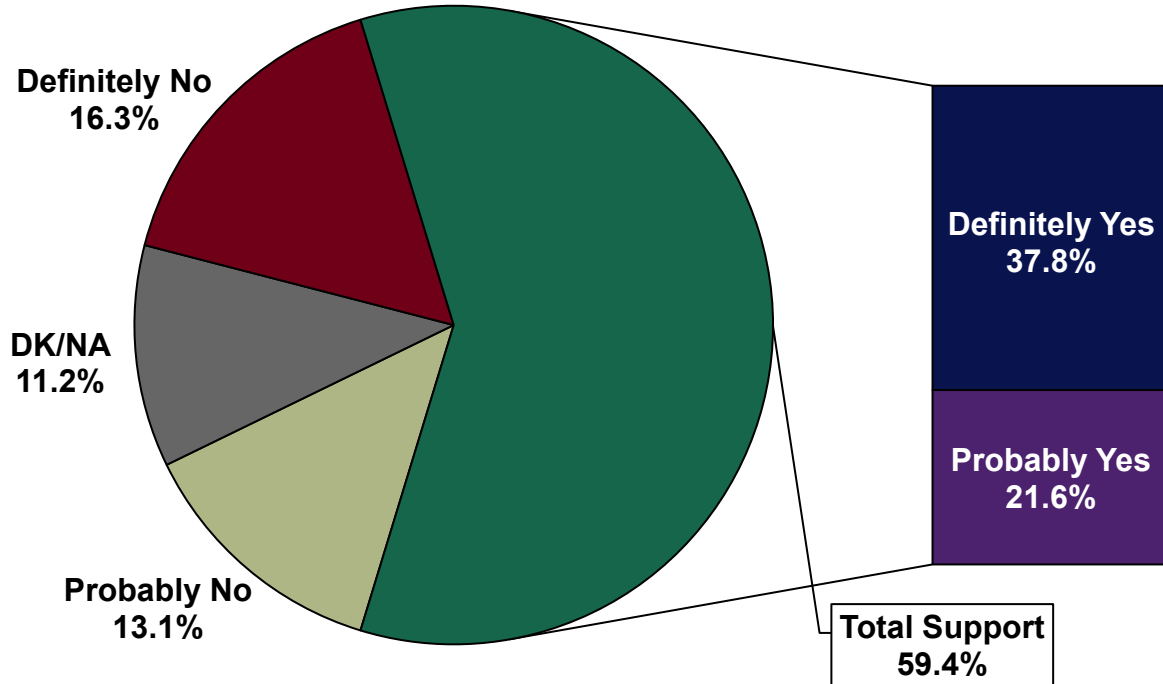
## Likely November 2024 Voters



Instead of increasing the local sales tax rate to fix potholes and streets; enhance wildfire prevention; maintain 9-1-1 emergency response, crime and gang prevention; maintain parks and street medians; address homelessness and mental health issues; and attract and retain small businesses until ended by voters; another alternative would be to increase the local sales tax rate for just 12 years.

# Q12. Support for Alternative 8 Year Duration Sales Tax Measure

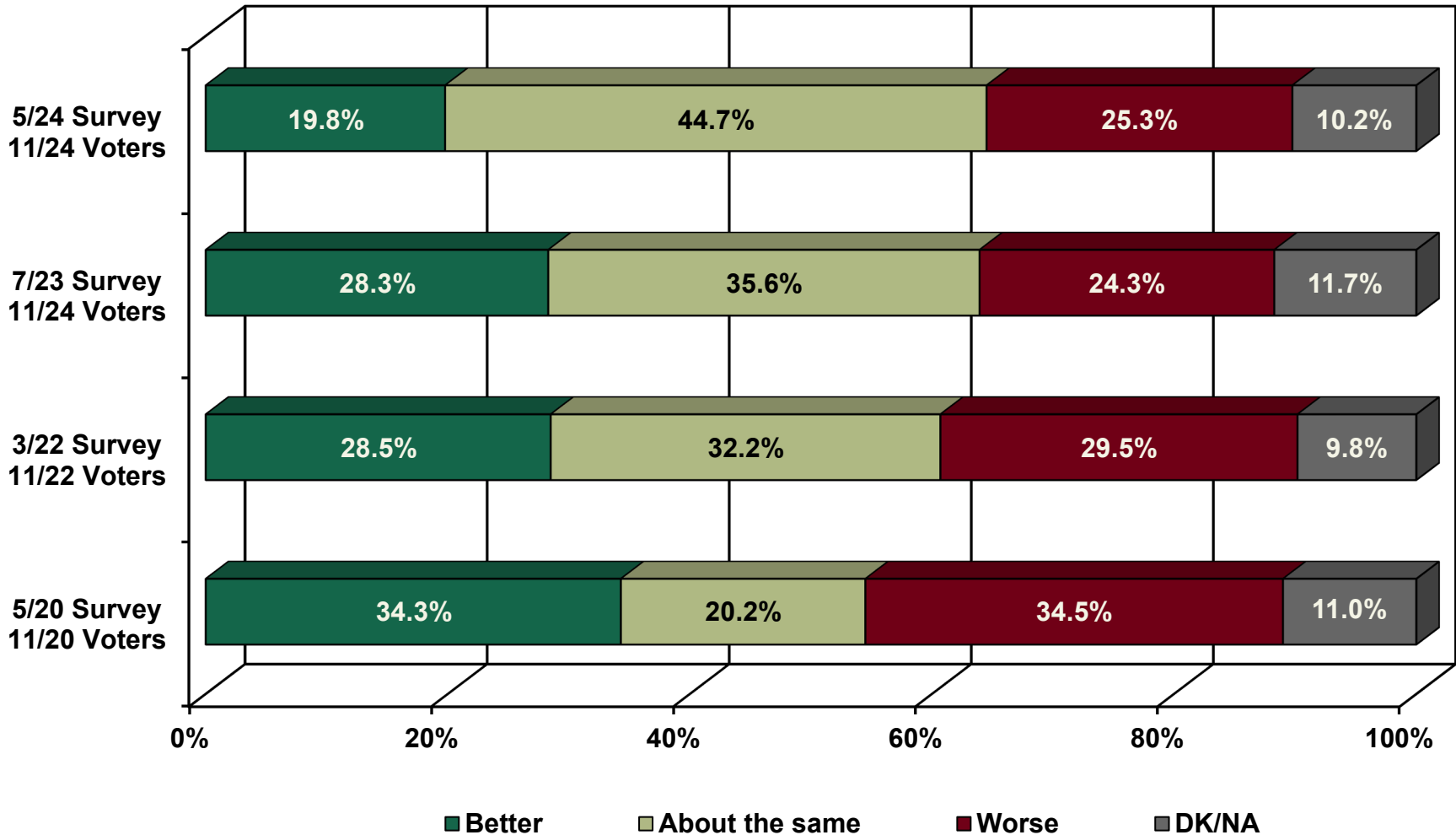
## Likely November 2024 Voters



Instead of increasing the local sales tax rate to fix potholes and streets; enhance wildfire prevention; maintain 9-1-1 emergency response, crime and gang prevention; maintain parks and street medians; address homelessness and mental health issues; and attract and retain small businesses for 12 years; another alternative would be to increase the local sales tax rate for just 8 years.



# Q13. Opinion on Future Direction of Economy





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