



CITY OF NOVATO
CALIFORNIA

Finance Advisory Commission
Meeting Agenda

Thursday, October 3, 2024 – 7:30 AM

To Be Held At:

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

Chair
Larisa Thomas

Vice Chair
Tina McMillan

Members
Regina Bianucci Rus, Cris MacKenzie, Rafelina 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.

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 September 5, 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 Health/Financial Sustainability

F.2. Update on Finance Department Activities

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 November 7, 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 October 3, 2024 that the agenda was posted on the City Community Service Board at 922 Machin and on the City's website at 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, September 5, 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, Tina McMillan, Larisa Thomas, Andy Zmyslowski

Staff Present: City Manager Amy Cunningham, Finance Director Carla Carvalho-DeGraff, Deputy Finance Director Jose Morales, Accountant II Natalie Moline, Management Analyst I Stacey Hoggan

B. APPROVAL OF FINAL AGENDA

Commission Action: Upon a motion by Commissioner MacKenzie, and seconded by Commissioner Manos, the Commission voted 7-0-0-0 to approve the final agenda.

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

Noes: None

Abstain: None

Absent: None

Motion carried.

C. PUBLIC COMMENT

None

D. CONSENT ITEMS

D.1. Approve Special Meeting Minutes of July 18, 2024

D.2. Update on Finance Department Activities

Commissioners were introduced to the Deputy Finance Director, Jose Morales.

Commission Action: Upon motion by Commissioner Bianucci Rus, and seconded by Commissioner Maglio, the Commission voted 6-0-1-0 to approve items on consent with Commissioner Zmyslowski abstaining from item D.1.

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

Noes: None

Abstain: Zmyslowski

Absent: None

Motion carried.

E. UNFINISHED AND OTHER BUSINESS

F. GENERAL BUSINESS

F.1. Review Investment Strategy

PFM Asset Management (PFMAM) serves as the City's investment advisor, managing City funds according to the investment policy approved by City Council. This policy is reviewed annually and updated for any changes to the California Code. During the May 14, 2024, City Council meeting councilmembers directed staff to look further into allowable investments to determine if the investment strategies should be updated.

PFMAM Senior Analyst, Allison Kaune is the primary PFMAM liaison with the City and presented the Commission with an overview of investments, investment strategies, and discussed different options for potential changes in the strategy. Commissioners asked questions and provided feedback to staff. Commissioners also noted that they would like to review the procurement policy at a future meeting as the contract with PFMAM is an ever.

Upon motion by Chair Thomas, and seconded by Commissioner Bianucci Rus, the Commission voted 7-0-0-0 recommending that City Council approve the Investment strategy updates and recommended that the Hamilton Trust funds should be invested for longer durations, and that the City should prioritize development of a cash management policy prior to making any further changes to the investment policy and/or strategy related to operating funds under managed assets.

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

Noes: None

Abstain: None

Absent: None

Motion carried.

F.2. Fiscal Sustainability Model Update

In July 2021, the Finance Advisory Commission, then known as the Citizens Finance Advisory/Oversight Committee, established an ad hoc committee focused on fiscal sustainability. One of the committee's key initiatives was to update an interactive fiscal sustainability model that the community could use to understand the effects of budget surpluses and deficits. Commissioner Zmyslowski contributed to updating this model, and consultant Andy Heath reshaped it using current budget data and a five-year forecast for presentation to the Commissioners.

The Fiscal Sustainability Model allows users to explore the potential annual impacts of revenue growth and expenditures, including the effects of the proposed sales tax Measure M. It also illustrates the budget implications of staffing reductions, highlighting that fewer staff would result in diminished services to a city already operating at a suppressed level. The model will be condensed into a one-page document that will be posted on the website as soon as possible. During the meeting, Commissioners asked questions and offered feedback and suggestions.

Public comment was taken at 922 Machin Ave

1. Pam Drew

F.3. Discuss City Funded Loan Policy

At the July 23, 2024, City Council directed staff to develop a city funded loan policy. The need for a policy followed concerns about recent issuances of loans and the lack of criteria, procedures, and framework for eligibility. Staff brought a draft policy to the Commission for review and feedback. The draft policy is set to be presented to City Council at the September 24th meeting.

The Commission declined to provide feedback on the policy as they do not support the city funding any loans and believe that the City should have a no loan position therefore a policy is not needed. Commissioners also noted that they did not support that the City Council should require a super majority.

Public comment was taken at 922 Machin Ave

1. Pat Eklund

Upon motion by Chair Thomas and seconded by Commissioner Zmyslowski the Commission voted 7-0-0-0 for the Commission to recommend to the City Council that it does not support the City engaging in lending activities. The Commission cited concerns about inappropriate use of public funds and staff resources. The proposed policy creates the misleading

impression of available funds while the City operates at a deficit. If the loan policy proceeds, the Commission suggests hiring a consultant to revise the draft policy, which they found insufficient.

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

Noes: None

Abstain: None

Absent: None

Motion carried.

G. COMMITTEE AND LIAISON REPORTS

G.1. Staff Updates

None

G.2. Commission Member Reports

None

H. ADJOURNMENT

The meeting was adjourned at 10:02 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: October 3, 2024

TO: Novato Finance Advisory Commission

FROM: Amy Cunningham, City Manager
Carla Carvalho-Degraff, Finance Director

SUBJECT: Fiscal Health and Fiscal Sustainability Plan

REQUEST

Discuss and provide feedback on fiscal health and items that should be in a fiscal sustainability plan.

DISCUSSION

Staff will present you with a fiscal health dashboard. This dashboard was in use by the State of California to determine if local agencies were high risk from a fiscal health perspective. If the City was fiscally healthy these indicators would be “green”. Being fiscally healthy is an indicator of fiscal sustainability. This dashboard is available on californiacityfinance.com and is copyrighted. The website is called the “California Local Government Finance Almanac” with data put together by Michael Coleman a leading expert in government spending, revenues and finance.

The indicators in this dashboard are based on objective data, actual performance for Fiscal Year 2022/23 and the financial forecast developed by Andy Heath based on the City’s budget. These fiscal health indicators contain potential elements for what should be included in the fiscal sustainability plan.

Attached to this document is the fiscal sustainability plan from 2014. This is attached to

show you previous thinking but give you ideas so you can give us feedback as to areas that should be considered in an updated fiscal sustainability plan.

Staff recommends that the Commission receive the presentation and provide feedback.

ATTACHMENTS

1. Fiscal Health Dashboard

CITY OF NOVATO GENERAL FUND			
Financial Health Indicators - Summary Checklist			
	Indicator	Rating	
Measures	1. Net Operating deficit / surplus. There are no recurring general fund operating deficits. General revenues are sufficient to meet the net general revenue demand of programs.		Warning
	2. Fund balance. Reserves are sufficient over multiple consecutive years and in compliance with adopted policy.		Warning
	3. Capital Asset Condition. The city is keeping pace with the aging of its capital assets.		Warning
	4. Liquidity. Cash and short-term investments are sufficient to cover current liabilities (including short-term debt and accounts payable within 60 days).		Caution
	5. Fixed costs & labor costs. Fixed costs (including debt service and other contractual obligations), salaries and benefits are stable or decreasing over multiple years relative to reasonably expected revenue growth.		Warning
	6. General fund subsidies of other funds. Any general fund subsidies other enterprises or special funds are sustainable and in compliance with adopted policy.		Caution
Practices and Conditions	7. Constraints on budgetary discretion. The city council's authority to make budget changes is not excessively constrained by charter, contract, or law.		Healthy
	8. Balancing the budget with temporary funds. The use of reserves, selling assets, deferring asset maintenance to balance the general fund has been limited, prudent and in compliance with adopted policy.		Warning
	9. Balancing the budget with borrowing. The use of short-term borrowing, internal borrowing or transfers from special funds to balance the general fund has been limited, prudent and in compliance with adopted policy.		Caution
	10. Balancing the budget by deferring employee compensation costs. Pension liabilities and other non-salary benefits have been determined, disclosed and actuarially funded in compliance with adopted policy.		Caution
	11. Balancing the budget with backloaded debt service payments. Debt service payments have not been "backloaded" into future years.		Warning
	12. Funding operating costs with non-recurring revenues. Ongoing operating costs are being funded with ongoing rather than temporary revenues (e.g., from development, etc.)		Warning
	13. Timeliness and accuracy of financial reports. Financial Reports are being filed on time. (ACFR, Annual Audit, State Controller's Financial Transactions Report)		Warning
	14. Service level solvency. Public service levels meet the standards and needs in this community.		Warning

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CITY OF NOVATO	
Adopted Financial Management Policies	
1. Use of Temporary Funds	No
2. Reserves and Fund Balance	Yes
3. Short term borrowing	No
4. Interfund Transfers	No
5. Payment of employee compensation costs	No
6. Pay-as-you-go Financing	No
7. Debt Management / Affordability	No
8. Long range financial planning	No

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STAFF REPORT

MEETING

DATE: October 3, 2024

TO: Finance Advisory Commission

FROM: Amy Cunningham, City Manager
Carla Carvalho-Degraff, Finance Director

SUBJECT: Update on Finance Department Activities

REQUEST

Receive report.

DISCUSSION

Staff will provide updates to the Finance Advisory Commission (Commission) on current finance activities including:

- **FY 22/23 Audit**
- **FY 23/24 Close**
- **Finance Staffing Update**
- **Other Finance Activities**

Staff recommends the Commission receive the report.