CITY OF NOVATO
CALIFORNIA

Finance Advisory Commission

Meeting Agenda

Thursday, May 8, 2025 – 8:00 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
Cris MacKenzie, Rafelina Maglio, Michele Manos, Dean Smith, Andy Zmyslowski

Staff Liaison
Carla Carvalho-Degraff

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

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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 April 3, 2025

D.2. Fiscal Year 2024/25 Quarter 3 Budget Report

D.3. Fiscal Year 2023/24 Measure F Report

E. UNFINISHED AND OTHER BUSINESS

E.1. Finance Advisory Commission Workplan Fiscal Year 2025/26 Items

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. Update on Finance Department Activities

F.2. Fiscal Year 2025/26 Budget Workshop Preview, Including Measure M

F.3. Balanced Budget Policy Update

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.

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G.1. Staff Updates

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

The next meeting is scheduled for June 5, 2025, at 8:00 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 March 6, 2025, 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, April 3, 2025 – 8:00 AM

A. CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Thomas at 8:00 A.M.

Commissioners Present: Cris MacKenzie, Rafelina Maglio, Michele Manos, Tina McMillan, Dean Smith, Larisa Thomas, Andy Zmyslowski

Staff Present: Finance Director Carla Carvalho-DeGraff, Deputy Finance Director Jose Morales, Principal Management Analyst Jennifer Maldonado, Management Analyst I Stacey Hoggan

B. APPROVAL OF FINAL AGENDA

Commission Action: Upon a motion by Vice Chair McMillan, and seconded by Commissioner Maglio, the Commission voted 7-0-0-0 to approve the final agenda.

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

Motion carried.

C. PUBLIC COMMENT

Public comment was taken at 922 Machin Ave
1. *Pam Drew*

D. CONSENT ITEMS

D.1. Approve Meeting Minutes of March 6, 2024

Commission Action: Upon motion by Commissioner Smith, and seconded by Commissioner Zyyslowski, the Commission voted 7-0-0-0 to approve consent items.

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

Motion carried.

E. UNFINISHED AND OTHER BUSINESS

E.1. Workplan Item Discussion

Staff advised Commissioners that the Finance Advisory Commission proposed work plan would be going to City Council on Tuesday, April 8, 2025.

F. GENERAL BUSINESS

F.1. Fiscal Year 2025/26 Budget Study Session Preview

Staff provided a presentation to the Commission that included recent input from the community. They emphasized various opportunities for public engagement, such as City Council meetings, Finance Advisory Commission meetings, community surveys, and budget workshops. The presentation also addressed how the community prefers to receive information and stay involved in the budgeting process.

Results from the community priority survey were shared, highlighting the top five areas of concern: public safety and emergency response, street maintenance, business retention and attraction, homelessness, and mental health services.

A general fund forecast was presented, incorporating projected revenues from the Measure M sales tax increase. It was noted that the forecast did not include any cost-of-living adjustments (COLAs) or increases in staff labor costs, as those are currently under negotiation. Staff reminded the Commission that the City is facing a systemic budget deficit, which in the past has been addressed through staff and service reductions or by relying on one-time funds and reserves. Measure M revenues are expected to help mitigate this ongoing structural shortfall.

Interim Public Works Director Tim Burke provided an update on the Capital Improvement Program. He reported on the status of ongoing projects and outlined upcoming initiatives, as well as the next steps in the capital planning process.

Commissioners provided feedback and recommendations to staff.

Public comment was taken at 922 Machin Ave
1. *Pam Drew*

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F.2. Balanced Budget Policy

Staff presented the Commissioners with a proposed balanced budget policy, which is a administrative policy. The policy was developed in response to a formal request made by the City Council in 2020. Staff are requesting Commissioners review the policy and submit any feedback by Thursday April 17 so that staff can bring the policy to City Council at their May 13, 2025 meeting.

F.3. Change in Meeting Date for Regularly Scheduled Commission Meeting

Staff requested that the Commission confirm a rescheduled date for the upcoming May Finance Advisory Commission Meeting to May 8, 2025.

Commission Action: Upon a motion by Commissioner Manos, and seconded by Commissioner Zmyslowski, the Commission voted 7-0-0-0 to confirm the rescheduled May Finance Advisory Commission meeting to Thursday May 8, 2025.

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

F.4. Update on Finance Department Activities

Finance Department updates received by Commissioners.

G. COMMITTEE AND LIAISON REPORTS

G.1. Staff Updates

None

G.2. Commission Member Reports – Ad Hoc Committee Update

None

H. ADJOURNMENT

The meeting was adjourned at 9:48 AM.

I HEREBY CERTIFY that the foregoing minutes were duly adopted at the Finance Advisory Commission Meeting of _____, 2025.

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/ Stacey Hoggan /
Stacey Hoggan, Management Analyst I

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CALIFORNIA

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STAFF REPORT

MEETING DATE: May 08, 2025

TO: Finance Advisory Commission

FROM: Jennifer Maldonado, Principal Analyst

SUBJECT: Quarter 3 Fiscal Year 2024/25 Budget Performance Report

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REQUEST

Receive Quarter 3 Fiscal Year 2024/25 Budget Performance Report**.**

DISCUSSION

The purpose of this report is to provide an overview of the budget performance through quarter 3 of fiscal year 2024/25. This report outlines the actual revenues and expenditures compared to the approved budget while highlighting significant variances and providing detailed explanation for those variances.

The objective of this quarterly review is to assess alignment with budgetary allocations and identify potential adjustments. This analysis is intended to support strategic decision-making and ensure the organization's resources are effectively managed to achieve its priorities.

General Fund Performance Summary

General Fund revenues came in at $31.15 million or 60.30% of budget through quarter 3 of fiscal year 2024/25.This is a +8.37% or $2.61 million increase in received revenues from the prior year. The year-over-year increased performance from revenue can be attributed to increased transfers-in from other funds as compared to the previous Fiscal year at approximately +$1.0million, increases in property tax revenue at approximately +$669k, increases in revenues related to Community Development activities at approximately +$400k as well as increases in Public Works Department revenues at approximately +$353k.

Expenditures landed at $41.2 million or 71.53% of budget which is an 8.71% variance to actual performance in the prior fiscal year, but in-line with the budget-to-actual performance for the current fiscal year.

Revenues

Property Tax

The primary source of revenue for the General Fund is Property Tax, which is budgeted at $19.88 million for fiscal year 2024/25. Actual Property Tax revenue totaled $10.5 million through the third quarter of fiscal year 2024/25. The second set of substantial receipts is expected in April which will be displayed as part of the fourth quarter actuals. Overall, this category is tracking as expected with 52.97% of receipts received through the third quarter.

Sales Tax

The second largest source of revenue is Sales Tax, which is budgeted at $15.7 million for fiscal year 2024/25. Sales Tax came in at $9.0 million through quarter 3 of fiscal year 2024/25. Overall, this category remains on target with 57% of receipts received through quarter three as receipts in this category tend to pick up in towards the end of the fiscal year.

Hotel Tax

Hotel Tax is budgeted at $1.8 million for fiscal year 2024/25. Receipts through quarter 3 of fiscal year 2024/25 are $1.0 million. The prior year had past due collections for one hotel operator that caused actuals to be higher in the prior year causing a 9.14% variance when comparing year-over-year actuals.

Other Taxes

The City has allocated $3.3 million in the budget for Other Taxes this fiscal year. This category primarily includes revenue from business licenses and franchise fees. Receipts through the third quarter of fiscal year 2024/25 total $1.6 million. This revenue is on par with projections for the fiscal year.

Cable Franchise fee revenues are budgeted at $907 thousand for the fiscal year and are outperforming expectations with $438 thousand in receipts through quarter 3 or 48% of budget. While this revenue stream is on track for the current fiscal year, its long-term outlook remains uncertain due to the anticipated continued shift of consumers from traditional cable services to streaming platforms.

Grants, Fines, Int. Earnings, Other Revenue

Grants, Fines, Interest Earnings and Other revenue was budgeted at $479 thousand for fiscal 2024/25. This category has come in at $127 thousand through quarter 3 of fiscal year 2024/25 and is not anticipated to meet budget expectations for fiscal year 2024/25. An accounting correction to investment income revealed that the investment income was overstated by $418k. Staff does not expect this to impact overall performance.

Central Administration-General

Revenues in the Central Administration General category is budgeted at $336 thousand for fiscal year 2024/25 and are at 11.87% received through quarter 3 or about $40 thousand. The year-over-year variance in this account is due to grant revenue from the County of Marin that was not a part of prior year revenue.

Central Administration-City Attorney

Revenue in this category is budgeted at $67 thousand which is consistent with budgeted revenue from fiscal year 2023/24. Receipts through quarter 3 of fiscal year 2024/25 are at 77.66%. This category is based on activity that fluctuates based on the needs of the City.

Community Development

Revenue in Community Development is budgeted at $2.6 million. Receipts through quarter 3 are $2.6 million. The increase was anticipated as budget in this category increased from $1.8 million budgeted for fiscal year 2023/24 to $2.6 million budgeted in revenue for fiscal year 2024/25. Revenue in Community Development continues to surpass expectations due to increased activity and budget has been amended at mid-year to capture these increases.

Park, Recreation and Community Service Fees

Revenue in Parks, Recreation and Community Services is budgeted at $2.7 million for fiscal year 2024/25. Receipts through quarter 3 are $2.2 million. This increase is largely due to an increase

in activity. Gymnastics and Senior Citizens classes in particular have beat revenue expectations and have been readjusted at midyear to reflect the uptick in activity.

Expense

Personnel Costs

Personnel costs for fiscal year 2024/25 are budgeted at $37.5 million for fiscal year 2024/25. This is an increase from $35.2 million budgeted in the previous fiscal year. This reflects increases as outlined in the current MOUs and the increase in the unfunded pension liability. This also assumes a $450,000 vacancy factor. Personnel costs are at 72.13% of budget slightly lower than a straight-line execution rate of 75% due to vacancies from the start of the fiscal year and ongoing vacancies across multiple departments.

Operating Costs

Operating Costs for fiscal year 2024/25 are budgeted at $20.17 million. This is an increase from the previous fiscal year budgeted at $19.45 million. The City is starting to get back to using encumbrances and carrying those forward year to year which is treated as a budget amendment. Encumbrances carried over from 2023/24 into 2024/25 were $1.0 million higher than in the prior year. Increases in costs such as insurance premiums were anticipated and budgeted during budget development.

Non-Departmental

Non-Departmental Costs reflect transfers to other funds. These transfers fund the Long-Term Maintenance for Facilities and Infrastructure (Funds 118 and 119), and the Pension Obligation Bonds debt service payment. The transfers to the Long-Term Maintenance fund are processed in quarter 1 to fully fund Capital Improvement Plan (CIP) projects. The execution rate of 99.63% is trending as expected.

Central Administration

Operating expenses in Central Administration are at 68.89% of budget due to insurance premiums being due in the first quarter of each fiscal year. Premiums were approximately $228K higher than the prior year, but on budget.

Finance

Expense in finance is budgeted at $2.9 million for fiscal year 2024/25. This is split between 2.0 million in budget for personnel costs and $900K in operating costs. Personnel costs have performed under budget through quarter three of fiscal year 2024/25 as there have been a number of vacancies throughout the year.

Police

Expense in police is tracking as projected in both operating and personnel costs. Expense budgeted for Police in fiscal year 2024/25 is $20.9 million with $19.3 allocated to personnel and $1.6 allocated towards operating costs. Quarter-to-date expense in personnel costs is at 74.75% of budget. This area is performing as expected at nearly 75% or close to a straight-lined method. In operating cost for fiscal year 2024/25, expense is at 74.81% quarter-to-date and also in line with expected performance for the year.

The year-over-year comparison for personnel shows a 13.24% increase as compared to the previous year. This is largely attributed to the increase in unfunded liability costs. In operating costs, the year-over year comparison shows a 32.63% increase. This is largely a result of the revaluation of equipment maintenance & replacement charges which are now being allocated to

departments on the fixed cost methodology that City Council approved during budget development.

Community Development

Expense for Community Development is budgeted at $6.5 million for fiscal year 2024/25 which is split between $4.0 million budgeted in personnel costs and $2.5 million budgeted in operating costs. This is an increase from a total of $5.3 million budgeted in Community Development the previous fiscal year. Actuals through quarter 3 of fiscal year 2024/25 are at 56.5% through quarter 3 for personnel costs and 48.47% of actuals for operating costs through quarter 3 of fiscal year 2024/25.

Personnel expense in quarter 3 is down from expectations due salary savings from the timing of hiring vacant positions. Additionally, the Chief Building Official position continues to be vacant and duties for this vacant position are being managed by a consultant which as a result shifted those costs from personnel expense to operating expense. These factors combined resulted in lower than anticipated personnel costs through quarter 3 of fiscal year 2024/25.

Parks, Recreation and Community Services

Parks, Recreation ad Community Services personnel expenditures are budgeted at $3.9 million for fiscal year 2024/25. This is split between $3.1 million in budget for personnel and $825 thousand for operating costs. Actuals through quarter two for personnel costs are at 74.21% of budget and are performing as expected. Actuals for operating costs are at 67.08% and are performing as expected. With additional demand for classes and other parks and recreation offerings, the uptick in revenue will support additional resources needed to continue current programs and has been adjusted at mid-year to accommodate this demand. Summer session class offerings is expected to ramp up activity in this department which will more closely align expected revenues and expense to budget expectations.

Other Funds Performance

Fund 118 – Long Term Maintenance Facilities & 119 – Long Term Maintenance Infrastructure

The purpose of these funds is to facilitate maintenance of City buildings and infrastructure. The revenue activity within the funds is primarily transfers-in from the General Fund. Annually, the City Council allocates General Fund resources to these funds based on funding needs, ability to implement Capital Improvement Program (CIP) projects, and available funding. Expense represents annual transfers out to the Capital Improvement Program for designated projects.

Revenues are made up of transfers-in from the general fund and investment income. The transfers-in are the amounts authorized in the budget. The favorable performance in revenues is due to better than anticipated investment income.

Expenses are made up of transfers to the Capital Improvement Program projects funded from these funding sources. These transfers are made to the capital projects at the beginning of the fiscal year, and actual results at the end of the fiscal year will be based on work performed on the projects.

Fund 210 – Affordable Housing

The affordable housing fund is ahead of expectations on revenue largely due to investment performance and program fees received through the third quarter of FY 2024/25. Revenue fluctuates based on affordable housing sales, and earnings from the Hamilton Trust. Expenses are largely related to the contract for management of the affordable housing

program. Staff has worked with the Community Development Department to budget revenue to meet expectations in FY 2025/26.

Fund 220 – Hamilton Art Center

The Hamilton Art Center fund reflects rental revenue from leases at the center. This fund will be behind budget as the space that the Marin Museum of Contemporary Art (MOCA) occupied remains vacant. This will be adjusted for current operations as we move into the FY 2025/26 budget development.

Expenses for the management of the property are at $208 thousand or 75.95% of that budget line item. Expenses in this fund are in two categories: the expenses for property management which encompasses the operating expenses and funding that goes to the capital improvement program for deferred maintenance. The expectation is that the capital improvement program will not have significant expenditures and that it will carry forward into FY 2025/26 though there is a carry over budget of $781K

Fund 229 – State Gas Tax

Revenue for gas tax is received from the State Controller's office; it is slightly behind expectations. There is approximately a two-month lag in receipt of revenues. Gas tax will need to be monitored closely to see if there are impacts from electric vehicles and a reduction is gas usage across the State.

Expenses are made up of operating transfers to the general fund and capital improvement project funds. The transfers to the General Fund cover the street sweeping contract and general street maintenance. These entries are done quarterly. The remaining transfers are made to the capital projects at the beginning of the fiscal year, and actual results at the end of the fiscal year will be based on work performed on the projects.

Fund 237 – Parks Measure A

Revenue for Parks Measure A is typically received at the beginning of the calendar year. Revenue is expected to come in as budgeted. Expenses are made up of quarterly operating transfers to the General Fund and capital improvement project funds. Expenses to the General Fund are to offset park maintenance costs related to utilities. The remaining transfers are made to the capital projects at the beginning of the fiscal year, and actual results at the end of the fiscal year will be based on work performed on the projects. Revenues are projected to be slightly higher than anticipated.

PUBLIC OUTREACH

This item was noticed per standard City of Novato City Council agenda noticing procedures including posting the agenda 72 hours in advance on the community bulletin board in front of City Administrative Offices located at 922 Machin Avenue, posting on the City's website at novato.org/councilagendas and sending an email notification to all e-notification subscribers.

FISCAL IMPACT

No fiscal impact.

RECOMMENDATION

Receive the report.

ATTACHMENTS

1. Quarter 3 of Fiscal Year 2024/25 Budget Performance Report.

Quarterly Budget Performance Report

	FY23/24 Q3		FY 24/25 Q3				
	Amended Budget	Actuals	Amended Budget	Actuals	% YTD	YOY Variance Amount	YOY% Variance
Fund : 101 General Fund							
Revenue							
Department							
Non Departmental							
Property Taxes	19,128,310	9,863,577	19,884,589	10,532,522.11	52.97%	668,946	6.78%
Sales Tax	15,492,160	8,914,364	15,677,554	8,997,652.38	57.39%	83,289	0.93%
Hotel Tax TOT	1,906,000	1,150,534	1,844,002	1,045,339.83	56.69%	(105,194)	-9.14%
Other Taxes	3,187,476	1,616,415	3,298,120	1,564,314.50	47.43%	(52,101)	-3.22%
Grants, Fines, Int. Earnings, Other Rev	124,730	(67,186)	478,656	127,199.72	26.57%	194,385	-289.33%
Transfers in from Other Funds	2,937,039	1,157,217	2,679,001	2,156,848.07	80.51%	999,632	86.38%
Other Financing Source*	1,177,077	-	-	-		-	-
Rents	78,500	50,592	80,055	46,528.74	58.12%	(4,063)	-8.03%
Centeral Administration -General	375,200	80,727	336,200	39,923	11.87%	(40,804)	-50.55%
Centeral Administration -City Attorney	67,000	49,406	67,000	52,035	77.66%	2,629	5.32%
Centeral Administration -Risk Management	4,400	4,999	4,400	2,476	56.27%	(2,523)	-50.47%
Finance Operations	179,110	127,920	177,896	132,625	74.55%	4,705	3.68%
Finance Special Programs	169,191	61,765	167,986	39,189	23.33%	(22,576)	-36.55%
Police	1,607,328	902,267	1,560,028	1,031,886	66.15%	129,619	14.37%
Community Development	1,751,600	2,161,882	2,588,402	2,562,288	98.99%	400,406	18.52%
Public Works	308,900	233,830	333,900	587,191	175.86%	353,361	151.12%
Parks, Recreation & Community Services	2,360,928	2,232,412	2,676,269	2,230,668	83.35%	(1,744)	-0.08%
	50,854,949	**28,540,720**	**51,854,058**	**31,148,686**	**60.30%**	**2,607,966**	**8.37%**
Expense							
Non Departmental							
Personnel	(250,000)	8,564	(450,000)	-		(8,564)	-100.00%
Operating	3,817,009	3,410,794	2,468,974	2,459,946	99.63%	(950,848)	-27.88%
Central Administration - General						-	
Personnel	2,402,715	1,783,659	2,365,859	1,731,125	73.17%	(52,535)	-2.95%
Operating	3,090,412	2,137,779	3,575,851	2,463,516	68.89%	325,736	15.24%
Central Administration - City Attorney						-	
Personnel	-	-	-	-		-	
Operating	687,600	450,518	962,600	725,416	75.36%	274,897	61.02%
Central Administration - Human Resources						-	
Personnel	588,346	462,917	692,216	496,793	71.77%	33,876	7.32%
Operating	492,372	210,258	607,121	282,797	46.58%	72,540	34.50%
Information Technology						-	
Personnel	1,032,826	555,369	927,521	563,866	60.79%	8,497	1.53%
Operating	678,212	587,629	653,440	670,939	102.68%	83,310	14.18%

Quarterly Budget Performance Report

	FY23/24 Q3		FY 24/25 Q3				
	Amended Budget	Actuals	Amended Budget	Actuals	% YTD	YOY Variance Amount	YOY% Variance
Finance Operations						-	
Personnel	1,770,998	1,166,532	1,986,265	1,194,737	60.15%	28,205	2.42%
Operating	780,651	520,497	907,508	541,356	59.65%	20,860	4.01%
Finance Special Programs						-	
Personnel	-	-	-			-	
Operating	2,187,105	1,308,458	2,052,843	1,629,639	79.38%	321,181	24.55%
Police						-	
Personnel	17,728,822	12,735,558	19,292,081	14,421,175	74.75%	1,685,617	13.24%
Operating	1,646,278	923,361	1,637,013	1,224,694	74.81%	301,334	32.63%
Community Development						-	
Personnel	3,153,881	1,993,914	4,016,477	2,269,436	56.50%	275,522	13.82%
Operating	2,148,132	1,309,496	2,477,981	1,200,988	48.47%	(108,507)	-8.29%
Public Works						-	
Personnel	5,789,706	3,889,529	5,581,968	4,081,212	73.11%	191,683	4.93%
Operating	2,912,264	1,743,760	3,999,964	2,448,167	61.20%	704,407	40.40%
Parks, Recreation & Community Services						-	
Personnel		2,138,201	3,063,285	2,273,206	74.21%	135,005	6.31%
Operating		593,666	825,480	553,709	67.08%	(39,957)	-6.73%
	50,657,329	**37,930,457**	**57,644,447**	**41,232,716**	**71.53%**	**3,302,259**	**8.71%**

General Fund Expense Summary						YOY Variance Amount	
Personnel	**35,238,942**	**24,734,243**	**37,475,672**	**27,031,549**	**72.13%**	**2,297,306**	**9.29%**
Operating	**19,447,055**	**13,196,215**	**20,168,775**	**14,201,168**	**70.41%**	**1,004,953**	**7.62%**
	54,685,997	**37,930,457**	**57,644,447**	**41,232,716**	**71.53%**	**3,302,259**	**8.71%**

Overall General Fund Performance Summary							
General Fund revenue performance	**50,854,949**	**28,540,720**	**51,854,058**	**31,148,686**	**60.30%**	**2,607,966**	**9.14%**
General Fund expense performance	**53,508,920**	**37,979,001**	**57,644,447**	**41,232,716**	**71.53%**	**3,253,715**	**8.57%**
	(2,653,970)	**(9,438,281)**	**(5,790,389)**	**(10,084,030)**		**(645,749)**	

Quarterly Budget Performance Report

	FY23/24 Q3		FY 24/25 Q3				
	Amended Budget	Actuals	Amended Budget	Actuals	% YTD	YOY Variance Amount	YOY% Variance
Other Non-General Funds							
Fund 118 - Long Term Maintenance Facilities							
Revenue	327,662	349,378	307,662	332,811	108.17%	(16,567)	-4.74%
Expense	1,392,374	1,252,375	1,663,417	1,486,806	89.38%	234,431	18.72%
Fund 119 - Long Term Maintenance Infrastructure						-	
Revenue	321,612	688,065	301,612	331,368	109.87%	(356,697)	-51.84%
Expense	1,274,563	1,274,563	1,620,090	1,443,731	89.11%	169,169	13.27%
Fund 210 - Affordable Housing Programs						-	
Revenue	310,435	376,017	508,292	610,784	120.16%	234,767	62.44%
Expense	1,007,165	256,648	1,653,185	157,306	9.52%	(99,342)	-38.71%
Fund 220 - Hamilton Art Center						-	
Revenue	592,333	451,133	559,566	367,621	65.70%	(83,511)	-18.51%
Expense	1,068,236	1,019,290	1,147,613	1,014,164	88.37%	(5,126)	-0.50%
Fund 229 - State Gas Tax						-	
Revenue	3,186,231	1,797,592	2,834,143	1,934,605	68.26%	137,013	7.62%
Expense	5,074,574	4,807,505	5,324,012	4,869,364	91.46%	61,859	1.29%
Fund 237 - Parks Measure A						-	
Revenue	499,770	289,753	499,770	289,370	57.90%	(383)	-0.13%
Expense	600,011	282,208	578,837	504,189	87.10%	221,981	78.66%

*Carryover of budget for encumbrances

CITY OF NOVATO
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STAFF REPORT

MEETING DATE: May 8, 2024

TO: Finance Advisory Commission

FROM: Carla Carvalho-Degraff, Finance Director
Stacey Hoggan, Management Analyst I

SUBJECT: Measure F Reporting

REQUEST

Receive the Measure F Fiscal Year 2023/24 report.

DISCUSSION

A responsibility of the Finance Advisory Commission (Commission) is to prepare annual reports on use of Measure F funds for the City Council. Due to a backlog of finance activities in recent years, Staff have been unable to provide the Commission with the necessary information to complete these reports.

With the completion of the Fiscal Year 2023/24 audit the Measure F report was able to be completed and tied out to the remaining fund balance in Measure F. The Measure F reporting is now up to date though reporting is required for as long as funds remain in the Measure F fund balance.

Measure F expired in 2015. Prior to its expiration, the use of Measure F funds in the operating budget to support ongoing operations ceased in FY 2019/20. However, the remaining Measure F funds have been utilized extensively in the capital program since that time.

A draft report for Fiscal Year 2023/24 has been prepared and is ready for review by the Commission. Once finalized, the report will be submitted to the City Council for approval

on the consent agenda.

Staff recommends the Commission receive draft report for Fiscal Year 2023/24.

NOVATO FINANCE ADVISORY / OVERSIGHT COMMISSION
FY 2023/24 REPORT

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MEASURE F HISTORY

In 2010, facing a critical budget shortfall, the Novato City Council unanimously sought voter approval for Measure F, a temporary sales tax increase. Although the City achieved a balanced FY 2010/11 budget, escalating costs for essential services posed a threat to its future financial stability. Prior to this, Novato had implemented major budget reductions: $6.5 million (nearly 20% of the budget) was cut from FY 2007/08 to FY 2011/12, including the elimination of over 51 staff positions, reductions in employee salaries, and scaled-back services. Despite these efforts, the $1 million deficit remained. Recognizing the need for both increased revenue and additional spending reductions, the City Council introduced Measure F, giving voters the choice to secure funding for critical services.

In November 2010, 58% of Novato voters approved Measure F, enacting a temporary ½ cent sales tax for five years. Measure F expired in 2015, and revenue in the final years was minimal. As of FY 2020/21, no Measure F funds were allocated to the operating budget, with remaining funds reserved for ongoing capital projects previously approved.

MEASURE F BALLOT LANGUAGE

To **offset/prevent** additional budget cuts and **maintain/restore** vital general city services including, and not limited to: neighborhood police patrols, crime prevention programs, 9-1-1 response times; city street/ pothole repair; park maintenance; preventing closure or elimination of youth and senior centers/services, shall the City of Novato enact a half-cent sales tax for 5 years, with review by a citizen committee, annual independent audits, and all funds spent locally for the benefit of Novato citizens.

FOCUS AREA	SPENDING THROUGH FY 23/24	BUDGETED FY 24/25	CATEGORY TOTALS
General Fund Deficit Backfill	$754,129	$0	$754,129
Police / Crime Prevention / 911 Response Times	$2,181,627	$0	$2,181,627
Youth & Senior Programs / Project	$118,576	$0	$118,576
Parks & Street Maint. / Programs	$1,711,565	$0	$1,711,565
City Facility Investments	$1,541,581	$0	$1,541,581
Technology / Customer Service / Efficiencies	$687,759	$0	$687,759
Economic Development	$2,474,034	$0	$2,474,034
Risk Mitigation Reserve	$3,000,000	$0	$3,000,000
CIP Project Funding	$9,553,034	$156,000	$9,709,034
Pension Obligation & IRS Section 115 Pension Trust	$603,645	$0	$603,645
Labor Expenses	$442,545	$0	$442,545
Equipment Replacement Fund	$250,000	$0	$250,000
Total Expenditures / Allocation	**$23,318,495**	**$156,000**	**$23,474,495**

MEASURE F BACKGROUND

Measure F, a general-purpose sales tax, applies to most purchases made by consumers within the City of Novato, excluding groceries and prescription medications. For purchases such as vehicles, the sales tax is determined by the buyer's address rather than the dealership's location. Similarly, for large items delivered to the buyer, like appliances, the tax is based on the buyer's residence.

To ensure accountability, Measure F mandated the formation of an independent Citizens Oversight Committee, later renamed the Finance Advisory Commission. The Commission is responsible for monitoring Measure F revenues and expenditures and preparing an annual report for the City Council and public. Key duties of the Commission include:

Measure F was essential in addressing the City of Novato's financial crisis

- Providing input on Measure F related budget proposals
- Reviewing and reporting on the revenue, expenditure, and use of Measure F funds
- Presenting an annual report to the City Council and making it available to the public
- Commenting on any concerns regarding Measure F related expenditure allocations.
- Commenting on the status of efforts to achieve fiscal sustainability.

Until the funds were exhausted in FY 2020/21, Measure F provided significant support for Novato, contributing directly to community improvements.

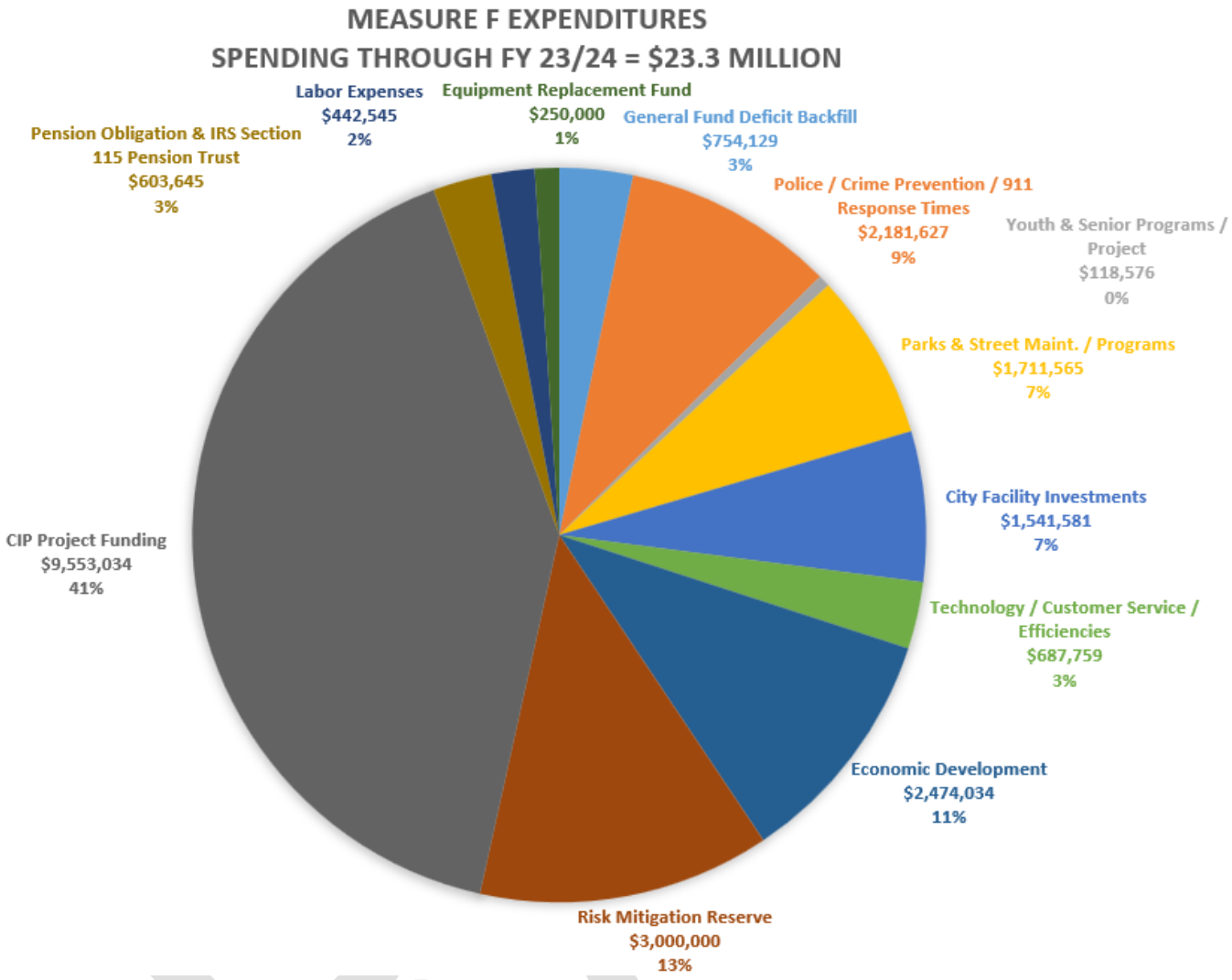
POLICE: Measure F provided funding that supported several programs in the Novato Police Department. Measure F funded programs that included the Novato Response Team (NRT), funding for an officer assigned to the Northern California Computer Crimes Task Force (NC3TF) and provided funding for an Emergency Services contract with the Novato Fire Protection District.

YOUTH, SENIOR, AND RECREATION: In partnership with Novato Unified School District, Measure F helped to fund on-campus after school programs for Novato students. It also went towards many improvements to the Hill Recreation Area, the 12-acre sports park.

PARKS AND STREET MAINTENANCE: Measure F helped to fund several maintenance and improvement projects, as well as funding additional maintenance worker positions, which had offset the 30%+ workforce reductions that had occurred during the 2008 recession. Funds from Measure F also provided one-time funds that helped enhance the City's streets crack filing program as well as other seasonal parks and island improvements.

TECHNOLOGY and CITY OPERATIONS: Measure F funds provided $2.8 million dollars in technology projects, that helped provide protection from cyber-attacks and other threats. Measure F funded a Business Analyst Position to assist with project implementations.

ECONOMIC DEVELOPMENT: Funding from Measure F supported the City's Economic Development program, launching "Shop Local Novato'. The campaign encouraged residents to shop locally and focused on support for local businesses, as well as attracting new businesses, and supporting local businesses with their plans for expansion.



WHAT HAS MEASURE F DONE FOR NOVATO

For several years, Measure F has had a direct and beneficial impact on our community:

- Saved critical City services and temporarily stopped further cuts.
- Funded, improved, or reinstated key public safety, recreation, and economic development programs and services.
- Invested in one-time projects to reduce ongoing costs and increase revenues and invested in City infrastructure and technology to improve efficiency.

Measure F saved critical City services and temporarily stopped further cuts.

This report provides historical context and summarizes the use of Measure F funds in FY 2023/24.

Measure F Oversight / Finance Advisory Commission

Originally formed in 2011 as the Measure F Oversight / Citizens Finance Committee and renamed the Finance Advisory Commission in 2022, the Commission continues to provide annual reviews of Measure F fund usage. As of Fiscal Year 2023/24, remaining Measure F funds are directed toward ongoing Capital Improvement Projects.

Challenges and Opportunities

For FY 2023/2024, reporting efforts were affected by staffing shortages, turnover within the Finance Department, and lingering impacts of the pandemic. Despite these challenges, City staff, with strong support from the Commission and City Council, have made significant progress in addressing a backlog of audits and financial records spanning multiple years. This work has played a key role in bringing Measure F reporting current, enhancing transparency and accountability.

While Measure F provided critical support in stabilizing City finances during past economic uncertainty, its successor, Measure C, with its reduced ¼ cent rate, created a structural revenue gap. This highlights the ongoing need for innovative, sustainable approaches to funding essential City services.

The Finance Advisory Commission remains a vital partner to City staff and the City Council in promoting fiscal sustainability. The Commission provides oversight for Measure F, regularly reviews City expenditures, and supports efforts to strengthen the City's financial health through informed recommendations and guidance. Through its advisory role, the Commission helps ensure transparent and responsible financial planning in alignment with the City's long-term goals.

Conclusion

Addressing Novato's ongoing needs, from maintaining infrastructure and public services to retaining a skilled workforce, requires careful financial oversight, strategic resource allocation, and creative problem-solving. Through continued collaboration among the City Council, staff, and community, Novato is working toward a stable and sustainable financial future.

NOVATO CITIZENS FINANCE ADVISORY / OVERSIGHT COMMISSION

Larisa Thomas, Chair
Tina McMillan Vice Chair
Regina Bianucci Rus
Andy Zmyslowski
Cris MacKenzie
Rafelina Maglio
Michelle Manos

MEASURE F ANNUAL REPORT
FY 2023/24

MEASURE F FUNDING HISTORY DETAIL

	FINAL ACTUAL 2010/11	FINAL ACTUAL 2011/12	FINAL ACTUAL 2012/13	FINAL ACTUAL 2013/14	FINAL ACTUAL 2014/15	FINAL ACTUAL 2015/16	FINAL ACTUAL 2016/17	FINAL ACTUAL 2017/18	FINAL ACTUAL 2018/19	FINAL ACTUAL 2019/20	FINAL ACTUAL 2020/21	FINAL ACTUAL 2021/22	FINAL ACTUAL 2022/23	UNAUDITED ACTUAL 2023/24	UNAUDITED ACTUAL 2024/25	CATEGORY TOTALS
REVENUES																
Measure F Sales Tax Revenue	689,126	4,089,401	4,473,532	4,422,885	4,750,569	3,739,015	46,089	23,206	20,871	15,123	5,182	4,465	3,421	1,232	-	
Investment Earnings / Miscellaneous	347	9,491	20,872	50,394	94,083	113,782	148,902	129,108	188,092	174,557	108,531	7,818	2,184	-	-	
TOTAL REVENUES	**689,473**	**4,098,892**	**4,494,404**	**4,473,279**	**4,844,652**	**3,852,797**	**194,991**	**152,314**	**208,963**	**189,680**	**113,713**	**12,283**	**5,605**	**1,232**	**-**	**23,332,278**
EXPENDITURES AND ALLOCATED FUNDS																
General Fund Deficit Backfill																
/ Prevent Budget Cuts	-	16,784	411,375	-	325,970	-	-	-	-	-	-	-	-	-	-	**754,129**
Police / Crime Prevention / 911 Response Times																**-**
Novato Response Team - Staff and Program Support	-	52,302	105,126	73,582	277,577	-	-	-	-	-	-	-	-	-	-	**508,587**
0.50 FTE Records Clerk	-	-	-	-	12,152	40,200	17,565	42,229	76,532	59,639	38,968	(1,920)	-	-	-	**285,365**
0.50 FTE Office Assistant	-	-	-	-	5,187	40,199	17,127	35,096	-	-	-	-	-	-	-	**97,609**
1.0 FTE Dispatcher	-	-	-	-	-	-	77,131	72,033	100,884	107,439	127,766	-	-	-	-	**485,253**
Crime Analysis Contract Services	-	-	-	-	-	-	28,853	31,426	36,062	38,461	37,942	-	-	-	-	**172,744**
Emergency Services Contract	-	-	-	15,053	64,712	30,663	28,427	23,568	25,985	27,739	-	-	-	-	-	**216,147**
Major Crimes Task Force	-	-	-	-	-	-	38,942	38,723	41,588	48,233	-	-	-	-	-	**167,486**
Northern CA Computer Crimes Task Force	-	-	-	12,022	31,742	31,302	32,617	27,652	-	-	-	-	-	-	-	**135,335**
Replacement Fund for Police Technology	-	-	-	-	25,102	22,000	22,000	22,000	22,000	-	-	-	-	-	-	**113,102**
* CIP - CAD / RMS Replacement	-	-	-	-	-	-	-	265,750	435,367	101,710	101,933	-	-	-	-	**904,761**
TOTAL																**-**
Youth and Senior Programs and Projects																**-**
Youth After School Initiative / Needs Summit	-	-	14,236	17,337	-	-	-	-	-	-		-	-	-	-	**31,573**
* CIP - Hill Recreation Master Plan	-	-	-	272	-	81,989	42,040	-	-	3,302,176	572,764	-	-	-	-	**3,999,241**
* CIP - Park Improvement Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Youth Athletics Scholarship Program	-	-	-	-	10,000	20,000	10,000	30,000	-	-	-	-	-	-	-	**70,000**
Special Events - Concerts in the Park	-	-	-	-	-	-	-	9,975	7,028	-	-	-	-	-	-	**17,003**
TOTAL																**-**
Parks and Streets Maintenance / Programs																**-**
Maintenance Worker Staffing	-	169,864	86,092	85,542	-	-	253,920	201,809	146,566	9,287	-	-	-	-	-	**953,080**
Parks, Medians, Streets Maintenance	-	-	-	-	-	13,084	180,402	256,226	-	-	27,326	27,668	-	-	-	**504,706**
* CIP - Pedestrian Safety Improvements	-	-	-	-	34,340	58,853	68,372	-	-	-	-	-	-	-	-	**161,565**
* CIP - Traffic Signal Improvements Design	-	-	-	-	2,945	447	-	-	7,240	4,368	-	-	-	-	-	**15,000**
Open Space Purchase - 90+ acres Trust for Public Lands	-	-	-	253,779	-	-	-	-	-	-	-	-	-	-	-	**253,779**
* CIP - LED Streetlight Replacement Project					179,347	603,732	42,218	6,770	33,369	41,709	-	-	10,306	-	-	**917,451**
TOTAL																**-**
City Facility Investments																**-**
Payoff of Corp Yard Lease	-	-	-	-	1,141,581	-	-	-	-	-	-	-	-	-	-	**1,141,581**
Corporation Yard Purchase	-	-	-	-	-	-	-	-	-	-	-	-	400,000	-	-	**400,000**
* CIP - Hamilton Pool Solar	-	-	-	-	13,277	83,555	76,891	40,379	-	-	-	-	-	-	-	**214,102**
* CIP - Lieb Property Deferred Maintenance	-	-	-	-	-	-	-	-	32,519	13,800	4,192	524	-	-	-	**51,035**
TOTAL																**-**
Technology / Customer Service / Efficiency																**-**
1.0 FTE Management Analyst	-	-	-	-	-	-	86,369	27,078	128,017	112,578	-	-	-	-	-	**354,042**
1.0 FTE Receptionist / Admin Clerk	-	-	-	63,123	-	-	-	-	-	-	-	-	-	-	-	**63,123**
0.75 FTE IT Business Analyst	-	-	-	-	-	-	-	1,213	123,722	-	-	-	-	-	-	**124,935**

MEASURE F ANNUAL REPORT
FY 2023/24

Technology & Service Improvements	-	-	-	-	-	-	-	-	79,919	-	-	-	-	-	-	**79,919**
Geographic Info Systems Support	-	-	9,144	-	-	-	-	-	-	-	-	-	-	-	-	**9,144**
IT Temporary Staffing / Professional Services	-	-	-	-	-	-	-	-	-	28,298	-	28,298	-	-	-	**56,596**
* CIP - Technology Projects Citywide	-	-	-	-	272,000	630,640	605,221	785,759	186,571	125,728	119,229	57,177	-	-	-	**2,782,325**
TOTAL																**-**
Economic Development																**-**
Economic Development - Staff and Program Support	-	-	170,982	215,006	-	-	-	-	164,465	11,470	2,885	-	-	-	-	**564,807**
Hamilton Base Reuse - Staff and Program Support	-	-	107,076	284,663	309,957	227,132	212,843	138,932	-	-	-	-	-	-	-	**1,280,603**
Shop Local Campaign	-	-	19,232	85,522	-	-	-	-	-	-	-	-	-	-	-	**104,754**
Bio-Life Sciences Campaign	-	-	-	157,301	134,709	99,999	56,348	-	-	-	-	-	-	-	-	**448,357**
Tenant Incentive Program	-	-	-	-	-	-	-	-	5,000	50,000	20,513	-	-	-	-	**75,513**
TOTAL																**-**
Transfer to Risk Mitigation Reserve Fund	-	-	-	-	-	-	-	3,000,000	-	-	-	-	-	-		**3,000,000**
Pension Obligation Bond Payment -																
for Measure F Employees	-	5,748	13,103	19,481	29,938	14,170	10,227	28,190	20,505	12,283	-	-	-	-	-	**153,645**
IRS Section 115 Pension Trust	-	-	-	-	-	-	-	-	-	450,000	-	-	-	-	-	**450,000**
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	250,000	-	-	-	-	-	**250,000**
Labor Expenses	-	-	-	-	-	-	-	-	-	442,545	-	-	-	-	-	**442,545**
Transfer Out to Long Term Maintenace - Infrastructure &																
Facilities to be used for CIP														351,554	156,000	**507,554**
Reserves and Future Commitments																**-**
Future Technology Projects - IT Master Plan	-	-	-	-	-	-	-	-	-		-	-	-	-		**-**
* CIP - Future Park Improvement Projects - LTM																
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Risk Mitigation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Future Funding for CIP Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equipment Replacement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Labor Expense - One-Time	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporation Yard Purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
MERA Debt Service	-	-	-	-	-	-	-	-		-	-	-	-	-	-	**-**
Future Funding for Multi-Year Positions / Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
TOTAL EXPENDITURES / ALLOCATIONS	**-**	**244,698**	**936,366**	**1,282,683**	**2,870,536**	**1,997,965**	**1,907,513**	**5,084,808**	**1,673,339**	**5,237,463**	**1,053,518**	**111,746**	**410,306**	**351,554**	**156,000**	**23,318,495**
MEASURE F ENDING FUND BALANCE	**689,473**	**4,543,667**	**8,101,705**	**11,292,301**	**13,266,417**	**15,121,249**	**13,408,727**	**8,476,233**	**7,011,858**	**1,964,076**	**1,024,270**	**924,806**	**520,105**	**169,783**	**13,783**	

Capital Improvement Program (CIP) project budgets represent appropriated funds. Depending on project timing, actual expenditures may not occur until future fiscal years. 2023/24 Adopted budgets for CIP projects include updated carryover budgets based on actual expenditures during 2022/23. "Final Actual" figures represent past year revenues and expenditures that are finalized and audited.

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STAFF REPORT

MEETING DATE: May 8, 2025

TO: Finance Advisory Commission

FROM: Carla Carvalho-DeGraff, Finance Director

SUBJECT: Workplan Fiscal Year 2024/25

REQUEST

Receive report and provide feedback.

DISCUSSION

As part of the annual workplan development process, the Commission submitted a list of proposed initiatives for City Council consideration for inclusion in the Fiscal Year 2024/2025 workplan as well as items for future consideration in the Fiscal Year 2025/26 workplan. These items were intended to guide the Commission's focus and align its efforts with the City's strategic priorities.

At the April 8, 2025, council meeting, Council reviewed the Commission's proposed workplan and provided feedback on the appropriateness of the items in relation to the Commission's established purview and responsibilities. Council acknowledged the Commission's efforts in identifying issues of community interest; however, they determined that several proposed items fall outside the scope of the Commission's roles.

Specifically, the following items were not approved for inclusion in the workplan:

- Cash Handling Policy (internal policy)
- Cannabis
- Economic Development Advisory Commission (EDAC).
- Marin Valley Mobile Country Club (MVMCC).

Council also advised that staff will provide any updates to the Commission on these topics

as they become available.

EXHIBIT A

Finance Advisory Commission

FY24/25 - Q3 & Q4 Work Plan

Drafted by FAC Work Plan Ad Hoc Committee

Created: February 2025 / Finalized: March 2025

Work Plan - Q3 FY24/25

#	Timeframe	Category	Work Plan Item	Goal
1	February	Oversight	FY24/25 Work Plan	Discuss and Finalize
2	February	Advisory	Audit Operational Controls	Review FY22/23 Audit Results
3	March	Advisory	FY 25/26 Budget	Become Informed and Offer Recommendations as Appropriate for Process & Priorities
4	March	Oversight	Measure M Budget	Become Informed and Initiate Planning for Measure M Budgeting & Reporting, as part of regular Budget Process (line 3)
5	March	Advisory	Fiscal Sustainability Plan	Review current progress on Goal 5 of the Strategic Plan, and discuss recommendations for further progress, in particular #15 (revision of 2014 Fiscal Sustainability Plan)

Drafted by FAC Work Plan Ad Hoc Committee

Created: February 2025 / Finalized: March 2025

Work Plan - Q4 FY24/25

#	Timeframe	Category	Work Plan Item	Goal
6	April	Advisory	FY 25/26 Budget Study Session Preview	Review Proposed Budget Process and make initial recommendations
7	April	Oversight	Measure M Budget	Refine oversight process & reporting requirements, as part of regular Budget Process (line 6)
8	April	Advisory	F24/25 Budget Report/Review	Receive Q2 Budget Report & provide comment/recommendations
9	May	Advisory	F23/24 Audit Results	Receive report & provide comment/recommendations
10	May	Oversight	F23/24 Measure F	Receive report & provide comment/recommendations
11	May	Advisory	FY 25/26 Budget Workshop Preview	Review Proposed Budget Draft & provide comment/recommendations
12	May	Oversight	Measure M Budget	Finalize oversight process & reporting requirements. Review & comment on FY 25/26 Proposed Budget Items, as part of regular Budget Process (line 11) Receive report on implementation of tax collection
14	May	Advisory	Financial Policy Development - Cash Handling	Support the development and provide recommendations for a cash handling policy

Drafted by FAC Work Plan Ad Hoc Committee

Created: February 2025 / Finalized: March 2025

Work Plan - Q4 FY24/25

#	Timeframe	Category	Work Plan Item	Goal
14	June	Advisory	FY 25/26 Budget Hearing Preview	Prepare FAC comments on the budget for presentation to city council
15	June	Oversight	Measure M FY 25/26 Budget Hearing Preview	Prepare FAC comments specific to Measure M funds in the budget for the presentation to city council
16	June	Advisory	F24/25 Budget Report/Review	Receive Q3 Budget Report & provide comment/recommendations
17	June	Advisory	Revisit Fiscal Sustainability Plan	Review current progress on Goal 5 of the Strategic Plan
18	June	Oversight	FY25/26 Work Plan	Draft initial proposal for work plan

Drafted by FAC Work Plan Ad Hoc Committee

Created: February 2025 / Finalized: March 2025

Items to consider for FY 25/26 Work Plan

#	Timeframe	Category	Work Plan Item	Goal
~~1~~	~~TBD~~	~~Advisory~~	~~Revisit Overlapping Interests with EDAC (Revenue & Assets)~~	~~Update on progress for shared interests/responsibilities.~~ ~~****Timing may move up to 24/25 Work Plan depending on the needs/activity of the Council and City Staff*~~
~~2~~	~~TBD~~	~~Advisory~~	~~Cannabis~~	~~Review presentation on the impacts of allowing Cannabis business in the city of Novato, and offer recommendations as applicable~~ ~~****Timing may move up to 24/25 Work Plan depending on the needs/activity of the Council and City Staff*~~
~~3~~	~~TBD~~	~~Advisory~~	~~MVMCC~~	~~Receive a presentation regarding the financial process between the MVMCC and the City, and offer recommendations as applicable~~ ~~****Timing may move up to 24/25 Work Plan depending on the needs/activity of the Council and City Staff*~~
~~4~~	~~July~~	~~Advisory~~	~~Overlapping Interests with EDAC (Revenue & Assets)~~	~~Create proposal for shared interests/responsibilities & establish a calendar for joint activities (Goal 5.19 Strategic Plan)~~
5	July or September	Advisory	Financial Policy Review - Investment Policy	Review current policy and provide recommendations

Drafted by FAC Work Plan Ad Hoc Committee

Created: February 2025 / Finalized: March 2025

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STAFF REPORT

MEETING DATE: May 8, 2025

TO: Finance Advisory Commission

FROM: 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:

- **FY23/24 Audit**
- **Finance Staffing Update**
- **Other Finance Activities**

Staff recommends the Commission receive the report.

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STAFF REPORT

MEETING DATE: May 08, 2025

TO: Finance Advisory Commission

FROM: Jennifer Maldonado, Principal Analyst
Carla Carvalho-Degraff, Finance Director

SUBJECT: **FISCAL YEAR 2025/2026 BUDGET DEVELOPMENT**

REQUEST

REQUEST

Receive and consider a preliminary overview of the Fiscal Year 2025/2026 (FY25/26) Operating and Capital Budgets and provide additional budget development direction to Staff.

DISCUSSION

This report provides an update on the FY25/26 budget development process, outlines revenue and expense projections to date, and requests review from the Finance Advisory Commission on development of the annual operating and capital budgets scheduled for adoption by City Council on June 24, 2025. The City Council held a budget development study session on April 8th, where initial information about the FY25/26 operating budget, including prior Finance Advisory Commission (FAC) feedback, was provided.

The General Fund is the primary source of revenue for the operating budget. Unlike other funding sources, such as Gas Tax (which can only be used on paving and street maintenance), there are no restrictions on how the General Fund can be used. It is the funding source that pays for day-to-day services and operations like police services, streets and parks maintenance, and recreation programming. For Fiscal Year 2025/26, Measure M, the voter-approved ¾ cent sales tax is available to help offset the systemic deficit that the City has faced for years. Additionally, Measure M will be used to preserve existing services critical to the Community.

This table provides a historical look at the projected budget surplus/deficit (inclusive of transfers in/out) as adopted by the City Council since FY21/22:

General Fund Budget Deficits				
	Amended Budget FY21/22	**Amended Budget FY22/23**	**Amended Budget FY23/24**	**Amended Budget FY24/25**
Surplus/ (Deficit)	($1.7M)	($0.9M)	($4.8M)	($3.5M)

During the FY 2020/21 budget development process, the projected deficit was $5.7 million, the result of pandemic related impacts, loss of Measure F revenue that had previously been relied

upon to support ongoing services, and revenue not keeping up with expense. In September 2020, the City Council significantly reduced operating expenses, including the elimination of seventeen (17) full-time positions or 8% of the workforce. As a result, that year's projected deficit was reduced to $2.5 million, a $3.2 million decrease. Many of the expense reductions were ongoing in nature which assisted in containing costs in FY 2021/22. These budget reductions, the start of the economic recovery, and the one-time American Rescue Plan (ARP) funds to help backfill pandemic revenue losses, led to a much smaller deficit of $908K for FY 2022/23.

Despite budget reductions and cost containment efforts, the projected General Fund deficit for FY 2023/24 grew to $4.8 million, primarily the result of revenues not keeping pace with growing expenses. In FY 2024/25 the fiscal year started with a project $4.3 million deficit but was reduced at midyear to $3.5 million as a result of projected increase in revenues related to charges for services particularly in Community Development and investment income. Additionally, at mid-year, $2.6 million in new Measure M revenue was projected, based on analysis provided by the City's sales tax consultant, HdL. Of this amount, $2.4 million was dedicated to replenishing the City reserves:

- $1.2 million was designated for transfer to the Emergency and Disaster Recovery Fund (EDRF) to support compliance with the City's EDRF policy, which requires the fund balance to equal or exceed 15% of annual operating expenditures; and
- $1.2 million was designated for transfer to the City's Self-Insurance Reserve Fund to ensure adequate funds are available if needed; Novato has experienced a significant uptick in claims, consistent with other cities.

The remaining $200,000 in Measure M funds was allocated to the Public Works Department for increased maintenance services, including expanded weed abatement and street maintenance efforts, aligning with community-identified budget priorities.

Fiscal Year 2025/2026 Budget Development

Measure M

With the passage of Measure M, the City is positioned to successfully balance its budget and meet community demand for services. Measure M provides an opportunity to improve long-term fiscal sustainability and address the systemic deficit of approximately $3.8 million annually. As discussed in prior City Council reports, the focus of Measure M will be on several key areas:

- **Operating Budget**
  Reducing staff turnover and enhancing staffing resources. This remains essential to maintaining service levels that meet community expectations. While previous cost containment efforts led to reduced staffing levels, it has become increasingly difficult to keep pace with growing service demands. In recent years, the City has faced significant challenges in retaining its dedicated workforce, making it equally critical to recruit and retain qualified personnel.

  High employee turnover not only disrupts service delivery but also results in increased costs related to recruitment, training, and lost institutional knowledge. In 2023 alone, the City experienced a 15% turnover in its workforce. Several high-level management positions have remained vacant for well over a year, further impacting operations and strategic continuity. Addressing employee retention and attraction is a top priority for Council and staff to ensure the City continues to effectively serve the community.

- **Replenishing Reserves**
  Replenishing reserves is a critical priority for the City to ensure long-term fiscal stability and resilience. Reserve funds—such as the Emergency and Disaster Recovery Fund and

Self-Insurance Reserve—act as financial safety nets that enable the City to respond effectively to unexpected events, economic downturns, natural disasters, or unforeseen liabilities.

Maintaining healthy reserve levels also supports the City's credit rating, which can lead to lower borrowing costs, and demonstrates prudent financial management of public funds.

With the replenishment of the reserves at midyear as mentioned above and the completion of the Fiscal Year 23/24 audit the reserve balance will be approximately $14.2 million nearly 25% of operating expenses inclusive of transfers.

- **Deferred Maintenance**
  Addressing deferred maintenance and capital needs is essential to keeping City infrastructure safe, functional, and cost-effective. Proactive investment helps extend asset life, reduce risks, and support reliable service delivery for the community. Delays can lead to more expensive repairs and service disruptions. For FY2025/26, Staff is recommending an increase to the Annual Street Pavement program as a start to address deferred maintenance needs; additionally, the Parks Master Plan projects continue to be funded in the capital program.

- **Mitigating Financial Liabilities**
  Financial liabilities such as the unfunded pension liability require prudent financial planning and management. To start addressing these liabilities the City has contracted with its actuarial advisor to review the City's unfunded pension liability and use of the 115 Trust, and provide options for City Council consideration to reduce these liabilities.

- **Innovation and Investment**
  Investing in innovation is key to gaining operational efficiencies, improving service delivery, and identifying new revenue opportunities. By modernizing systems, leveraging technology, and streamlining processes, the City can reduce costs, enhance responsiveness, and better serve the community. As part of these efforts, One-time funding for implementation of the new permit center system has been proposed along with funding for records digitization.

With the categories of uses above staff propose the following allocations for Measure M which is currently estimated to total $10.2M for fiscal year 2025/26.

Category	**Amount**
Deficit Backfill	$3.1M
Retention and Enhancing Staff Resources	1.3M
Emergency Disaster and Recovery Reserve	2.1M
Deferred Maintenance	550K
Managing Financial Liabilities (Pension Reserve)	1.0M
Innovation and Investment	250K
Capital Projects	1.9M

General Fund Summary

At the April 08, 2025, meeting, the City Council was provided with initial information on anticipated revenue and expense changes, as well as an update on community engagement efforts, including

feedback obtained through surveys, the community budget workshop, and citywide community budget conversations. Staff has continued to refine financial projections for FY25/26 by conferring with the City's revenue consultants and other economic experts, analyzing department budget requests, reviewing other available funding sources, and assessing current and anticipated organizational needs.

Staff will continue to refine the projections in this report based on new information received. Significant changes, outside of further direction provided by the City Council, will be communicated to Council at the June 10th Budget Hearing. There are still some estimates that staff is waiting for particularly from other agencies who are also working on their budgets.

As part of the budget development process and in alignment with Strategic Plan Workplan Item #11, the City Council directed staff to initiate a Citywide staffing study. The study evaluated existing staffing levels, identified current needs and challenges, with a goal to maintain service levels consistent with community expectations. In alignment with the results of the study Staff has the following proposals for consideration :

- Economic Development Manager
- A Parks and Recreation Administrative Technician
- A Senior Engineer / Streets Project Manager
- An Executive Assistant

Additionally, to strengthen City delivered services, and support Council's goal of staff retention there is a proposal to upgrade various key positions within the organization as identified by the organizational assessment, Department Heads, and the City Manager for total of $80,000.

The following table provides a summary of the General Fund revenue and expense status for FY25/26. Currently the General Fund 101 deficit is projected at $3.1 million before any Measure M backfill. Staff will continue to make adjustments as needed over the next few weeks as new information becomes available.

FY 25/26 Budget Development Status Without Measure M (as of 04-29-25)	
Revenue	$53.66 M
Expense	56.80 M
Surplus/(Deficit)	**($3.14 M)**

FY 25/26 Budget Development Status Inclusive of Measure M (as of 04-29-25)	
Revenue	$53.66 M
Measure M Revenue for Deficit Backfill	$3.14M
Measure M revenue for Operating Budget Service Improvements	$1.3M
Subtotal	**$58.10**
Expense	56.80M
Measure M supported Operating Expenses	$1.3M
Subtotal	**$58.10**
Surplus/(Deficit)	**$0 M**

Revenue

General Fund – Ongoing Revenue

The following table provides the status of General Fund revenue projections to date, by category. Total General Fund revenue is anticipated at $58.10 million. Additional information about key revenue areas is provided below.

FY25/26 General Fund Revenue Projections (as of 04-29-25)		
	FY24/25 Amended Budget	**FY 25/26 Proposed Budget**
Taxes	41,167,789	41,980,724
Licenses & Permits	1,427,400	1,719,400
Intergovernmental	939,604	978,004
Charges for Services	4,190,866	4,410,966
Fines & Forfeitures	460,050	428,050
Use of Money & Property	786,992	1,640,907
Other	203,856	109,600
Operating Transfer In	2,477,501	6,837,424
TOTALS	**51,654,058**	**58,105,075**

Revenue details:

Taxes

- Property Tax –
  - Secured Property Tax – The projection includes a 2.4% increase based on a combination of historic trends and information from the County. Staff will receive a revised estimate in May which will be evaluated prior to the June 10th Budget Hearing.
  - Real Property Transfer Tax – The projection is currently being held flat as this revenue source has been on a continuous downward trend since FY 2022/23. At Mid-year for FY2024/25 this revenue was Amended to reduce the budget by $130K. This Amended budget has been held flat moving into FY2025/26
- Sales Tax –
  - This projection is based on the April 2025 update from City's sales tax consultants; Staff will not receive further updates prior to the scheduled budget adoption. Sales tax is anticipated to increase by approximately 1.26% or about $154K in General Use Sales Tax for Fiscal Year 2025/26.
  - Measure M sales tax revenue has been projected at $10.2 million for FY2025/26 by the City's sales tax consultant, HDL. Although this revenue is accounted for in a separate fund, it will be transferred into the General Fund as needed for deficit backfill and service improvements subject to City Council approval.
- Transient Occupancy Tax (TOT or Hotel Tax) –
  - TOT tax has been updated to include a 2% increase in line with recent trends.

Revenue from a new hotelier in town has not been programmed into the budget as there is not sufficient data to project potential revenue. Staff will continue to monitor this revenue category as information becomes available and may update if necessary. Any adjustments to this revenue stream would be considered at mid-year.

Business License –

- Business License revenue are being held flat as revenue has missed its target on average for the last five years.

Charges for Services

- Parks, Recreation and Community Services (PRCS) –
  - Revenues are anticipated to continue increasing as the department is continuing to see growing registrations and expand programs based on community demand.

- Community Development Department (CDD)
  Community Development has increased projected revenue in both plan checking and building permits. This increase in projected revenue will align the budget to current performance as the budget estimates have consistently been exceeded in the last few years.

Other / Operating Transfers In
Typically, revenue from other funds is transferred into the operating budget to offset certain costs. The FY25/26 budget included transfers-in in the amount of $6.84M from:

- $4.44M from Measure M
  - $3.14M for Deficit Backfill
  - $1.3M for Operating Service Improvements
- $1.44M from Gas Tax for
  - $1.0M routine road repairs and maintenance and;
  - 0.44M to offset costs for the City Street Sweeping Service.

Expense

General Fund – Ongoing Expense

Following is information about the status of key General Fund expense changes. The table below provides information about projected expenses by category, details about significant variances and other highlights are outlined below, total expense is currently projected at $58.10 million:

FY 25/26 General Fund Expense Projections (as of 04-29-25)		
	FY24/25 Amended Budget	**FY25/26 Proposed Budget**
Salaries and Wages	$27,958,973	$29,030,589
Employee Benefits	9,516,699	10,010,567
Professional Services	6,793,949	6,390,915
Intergovernmental Services	1,158,428	1,140,133
Training and Travel	430,107	506,537

Rents and Leases	519,300	613,412
Repairs and Maintenance	1,643,724	1,930,218
Materials and Supplies	3,202,951	3,279,518
Utilities	1,612,751	1,664,559
Debt Service	-	317,000
Capital Expenses	-	-
Other Expenses	606,846	808,180
Operating Transfers Out	2,468,974	2,413,447
TOTALS	**55,912,702**	**58,105,075**

The following table provides a breakdown of General Fund expenses by department. Operating Transfers-Out are included in Non-Departmental.

FY 25/26 General Fund Expense Projections (as of 04-28-24)		
	FY24/25 Amended Budget	**FY25/26 Proposed Budget**
Non-Departmental	$2,018,974	$2,413,447
Central Administration	8,117,654	8,116,166
Finance	6,057,442	6,647,559
Police	20,923,754	21,127,660
Community Development	5,618,392	6,095,285
Public Works	9,304,191	10,123,805
Parks, Recreation and Community Services	3,872,295	3,581,153
TOTALS	**55,912,702**	**58,105,075**

Personnel Expense

As a service organization, City services are provided to the community through City staff. The following is additional information about projected personnel costs for FY25/26

- Compensation – There are no assumptions incorporated in the draft budget related to cost of living adjustments. The City is currently under negotiations with all bargaining units and will likely have costs related to negotiations closer to budget adoption at the end of June.

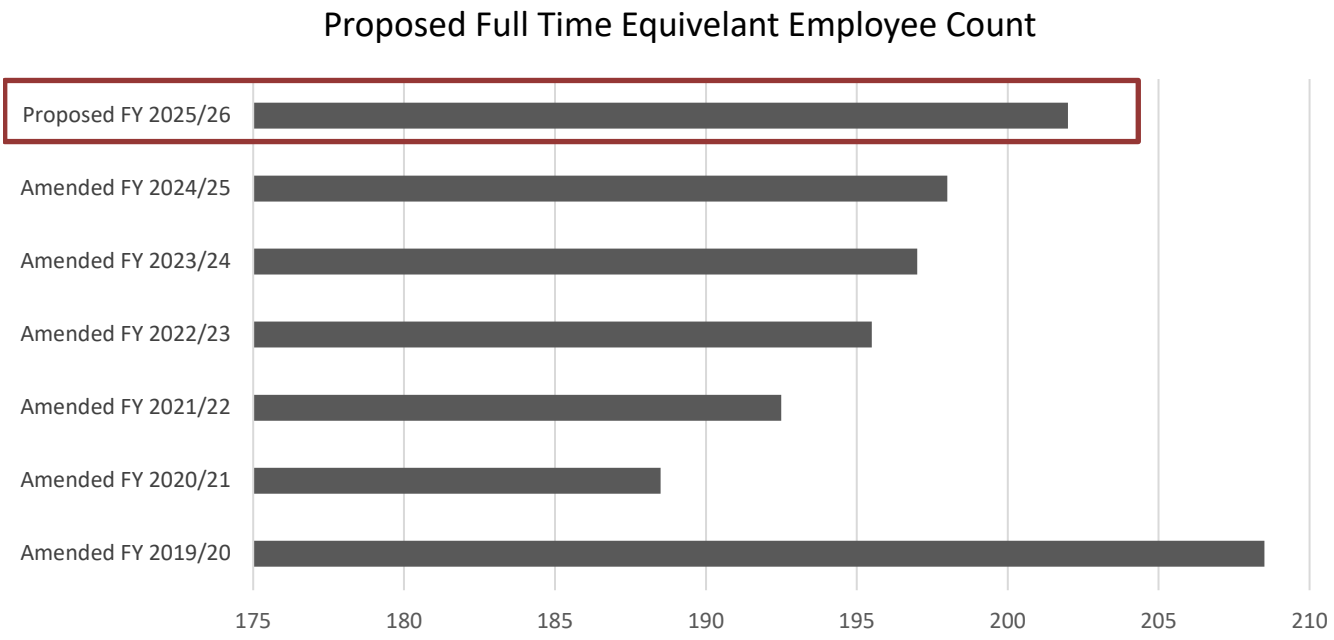
- Part-Time Seasonal Staff – Many PRCS programs are delivered by part-time seasonal staff. The proposed budget includes increased funding for part-time staffing to meet the growing demand for recreation programs. These additional costs are offset by increased projected revenues from the department's thriving programs and expanded class offerings

- Benefits – The budget includes a projected 8% overall increase for employee health, dental, and vision benefits.

Personnel Allocation

Over the last few years, the City Council has reduced full-time equivalent (FTE) positions from 208.67 in FY18/19 to 188.5 in FY20/21 (as amended in September 2020); this recent history is shown in the table below. When the 2020 reductions were made, many were intended to be temporary in nature in response to the pandemic. At that time Staff stated that the low staffing levels were not sustainable, and positions would need to be added back as demand for services returned. That post-pandemic service demand has returned, but staffing levels have not, primarily due to the City's existing financial constraints.

Staffing levels have not been this low since FY14/15 – nearly ten years ago, when the City had only 193.9 authorized FTE. Even then, this was still over thirty-eight (38) positions less than the twenty-year high of 232.23 FTE in FY07/08. Current staffing levels are simply not adequate to meet the community's demand for services and fulfill all required municipal mandates.



Budget Highlights:

- Utilities
  Utility costs are expected to increase as shown in the table below.

Utility Assumptions FY25/26	
Water	+6%
Garbage	+6%
Sewer	+2.9%
PG&E	+3%

- Liability Insurance / Claims

Risk Management expenses for liability policies are decreasing slightly in some areas and

increasing in others. The actuarial reports for the individual agencies have not been issued yet and will inform the claims number for FY25/26. Staff has kept risk management related expenses essentially flat until the final numbers are received in June.

Risk Management 5-Year Trend					
Risk Management	**FY21/22**	**FY22/23**	**FY23/24**	**FY24/25**	**FY25/26**
Liability Premiums	$1,176,106	$2,224,195	$1,639,394	$1,557,597	$1,557,597
General Liability Claims	$104,097	$329,640	$150,000	$150,000	$150,000
Workers' Comp Claims	$149,301	$208,017	$250,000	$329,945	$329,945
Special Events Insurance	-	$9,675	$5,120	-	$3,000
Gymnastics Insurance	$9,961	$17,394	$10,360	$10,952	$10,000
TOTAL	**$1,439,466**	**$2,787,364**	**$2,054,874**	**$2,048,494**	**2,050,542**
Difference	$449,280	$1,347,898	($732,490)	($6,380)	$2,048

- Unfunded Accrued Pension Liability (UAL)

UAL costs are included in personnel costs. The following table recaps the 5-year change in the City's UAL expense. The FY25/26 UAL cost of $6.2M represents an increase of 13.53% or approximately $741K, this is similar to the increase experienced by other CalPERS agencies. Today, over 70% of the City's employees fall under the 2013 Public Employee's Pension Reform Act (PEPRA). PEPRA changed the way retirement benefits are funded, requiring employees new to the CalPERS system to pay 50% of the cost of their retirement. For the 30% of employees who are considered CalPers "Classic" employees (employees in the system prior to 2013), the City has negotiated pension cost sharing as part of all labor agreements. Cost sharing requires these employees to pay for a portion of the employer share of pension costs (2.5% - 3% depending on the bargaining unit).

CalPERS Unfunded Accrued Liability 5-Year Trend					
	FY2021/22	**FY2022/23**	**FY2023/24**	**FY2024/25**	**FY2025/26**
Unfunded Accrued Liability	$4,296,594	$4,882,164	$4,558,920	$5,475,682	$6,216,302
Annual Change	$638,976	$585,570	$(323,244)	$916,762	$740,620
% Change		+13.6%	-6.6%	+20.1%	+13.53%
*For FY2025/26 CalPers prepayment is available. This option provides an approximate savings of $201 thousand.					

- Other Post Employment Benefits (OPEB)

Now that finance has caught up with actuarial analysis, the City's actuarial foster & foster has recommended a contribution of $72,537 which is a significant savings from the $240,00 budgeted in prior years.

- Parks, Recreation and Community Services
  - As discussed at the April 08, 2025 City Council meeting, there is a proposed $50,000 allocation to a Parks, Recreation & Community Services to conduct a Cost Recovery Study. This study would develop a formal cost recovery model for PRCS Programs, classes, events, & facility rentals.

- City Clerk
  - As discussed at the April 08,2025 City Council meeting, the City Clerk's budget includes a proposal of $100,000 to continue work addressing findings in the June 8, 2023 Civil Grand Jury report, staff is recommending programming $100,000 into the City Clerks' budget towards digitation of records to continue making records accessible in the records management system that was implemented in FY23/24

- Parks & Recreation
  Per City Council direction at the April 8, 2025 meeting, staff has increased funding for the Youth Financial Assistance Program from $10k to $25k. This enhancement will expand community benefits and provide greater resources for youth in the community.

- Community Development
  Community Development has a proposed $77k allocated for one-time funding in the proposed budget as outlines below:
  - $10,000 to conduct a cannabis market study. On February 11, 2023, the CC held a study session on CC Strategic Plan Goal #20. Following the staff presentation, staff received direction from Council to draft policy that supports the allowance of up to 3 cannabis retail stores. Council also requested that staff bring forward a market study with the proposed policy so both can be reviewed concurrently. Staff has estimated that a market study will cost up to $10,000.
  - $67,000 in one-time proposed funding to support training in multiple divisions. Part of the training resources will be used to accomplish a triannual code cycle update inclusive of updated code materials, etc.

- Public Works

Staff recommends including $500,000 for seasonal maintenance work to complete fire abatement (weeds / open space vegetation management), parks and streets maintenance. This will fund approx. 17,457 hours (or ~8.39FTE) of maintenance work by part-time non-benefitted Maintenance Workers or contract workers split between Parks and Streets maintenance.

Internal Service Funds

Information Technology (IT) Equipment Replacement Fund (Fund 603)

The budget proposes a $95,000 contribution to the Information Technology Equipment Replacement Fund. These funds are set aside to replace computers, printers, servers, and other hardware and software at the end of their useful life. The replacement fund allows for a pool of funding available when replacements are needed and assists with the smoothing of these costs over time. Staff is proposing that this amount be kept the same as prior years, and while the contribution is not really sufficient to fund large software projects such as the permitting system, larger scale IT security requirements, or a financial system; it does allow for continued investment in IT infrastructure. The permitting software, starting the process for the financial system

replacement, and IT security are all ongoing or proposed Capital Improvement Projects (CIP) for FY 2025/26.

Equipment Replacement (Fund 602)

The Equipment Replacement Fund is intended to collect funds to replace vehicles and heavy equipment in the existing fleet inventory. Interfund Loan – the Equipment Replacement Fund loaned the general fund $4,850,000 for the purchase of 501 Davidson Street. The initial loan repayment amount was recommended to be paid at $311,000 per year over 20 years which was inclusive of $2.5% interest. Repayment has been deferred in the last two fiscal years. Staff is recommending that the loan amount be adjusted to $212,000 per year the amount of revenue that will be received from the Vero West lease for 501 Davidson Street. This extends the loan repayment term to 23 years. Further repayment should not start until lease revenue starts.

The Internal Service fund study recommended that the equipment replacement fund allocation to its customers be $1 million per year. It has been funded at $700K, and staff is proposing that the $700K allocation remain in place as the appropriate funding is still indeterminate due to the equity lease just starting to be used as an equity lease in this fiscal year.

Equipment Operations and Maintenance (Fund 601)

The Equipment Maintenance Fund is intended to recoup costs associated with repair and maintenance of the City's fleet vehicles and heavy equipment, including staff costs, parts, fuel, tires, etc. The Equipment Operations and Maintenance fund was part of the Internal Service fund study conducted during the FY 24/25 budget development cycle. The results of that study determined that the actual allocation of charges to the customer fund primarily the general fund was not capturing the full cost being incurred. Council approved a fixed allocation method for costs incurred by the fund. The fund had a $2.1 million deficit and while the fixed cost allocation method stopped the deficit from growing but did not address the existing deficit. Staff is recommending that the general fund pay back the internal service fund $105K per year over 20 years to pay back this unintended loan.

Marin Valley Mobile Country Club (MVMCC)
Staff has been in contact with MVMCC's Park Acquisition Committee (PAC) and met with members of the PAC and the Helsing Group on April 28. 2025 to discuss the MVMCC operating and capital improvement budget. The budget was refined based on that conversation and is reflected in Attachments 2 and 3. The operating budget reflects a rent increase estimated at 2.5% (recent CPI estimate) and keeps expenses within the Debt Service Coverage (DSCR) ration of 1.74 as required by the loan covenants by the Bank of Marin for the outstanding loan.

Fund Balance/Debt

Because several finance projects have been completed/resolved and the audits have been caught up, Staff are able to provide projected fund balances for select funds as part of this year's budget process to assist the City Council in providing budget development direction. Staff has been able to forecast the ending fund balances for FY24/25 for select funds, particularly those used to fund CIP projects, as the estimated CIP expenditures are built into the projections.

Due to the backlog of finance/accounting activity and the complexity in reconciling all the funds, as well as the need to complete other priority projects (such as getting the record current to close the fiscal year FY 24/25), it will not be possible to project balances for all 60+ City funds at this time. The table below illustrates current projections of 35 fund balances and the projection of fund balance in FY25/26 for select funds:

Fund	FY 24/25 Projected Fund Balance	FY 25/26 Projected Fund Balance
111-Measure F Sales Tax	13,782	-
114-Pension Reserve	1,617	1,671
115-Insurance Reserve	2,784,991	2,838,809
116-Emergency & Disaster Reserve	14,261,307	14,776,509
117-Civic Center	4,979	5,567
118-Long-Term Maint-Facilities	530,643	76,265
119-Long-Term Maint-Infrastructure	488,428	96,164
210-Affordable Housing Programs	871,650	1,071,966
211-Clean Storm Water	270,697	93,323
212-Underground Utilities	860,417	898,813
213-Parking Improvement	(4,996)	(5,102)
214-Subdivision Park (Quimby)	97,147	147,921
215-Art in Public Places	330,509	342,687
216-General Plan Surcharge	723,214	866,094
217-Automation Surcharge	57,102	-
220-Hamilton Art Center	1,491,061	1,678,213
221-Chapter 27 Assessments	284,231	293,847
222-LAD-San Marin	63,820	43,022
223-LAD-Country Club	81,141	83,887
224-LAD-Wildwood Glen	7,621	7,336
225-LAD-Hillside	36,609	38,599
226-Light & LAD-Downtown	161,198	174,238
227-LAD-San Pablo	106,934	98,119
229-State Gas Tax	222,737	388,198
233-Operating Grants	40,974	TBD
234-Capital Grants*	(1,231,693)	TBD
235-Marin VRF*	(438,638)	TBD

236-Streets Measure A*	(979,822)	TBD
237-Park Measure A	1,183,850	638,857
238-Clean Stormwater CIP	124,011	144,333
239-Street & Storm Drain Maint.	235,111	247,411
240-Restricted Revenue	91,303	91,303
242-Community Facilities	(20,152)	(20,152)
601-Equipment Maintenance	(2,077,566)	(1,972,566)
602-Equipment Replacement	1,484,194	TBD

*Funds that are reimbursed for costs

Additionally, Attachment 4 provides information about the various debt obligations inclusive of interfund loans (loans between City funds) the City is responsible for and the maturity date for each commitment. Debt that is impactful to the General Fund is highlighted in the attachment.

CAPITAL IMPROVEMENT PROGRAM (CIP)

Each fiscal year the City's five-year Capital Improvement Program (CIP) is updated based on citywide priorities and needs, capital revenue projections, and community input. ongoing projects.

The annual CIP update process begins early each calendar year with a mid-year review of individual project schedules and planned expenditures to determine if additional funding may be required for ongoing projects. The five-year revenue projections are prepared for major funding sources that support capital projects and specific needs and priorities are matched with revenue capacity to create the draft CIP Budget proposal.

CIP projects for the fiscal year are submitted by City Departments for review by the CIP Review Team which consists of the City Manager, Public Works Director, and Finance Director.
The CIP review team reviews the projects to evaluate the following:

- Available Funding
- Staff Resources
- Projects that support the City Council goals and Strategic Plan
- Projects that support guiding documents (i.e. Parks Master Plan)
- Projects that address regulatory requirements and health and safety requirements
- Projects that increase the Pavement Condition Index (PCI)
- Projects associated with a local match or grant funding
- Projects that support Measure M priorities
- Projects that generate operational savings and revenues

Annual updates to the CIP typically include the removal of completed projects, adding new funding, or modifying funding for ongoing projects, and proposed new projects that may be planned or implemented during the next five years.

The CIP update and approval process relies on planning documents, community input, recommendations from committees/commissions, and guidance from the City Council to prepare the draft list of proposed new projects and funding for future fiscal years. The annual process occurs each year in conjunction with the preparation of the City's Operating Budget. A draft CIP

update was prepared and presented to the Community Streets Pathways Oversight Committee (CSPOC) on March 19, 2025, and the Finance Commission on April 3, 2025. The draft CIP budget will also be presented to the Planning Commission in May to certify conformance with the General Plan. Information and input received from the community helps to refine the draft CIP plan.

FY25/26 Capital Improvement Program:

The capital improvement program was presented at the April 8, 2025, City Council Budget Development Study Session. There are attachments to this staff report for all of the various CIP schedules and the few changes that have occurred since the prior meeting are outlined below.

- Most of the projects are funded from various Special Revenue funds. There are typically over twenty revenue funding sources for CIP projects. The revenue forecast of the major funds is in Attachment 5. Staff has refined funding sources to use restricted revenue programmed for specific projects and to ensure adequacy of funding sources.

- There are sixteen new projects requiring $6,460,000 in funding (Attachment 6).

- There are twelve projects requiring ongoing funding in the amount of $2,616,827 (Attachment 7). One new request has been added to this list. The new item is an additional $55,000 for the New Permitting Software. This allows for the extension of the firm providing project management support for the project.

- A five-year funding summary and proposed list of projects to be closed with funds to be reallocated are in Attachments 8 and 9. Novato Boulevard has been carrying a budgeted amount of $4.5 million that was estimated but not requested from the Transit Authority of Marin. This adjustment corrects the project.

- The final attachment (Attachment 10) is the 5 Year plan summary

While most of the projects are funded from special revenue sources City owned facilities only have general fund revenues as a funding source. In addition, special revenues have not been enough to fund work on streets to keep the pavement condition index (PCI) at its current level. Staff is making the following proposals in the operating budget to support the Capital Improvement Program.

Long-Term Maintenance and Measure M

The budget includes a General Fund contribution to fund Long-Term Facilities and Infrastructure Maintenance Funds. The table below shows the prior six years of funding. These funds are set aside to support maintenance of facilities and infrastructure primarily through the capital program. It should be noted that these historical contributions have not been adequate to address deferred facility and infrastructure maintenance needs; at one time, the Council established a goal to contribute $1 million annually to these accounts. Staff has proposed an allocation of $320,000 to Long Term Maintenance Facilities, and $320,000 to Long Term Maintenance Infrastructure funded with $306,218 funded from the General Fund and $13,782 funded from Measure F (depleting the remaining fund balance).

To start to address infrastructure needs related to streets staff is recommending that $1,880,000 be funded from Measure M for the Annual Street Paving Program to ensure that the pavement condition index (PCI) stops decreasing and $55,000 to continue the implementation of the permit system for a total of $1,935,000 from Measure M.

After the FY25/26 Capital Program allocation, the Long-Term Maintenance Funds have available fund balance of less than $100K each.

6-Year Trend - General Fund Transfers Long-Term Maintenance						
	Budget FY19/20	**Budget FY20/21**	**Budget FY21/22***	**Budget FY22/23**	**Budget FY23/24**	**Budget FY FY24/25****
Facilities	$ 150,000	$ 500,000	$ 500,000	$ 375,000	$ 320,000	$300,000
Infrastructure	$ 250,000	$ -	$ 250,000	$ 375,000	$ 320,000	$144,000
TOTAL	**$ 400,000**	**$ 500,000**	**$ 750,000**	**$ 750,000**	**$ 640,000**	**$444,000**
*FY21/22 = An additional $750k planned ARP backfill to Infrastructure was not allowed, the funds were subsequently moved directly to the CIP for qualifying expenses. **Infrastructure was funded from Measure F fund balance in the amount of $156K						

Fiscal Year 25/26 Budget Development Process - Next Steps

Information on how to attend meetings can be found at: https://www.novato.org/government/commissions-committees-boards/novato-citizens-finance-advisory-oversight-committee.

Details of other outreach efforts and community feedback received through the budget workshop and surveys were detailed in the April 8th City Council report. The following table outlines key milestones in the FY25/26 budget development process:

FY2025/26 Budget Development Calendar		
✓	February 11 -18	Mini-Survey Open (to schedule Community Budget Workshop)
✓	February 11	Draft Budget Calendar for Consideration
✓	February 25	Present Budget Calendar for Consideration
✓	March 10 -31	Community Budget Priority Survey Open
✓	March 27	Community Budget Workshop
✓	April 08	City Council - Budget Development Study Session & Capital Improvement Program
✓	April 29	Budget Pop-Up
✓	May 03	Budget Pop-up
✓	May 06	Budget Pop-up
	May 13	City Council - Budget Workshop
	June 10	City Council - Budget Hearing
	June 24	City Council - Budget Adoption

Budget Document

With this report, Staff has provided the City Council with a preliminary budget document. Staff continue to work towards alignment with the Government Finance Officers Association (GFOA) standards for understandable and transparent budget documents.

PUBLIC OUTREACH

This item was noticed per standard City of Novato City Council agenda noticing procedures including posting the agenda 72 hours in advance on the community bulletin board in front of City Administrative Offices located at 922 Machin Avenue, posting on the City's website at

novato.org/councilagendas and sending an email notification to all e-notification subscribers.

FISCAL IMPACT

City Council direction will be incorporated into the draft FY25/26 budget for discussion at the June 10, 2025 Budget Hearing.

STRATEGIC PLAN ALIGNMENT

This item supports all goals in the strategic plan.

RECOMMENDATION

Staff recommends that the City Council receive the presentation on the preliminary FY25/26 Operating Budget and Capital Budget and provide any additional budget development direction desired.

ALTERNATIVES

Choose not to receive the presentation and direct Staff to proceed with the FY25/26 budget development without additional direction.

ATTACHMENTS

1. Marin Valley Mobile Country Club (MVMCC) - Operating Budget
2. Marin Valley Mobile Country Club (MVMCC) - Capital Program
3. Summary Debt Schedule
4. Capital Improvement Program – Revenue Projections
5. Capital Improvement Program – New Projects
6. Capital Improvement Program – Ongoing Projects with New Funding
7. Capital Improvement Program – Funding Summary
8. Capital Improvement Program – Closed Projects
9. Capital Improvement Program – 5 Year Plan

Marin Valley Mobile County Club (MVMCC) Draft Operating Budget FY2025/26

GL Description	DETAIL	FY 2024/25
REVENUES		**Adopted Budget**
Space Rent	2.5% increase in January 2026	$ 2,530,158
Late Fees	Actual late fees Jul-Jan Avg $70/mo	720
Laundry	Actual laundry income Jul-Jan Avg $0/mo	-
Park Staff Mobile Home Rent	$1153/mo Jul-Dec; $1188/mo Jan-Jun	13,764
Vehicle Parking Fees/RV	Actual parking fees Jul-Feb Avg $460/mo	6,360
Total Permanent Rent		**2,551,002**
Electric	Per estimate analysis (historical data)	383,384
Garbage	$15,168/mo 313@$48.46	165,000
Gas	Per estimate analysis (historical data)	228,304
Sewer	LGVSD 2025-26 prop rate $1,492 per unit = $38,917/mo	424,428
Total Utilities		**1,201,116**
ARPA Revenue		-
Investment Income	Per City Staff-amount subject to change	117,950
Other Income		200
Total Other Income		**118,150**
TOTAL GROSS REVENUES		**3,870,268**
OPERATION & MAINT. EXPENSES		
Wages - Park Manager	Kept flat while labor negotiations are ongoing	98,679
Wages - Bookkeeper		21,562
Wages-Maintenance		40,796
Wages-Assistant Maintenance		34,014
Park Staff Mobile Home Rent	$1153/mo Jul-Dec; $1165/mo Jan-Jun	13,764
Travel	Manager Mileage Reimbursement	600
Total Wages		**209,415**
P/R Taxes	Estimate - Employer Payroll Taxes dependent on staff pay	18,113
Workers Comp	Estimate based on rates from workers comp and staff pay	11,903
Total P/R Taxes/Insurance		**30,016**
TOTAL EMPLOYEE COSTS		**239,431**
Electric	Based on same rates as the General Fund Operating Budget	437,272
Garbage - contract		175,911
Gas		264,472
Sewer		400,435
Water		128,166
Total Utilities		**1,406,256**
Concrete Maintenance		-
Fire Abatement	Est brush/weed clearing, includes $50,000 for goats (AH and MG)	50,000
Landscape Maintenance	DelToro $1,200/mo + $7,500 extra/yr (weed control)	31,500
Staff Home Repairs	Estimate	4,000
Operating Supplies & Equip	Estimate operating supplies (cleaning supplies & consumables)	15,000
Pool Supplies & Equipment	July-Feb Avg $925/mo + $4,000 repairs	15,000
General Repairs	Common Area maint & rep (AH and MG)	50,000
Security Contract	Patrols $865/mo	10,000
System Maintenance - Gas	Repairs	5,000
System Maintenance - Electrical	Repairs	15,000
System Maintenance - Generator	Maintenance contract ($3,200)+ repairs	6,200
System Maintenance - Sewer	Actual prev year ave $3,750/mo, sewer line clearing/repairs	50,000
System Maintenance - Water	Repairs to Water Lines	15,000
System Maint - Storm Drain	Estimate	10,000
Street Crack Seal Repair	on capital plan	-
Tools & Equipment Repair	R&R Park tools and equipment	2,000
Trees	Estimate tree trim and removal (AH and MG)	50,000
Uniforms	Park Staff Shirts/Jackets/Raingear	300
Utility Maintenance	Unanticipated service/repairs to meters etc	5,000
Vehicle Maintenance	Repairs/service/DMV fees - avg $400 p/mo	5,000
Contingency	Estimate	-
Total Repairs/Maintenance		**339,000**
Advertising & Promotion	Estimate	400
Bank Charges	Actual Fees Ave $20/mo	240

GL Description	DETAIL	FY 2024/25
Copier Supplies/Repairs	Actual July-Feb Avg $100/mo	1,920
Dues & Subscriptions	Title 25, MH Residency Law updates	1,500
Education & Seminars	Onsite Staff Training -WMA mmbrshp $925	1,800
Legal	Estimate, enforcement of Park documents/collections	40,000
Professional Services	Legal	-
Licenses & Permits	Dvc-$1200/HCD-$9000/PI&Spa Pmt $950	9,850
Office Supplies & Equipment	Actual July-Feb Avg $210/mo	6,500
Other Expense	Estimate	3,500
Outside Services	Park Billing $675/$200-ans serv/$300 pest/clbhs	13,800
Telephone	alarm $600/mo, net $1500/mo, pager $50/qtr, oncall $40	24,000
Total Office & Administration		**103,510**
In-Lieu of Tax Fees - Novato	Per City Staff	89,089
Resident Humanitarian Services		-
Insurance-Prop & Liability	Per City Staff - amount subject to change	250,000
Insurance - MARVAL	Per City Staff - amount subject to change	6,600
Management Fee	$5,790 p/mo	69,480
Emergency Prep MVEST		1,750
Owner Expense		25,000
PAC Expense		6,000
Audit	Per City Staff - amount subject to change	5,200
Mobile Home Rent Control Fee	$60 per space per City's Rent Control Ordinance	18,900
Total Insurance & Management		**472,019**
TOTAL OPERATING & MAINT. EXPENSES		**2,560,216**
NET OPERATING INCOME		**1,310,052**
Bank of Marin Loan:		
Loan Principal	per amortization schedule	597,563
Loan Interest	per amortization schedule	53,610
Annual Debt Service		**651,173**
Estimated DSCR (must be >1.74)	=(Net Operating Income/Annual Debt Service)	**2.01**
Excess Revenue		**658,879**
Other Expense		
Capital Expenses	Est based on draft 2024-25 CIP Budget ($350k moved frm prev yr)	1,771,595
Owner Expense	Amount above cap for DSCR	25,000
TOTAL OTHER EXPENSES		**1,796,595**
Reserve Contribution to Balance Budget		**$ 1,137,716**

FY 2025/26
Proposed Budget
$ 2,561,785
840
-
13,936
5,520
2,582,081
432,178
182,016
208,709
466,996
1,289,899
-
117,950
200
118,150
3,990,130
98,679
21,562
40,796
34,014
13,936
600
209,587
18,656
12,260
30,916
240,504
450,390
186,466
272,406
412,048
135,856
1,457,166
-
125,000
31,500
4,000
15,000
15,000
75,000
10,500
5,000
15,000
6,200
50,000
15,000
10,000
-
2,000
160,000
300
5,000
5,000
-
549,500
400
240

FY 2025/26
1,200
1,500
1,800
10,000
11,150
2,520
3,500
14,340
24,000
70,650
82,927
12,000
313,148
69,480
1,750
25,000
6,000
8,930
18,900
538,135
2,855,954
1,134,176
614,780
36,392
651,172
1.74
483,004
901,351
25,000
926,351
$ 443,347

MARIN VALLEY MOBILE COUNTRY CLUB. FY 2025/26 CAPITAL IMPROVEMENT PROGRAM BUDGET
PROPOSED Draft

		Projected for	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	CAPITAL COMPONENT	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2034-2034	2034-2035
	SHORT-TERM CIP PROJECTS											
	ASPHALT/STREETS/LIGHTS											
1	Overlay	$ 10,500	$ 36,414	$ 11,025	$ 37,142	$ 11,576	$ 37,885	$ 12,155	$ 38,643	$ 12,763	$ 39,416	$ 13,401
2	Driveways & Cul de sacs	$ 42,436	$ 43,709	$ 45,020	$ 46,371	$ 47,762	$ 49,195	$ 50,671	$ 52,191	$ 53,235	$ 54,300	$ 55,386
3	**COMMON AREA/RECREATION FACILITIES**											
4	Common Area/Recreation Facilities	$ 79,568	$ 81,955	$ 84,413	$ 86,946	$ 89,554	$ 92,241	$ 95,008	$ 97,858	$ 99,815	$ 101,811	$ 103,847
5	Clubhouse ADA Phase 2 - Design Pool & Clubhouse Bathrooms	$ 75,000										
6	Clubhouse ADA Phase 2 - Construct/Renovate Pool & Clubhouse Bathrooms	$ 300,000	$ 300,000									
7	Clubhouse ADA Phase 3 - Elevator/Exterior Lift											
8	Clubhouse ADA Phase 4 - Other minor accessibility enhancements		$ 50,000									
9	Repaint Clubhouse [Completed]											
10	Lower Deck Replacement [Completed]											
11	Clubhouse Roof & HVAC Replacement	$ 350,000										
12	New Ballroom Floor (to be initiated after elevator/lift project) $20x2500SF			$ 75,000								
13	Thermal Panels to Heat Pool	$ 23,000										
14	**GEOTECHNICAL - ROUTINE CAPITAL WORK**											
15	Slopes/Drains/V-ditches	$ 26,523	$ 27,318	$ 28,138	$ 28,982	$ 29,851	$ 30,747	$ 31,669	$ 32,619	$ 33,271	$ 33,938	$ 34,617
16	Retaining Walls	$ 79,568	$ 81,955	$ 84,413	$ 86,946	$ 89,554	$ 92,241	$ 95,008	$ 97,858	$ 99,815	$ 101,811	$ 103,847
17	**Park Owned Mobile home Maintenance**											
18	**Replace Park Vehicle (truck)**											
19	**Updated Property Assessment and Associated On- site Engineering**	$ 105,000										
20	**Sub Total Projected Expenditures**	**$ 1,091,595**	**$ 621,351**	**$ 328,009**	**$ 286,387**	**$ 268,297**	**$ 302,309**	**$ 284,511**	**$ 319,169**	**$ 298,899**	**$ 331,276**	**$ 311,098**
21	**LONG-TERM INFRASTRUCTURE CIP PROJECTS**											
22	Complete MVMCC Utility Master Plan from 2016 Draft											
23	**SANITARY SEWER INFRASTRUCTURE- December2018 Assessment & Report**											
24	Replace Pump Station #2 Wet-Well/Force Main/Generator											
25	Const. Mgm't. & Insp. - Pump Station #2 Contract											
26	Replace Pump Station #1 Wet-Well/Force Main/Generator											
27	Const. Mgm't. & Insp. - Pump Station #1 Contract											
28	**OTHER INFRASTRUCTURE REPLACEMENT- TRANSMISSION/MAINS**											
29	Water Alt #2 Main/Laterals Replacement Design & Construction Docs		$ -									
30	Water Alt #2 Main/Laterals Replacement-Construction			$ -	$ -							
31	Water Alt #3 Main/Laterals Replacement Design & Construction Docs	**$ -**	**$ 100,000**									
32	Sewer Alt #3 Main/Laterals Replacement Design & Construction Docs		$ -				$ 100,000					
33	Sewer Alt #2 Main/Laterals Replacement - Construction							$ 3,400,000	$ 3,400,000	$ 3,400,000		
34	Storm Drain System Alt #1 Repairs ($500/LF)											
35	Storm Drain System Replacement											
36	Storm Drain Ditch Cleaning (ES)	$ 200,000										
37	Natural Gas Main Replacement - Design											
38	Natural Gas Main Replacement - Construction											
39	Electrical Conductors & Main Panels - Design											
40	Electrical Conductors & Substation Panels Const											
41	**OTHER INFRASTRUCTURE REPLACEMENT - DISTRIBUTION/SERVICES**											
42	Current Water System Minor Upgrades & Maintenance	$ 30,000		$ 30,000								
43	Replace Main Switch, Testing Transformer Oil, Electrical Pedestal Replacements	$ 350,000	$ 30,000									
44	Gas Distribution & Shutoff Valve Replacement				$ 30,000		$ 30,000					
45	**RETAINING WALLS & SLOPE STABILITY**											
46	Locations from geotechnical engineer slope stability report		$ 150,000				$ 150,000					
47	**Subtotal Conditions Survey Projected Expenditures**	**$ 580,000**	**$ 280,000**	**$ 30,000**	**$ 30,000**	**$ -**	**$ 280,000**	**$ 3,400,000**	**$ 3,400,000**	**$ 3,400,000**	**$ -**	**$ -**
48	**TOTAL EXPENDITURES**	**$ 1,671,595**	**$ 901,351**	**$ 358,009**	**$ 316,387**	**$ 268,297**	**$ 582,309**	**$ 3,684,511**	**$ 3,719,169**	**$ 3,698,899**	**$ 331,276**	**$ 311,098**

City of Novato Debt Payments FY 2025/26				
	Description	**Amount**	**Maturity**	**Additional Information**
1	Corp Yard Purchase Loan from Equipment Replacement*	212,000	2042	Loan for Purchase of 501 Davidson – Loan to Self
2	Pension Obligation Bonds 2006 A1	1,787,229	2035	Bond - Pension Liability
3	Pension Obligation Bonds A2	-	2035	Bond - Pension Liability
4	SMART Lease Lease Back*	155,950	2037	Smart Station Project - Loan to Self
5	2002-1 Pointe Marin Funding Series 2020	615,300	2032	Reimbursed thru Property Tax Assessment
6	2013 General Obligation Refunding	338,985	2025	Bond Financing Infrastructure Improvements (streets, storm drains, sidewalks) - Final Payment
7	2014 Hamilton CFD	1,405,824	2025	Reimbursed thru Property Tax Assessment - Final Payment
8	2014 Pacheco Valle*	31,982	2029	Reimbursed thru Property Tax Assessment
9	2014 Vintage Oaks CFD	1,594,554	2026	Reimbursed thru Property Tax Assessment
10	2019 Series A and B TARB	2,374,846	2040	Redevelopment – Reimbursed thru State of CA
11	2020 General Obligation Bonds	340,248	2027	Bond Financing Infrastructure Improvements (streets, storm drains, sidewalks)
12	Marin Valley Mobile Country Club (MVMCC)	651,172	2027	Reimbursed thru MVMCC Receipts
13	North Bay Children's Center (NBCC)Lease Lease Back*	98,755	2053	Reimbursed thru NBCC (Loan for Facility Project)
14	RDA Project Fund Loan to RDA Housing Fund*	505,000	2049	Redevelopment – Reimbursed thru State of CA
	Total Payable FY25/26	**$10,111,845**		
Green = General Fund, **Blue** = Final Payment, * - indicates interfund loans Total Payable FY25/26 = $1,878,208				

Primary CIP Fund Sources	Estimated Fund Balance at 6/30/25	FY 2025/26 Forecast*	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast	FY 2029/30 Forecast
118 - LTM-Facilities	$ 497,471	$ 320,000	$ -	$ -	$ -	$ -
119 - LTM-Infrastructure	$ 456,658	$ 320,000	$ -	$ -	$ -	$ -
211 - Clean Stormwater	$ 137,496	$ 12,000				
212 - Underground Utility	$ 841,769	$ -				
214 - Quimby In-Lieu Fees	$ 143,087	$ -				
215 - Public Art	$ 304,595	$ -				
220 - Hamilton Arts	$ 1,514,861	$ -				
229 - Gas Tax HUTA	$ -	$ 7,844	$ 1,462,609	$ 1,418,731	$ 1,376,169	$ 1,334,884
229.105 - Gas Tax RMRA	$ 1,404,904	$ 1,394,905	$ 1,353,058	$ 1,312,466	$ 1,273,092	$ 1,234,899
233 - Grant CalRecycle	$ -	$ -				
235.160 - TAM Measure B (VRF)	$ (436,913)	$ -	$ -	$ -	$ 671,000	$ -
237 - Parks Measure A	$ 1,111,441	$ 223,875	$ 523,875	$ 523,875	$ 523,875	$ 523,875

*After estimated transfers to operating

Project Name	FY 2025/26 Proposed Budget
2026 Annual Pavement Rehabilitation	$ 3,000,000
922 Machin Workspace Reconfiguration	$ 100,000
Annual Traffic Striping and Marking	$ 75,000
ERP Financial System- Study	$ 75,000
Hamilton Amphitheater Park Playground Improvements	$ 700,000
Hamilton comm Gym	$ 50,000
HVAC - Hill Community Room	$ 125,000
HVAC - MTSC	$ 240,000
HVAC Replacement - Police Station	$ 700,000
Miwok Park Fencing Phase 2	$ 100,000
MTSC Exterior Siding	$ 50,000
Parks Master Plan Accessibility Project - Ph2	$ 120,000
PD Water infiltration	$ 200,000
Security Hardware Refresh	$ 100,000
SP2S – Quick Build Improvements at Various Intersections	$ 235,000
SP2S - Sutro Ave Sidewalk Gap Closure	$ 590,000
	$ 6,460,000

CIP Project ID	Project Name	FY 2025/26 Proposed Budget
01-004	Novato Blvd Improvements Diablo - Grant & Rule 20A UUD	$ 41,767
16-011	North Redwood Blvd Corridor Study	$ 366,000
17-002	Accessibility Enhancements - Municipal Buildings	$ 50,000
17-003	Accessibility Enhancements - Parks	$ 50,000
18-003	MTC Pavement Management Phase IV	$ 30,000
18-008	Municipal Buildings Deferred Maintenance	$ 50,000
22-007	CDD, PRCS & CPRA Software Procurement	$ 55,000
23-003	Replace Wooden Streetlight Poles	$ 400,000
23-006	Accessibility Upgrades – San Marin Dr. at San Andreas Dr.	$ 550,000
24-002	2023-2028 Traffic, Bicycle, & Ped Improvements	$ 120,000
24-003	MS4 Permit Trash Capture Devices	$ 471,250
24-005	Ammo Hill Building Demolition	$ 150,000
25-001	2025 Annual Pavement Rehabilitation	$ 82,810
97-001	Olive Phase III (Redwood to Railroad) & Rule 20B UUD	$ 200,000
		$ 2,616,827

Fund Source(s)	Estimated Balance 6/30/25	FY 2025/26 Estimate	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast	FY 2029/30 Forecast	Total
102 - Measure M	$ -	$ 55,000					$ 55,000.00
117 - Civic Center	$ 12,433	$ -	$ -	$ -	$ -	$ -	$ -
118 - LTM-Facilities	$ 511,993	$ 840,000	$ 1,835,000	$ 2,690,000	$ 550,000	$ 140,000	$ 6,055,000.00
119 - LTM-Infrastructure	$ 842,837	$ 2,655,000	$ 325,000	$ 800,000	$ -	$ -	$ 3,780,000.00
212 - Underground Utility	$ 274,513	$ -	$ -	$ 1,000,000	$ -	$ -	$ 1,000,000.00
215 - Public Art	$ 29,470	$ -	$ -	$ -	$ -	$ -	$ -
218 - Hamilton CFD	$ 42,458	$ -	$ -	$ -	$ -	$ -	$ -
220 - Hamilton Arts	$ 680,953	$ -	$ -	$ -	$ -	$ -	$ -
229 - Gas Tax HUTA	$ 997,730	$ -	$ 725,000	$ 1,955,000	$ 470,000	$ 30,000	$ 3,180,000.00
229.105 - Gas Tax RMRA	$ 1,139,719	$ 1,476,000	$ 915,000	$ 1,290,337	$ 1,250,000	$ 100,000	$ 5,031,337.17
233 - Grant-CalRecycle	$ 7,488	$ -	$ -	$ -	$ -	$ -	$ -
234 - Grant funded	$ -	$ 943,250	$ -	$ -	$ -	$ -	$ 943,250.00
234.121 - Grant-HSIP	$ 238,936	$ -	$ -	$ -	$ -	$ -	$ -
234.130 - Grant-HBP	$ 466,769	$ -	$ -	$ -	$ -	$ -	$ -
234.157 - Grant-PTAP	$ 17,410	$ -	$ -	$ -	$ -	$ -	$ -
235.160 - TAM Measure B (VRF)	$ 338,013	$ -	$ -	$ -	$ 670,000	$ -	$ 670,000.00
236.300 - TAM Measure A Reserves	$ 1,841	$ -	$ -	$ -	$ -	$ -	$ -
236.400 - TAM A (Major Streets)	$ (492,480)	$ -	$ -	$ -	$ -	$ -	$ -
236.600 - TAM Measure AA	$ 1,682,672	$ 1,170,810	$ 975,000	$ 650,000	$ 350,000	$ 150,000	$ 3,295,810.00
237 - Parks Measure A	$ 21,300	$ 1,105,000	$ 548,000	$ 540,000	$ 50,000	$ -	$ 2,243,000.00
238 - Clean Stormwater CIP	$ 484,084		$ -	$ -	$ -	$ -	$ -
239 - Street & Storm Drain Maint.	$ 73,800	$ -	$ -	$ -	$ -	$ -	$ -
240 - Restricted Revenue	$ 897,321	$ 41,767	$ -	$ -	$ -	$ -	$ 41,766.50
241.151 - DIF-Sts.& Intersections	$ 2,064,533	$ 290,000	$ 312,000	$ 952,663	$ 20,000	$ 20,000	$ 1,594,662.83
241.151 Streets	$ 291,684	$ 200,000	$ -	$ -	$ -	$ -	$ 200,000.00
241.152 - DIF-Recreation	$ 70	$ 140,000	$ 147,000	$ 120,000	$ 25,000	$ 10,000	$ 442,000.00
241.153 - DIF-Civic Facilities	$ 10,980	$ -	$ -	$ -	$ -	$ -	$ -
241.156 - DIF-Gov't Systems	$ 92,852	$ -	$ -	$ -	$ -	$ -	$ -
241.158 - DIF-Drainage	$ 221,070	$ 160,000	$ -	$ 600,000	$ -	$ -	$ 760,000.00
245 - One Time ARPA	$ 157,407	$ -	$ -	$ -	$ -	$ -	$ -
Grand Total	**$ 11,107,857**	**$ 9,076,827**	**$ 5,782,000**	**$ 10,598,000**	**$ 3,385,000**	**$ 450,000**	**$ 29,291,826.50**

CIP Project ID	Project Name	Closeout Budget Adjustments Needed
01-004	Novato Blvd Improvements Diablo - Grant & Rule 20A UUD	$ (4,500,000)
20-003	EV Charging Stations - City Hall	$ 32,407
21-001	2021 Annual Pavement Rehabilitation	$ 10,615
21-005	Rowland Blvd Improvements from SB101 Ramps to Southern Terminus	$ 9,028
22-004	Pioneer Park Play Area Upgrades	$ 48,210
22-006	Citywide Play Structure Upgrades	$ 7,779
22-007	CDD, PRCS & CPRA Software Procurement	$ (39,100)
Grand Total		**$ (4,431,062)**

CIP Project ID	Project Name	Approved in Prior Year(s)	Estimated YTD Balance 6/30/25	FY 2025/26 New Funding	FY 2026/27 Forecast	FY 2027/28 Forecast	FY 2028/29 Forecast	FY 2029/30 Forecast	Total
00-015	Railroad Ave. Drainage Ditch Improvements	318,534	150,409	-	250,000	1,500,000	-	-	1,900,409
01-004	Novato Blvd Improvements Diablo - Grant & Rule 20A UUD	12,374,006	1,193,653	41,767	-	-	-	-	1,235,420
09-003	Grant Ave. Bridge Rehab	6,235,567	830,550	-	-	-	-	-	830,550
11-006	Civic Center Master Planning	50,000	23,413	-	-	-	-	-	23,413
11-019	Public Art Projects	94,616	29,470	-	-	-	-	-	29,470
11-020	San Marin/Simmons Signalization or Roundabout	183,433	162,922	-	-	600,000	-	-	762,922
12-006	Rule 20A UUD #17 (Railroad Ave. - Olive to south terminus)	22,275	13,394	-	-	-	-	-	13,394
12-007	Rule 20A UUD #18 (Olive Ave. - Rosalia to east terminus)	29,700	25,435	-	-	-	-	-	25,435
14-002	Downtown SMART Station Phase III	235,000	9,062	-	-	-	-	-	9,062
14-003	Corportation Yard Water Quality Improvements	188,800	73,800	-	-	-	-	-	73,800
15-014	Storm Drain Improvements (Mt. Burdell Inlets)	442,162	335,718	-	-	-	-	-	335,718
16-007	Reservoir Hill Vista Trail Rehabilitation	101,000	-	-	-	-	-	-	-
16-011	North Redwood Blvd Corridor Study	200,000	197,166	366,000	-	-	-	-	563,166
17-002	Accessibility Enhancements - Municipal Buildings	318,461	1	50,000	50,000	50,000	50,000	50,000	250,001
17-003	Accessibility Enhancements - Parks	355,000	101,519	50,000	50,000	50,000	50,000	50,000	351,519
17-004	Hoog Park Playground & Accessibility Enhancements	846,467	155,731	-	-	-	-	-	155,731
17-005	ADA ROW Transistion Plan	340,000	162,461	-	-	-	-	-	162,461
17-007	Novato Bridge Assessment/Improvement (Group 1)	75,000	109,464	-	-	-	-	-	109,464
18-003	MTC Pavement Management Phase IV	200,019	39,908	30,000	30,000	30,000	30,000	30,000	189,908
18-008	Municipal Buildings Deferred Maintenance	265,000	797	50,000	50,000	50,000	50,000	50,000	250,797
18-009	Police Department Equal Access & Waterproofing	340,000	1	-	-	-	-	-	1
18-010	Police Department HVAC Replacement	30,000	125	-	-	-	-	-	125
19-005	Hamilton Arts Center Deferred Maintenance	950,000	680,953	-	-	-	-	-	680,953
19-006	MTSC Roof Replacement	400,000	100,000	-	-	-	-	-	100,000
19-009	Novato Blvd at San Marin-Sutro Improvements	576,270	310,553	-	-	-	-	-	310,553
19-010	Evaluate Future Use of Lieb Property	215,000	2,267	-	-	-	-	-	2,267
20-002	Energy Efficiency Utility Upgrades	145,200	20,019	-	-	-	-	-	20,019
20-003	EV Charging Stations - City Hall	250,000	(0)	-	-	-	-	-	(0)
21-002	Sidewalk Repair Program - Matching Funds	700,000	677,977	-	150,000	150,000	150,000	150,000	1,277,977
21-003	Update/Replace Grant Avenue Amenities	153,000	9,217	-	-	-	-	-	9,217
21-005	Rowland Blvd Improvements from SB101 Ramps to Southern Terminus	1,650,000	-	-	-	-	-	-	-
22-002	Underground Fuel Tank Replacements	472,541	27,283	-	-	-	-	-	27,283
22-003	DeLong-Diablo Corridor Enhancements	1,442,000	277,606	-	-	-	-	-	277,606
22-004	Pioneer Park Play Area Upgrades	891,926	(0)	-	-	-	-	-	(0)
22-005	Citywide Crosswalk Enhancements & Traffic Management	1,381,337	11,372	-	-	-	-	-	11,372
22-006	Citywide Play Structure Upgrades	250,000	-	-	-	-	-	-	-
22-007	CDD, PRCS & CPRA Software Procurement	814,939	250,260	55,000	-	-	-	-	305,260
23-001	2023 Annual Pavement Rehabilitation	1,800,270	102,917	-	-	-	-	-	102,917
23-002	Replace Hamilton Pump Station SCADA System	250,000	42,458	-	-	-	-	-	42,458
23-003	Replace Wooden Streetlight Poles	500,000	498,673	400,000	250,000	-	-	-	1,148,673
23-004	Lynwood Slough Storm Drain Project	-	-	-	300,000	1,400,000	-	-	1,700,000
23-006	Accessibility Upgrades – San Marin Dr. at San Andreas Dr.	-	-	550,000	-	-	-	-	550,000
24-001	2024 Annual Pavement Rehabilitation	2,280,000	(1,000)	-	-	-	-	-	(1,000)
24-002	2023-2028 Traffic, Bicycle, & Ped Improvements	403,919	331,372	120,000	300,000	300,000	-	-	1,051,372
24-003	MS4 Permit Trash Capture Devices	600,000	583,902	471,250	-	-	-	-	1,055,152
24-004	Replace Gymnastics Center Roof	730,000	100,000	-	-	-	-	-	100,000
24-005	Ammo Hill Building Demolition	-	-	150,000	-	-	-	-	150,000
24-006	HVAC Replacement - DRC & Gymnastics Center	-	-	-	500,000	-	-	-	500,000
25-001	2025 Annual Pavement Rehabilitation	2,145,001	2,241,794	82,810	-	-	-	-	2,324,604
25-002	Annual Traffic Striping & Marking	75,000	25,000	-	-	-	-	-	25,000
25-003	Parks Master Plan Accessibility Project - Phase 1	78,657	21,300	-	-	-	-	-	21,300
26-xxx	2026 Annual Pavement Rehabilitation	-	-	3,000,000	-	-	-	-	3,000,000
	922 Machin Workspace Reconfiguration	-	-	100,000	-	-	-	-	100,000
	Annual Traffic Striping and Marking	-	-	75,000	-	-	-	-	75,000
	ERP Financial System- Study	-	-	75,000	25,000	-	-	-	100,000
	Hamilton comm Gym	-	-	50,000	50,000	50,000	50,000	-	200,000
	HVAC - Hill Community Room	-	-	125,000	-	-	-	-	125,000
	HVAC - MTSC	-	-	240,000	-	-	-	-	240,000
	HVAC Replacement - Police Station	-	-	700,000	-	2,000,000	-	-	2,700,000
	Miwok Park Fencing Phase 2	-	-	100,000	100,000	-	-	-	200,000
	MTSC Exterior Siding	-	-	50,000	350,000	350,000	350,000	-	1,100,000
	Parks Master Plan Accessibility Project - Ph2	-	-	120,000	-	-	-	-	120,000
	PD Water infiltration	-	-	200,000	-	-	-	-	200,000
	Security Hardware Refresh	-	-	100,000	-	-	-	-	100,000
	Hamilton Amphitheater Park Playground Improvements	-	-	700,000	-	-	-	-	700,000
	SP2S - Sutro Ave Sidewalk Gap Closure	-	-	590,000	-	-	-	-	590,000
	SP2S – Quick Build Improvements at Various Intersections	-	-	235,000	-	-	-	-	235,000
27-xxx	2027 Annual Pavement Rehabilitation	-	-	-	1,752,000	-	-	-	1,752,000
	Annual Traffic Striping and Marking	-	-	-	75,000	-	-	-	75,000
	Marin Highlands Park Playground Improvements	-	-	-	300,000	250,000	-	-	550,000
	Marion Park Softball Field Renovation	-	-	-	200,000	-	-	-	200,000
	Parks Master Plan Accessibility Project - Ph3	-	-	-	35,000	-	-	-	35,000
	PD Women's Locker Room	-	-	-	195,000	-	-	-	195,000
	Tran Air Handler Units - Novato Gym Center	-	-	-	650,000	-	-	-	650,000
28-xxx	2028 Annual Pavement Rehabilitation	-	-	-	-	2,148,000	-	-	2,148,000
	Hillside Park Playground Improvements	-	-	-	-	550,000	-	-	550,000
29-xxx	2029 Annual Pavement Rehabilitation	-	-	-	-	-	2,460,000	-	2,460,000
	Pioneer Park Picnic Shade Structure	-	-	-	-	-	75,000	-	75,000
97-001	Olive Phase III (Redwood to Railroad) & Rule 20B UUD	2,691,458	1,131,641	200,000	-	1,000,000	-	-	2,331,641
99-007	Redwood & San Marin Improvements (AGP-5 & NP-1)	56,604	47,296	-	120,000	120,000	120,000	120,000	527,296
Grand Total	**Grand Total**	**45,148,161**	**11,107,857**	**9,076,827**	**5,782,000**	**10,598,000**	**3,385,000**	**450,000**	**40,399,684**

CITY OF NOVATO
CALIFORNIA

922 Machin Avenue | Novato, CA 94945
novato.org

STAFF REPORT

MEETING DATE: May 8, 2024

TO: Finance Advisory Commission

FROM: Carla Carvalho-Degraff, Finance Director

SUBJECT: Balanced Budget Policy

REQUEST

Receive revised policy for review.

DISCUSSION

At the April 3, 2025, Finance Advisory Commission meeting the Balanced Budget policy was briefly presented. Commissioners were asked to provide feedback to Staff via email by April 17, 2025. The attached policy incorporates feedback received from Commissioners. This policy will be presented to City council at the May 13, 2025 City council meeting.

Staff request that the Commission review the policy and provide any additional feedback.

DRAFT

Administrative Policy # _____
Date Issued _____
Jurisdiction: City Council

City of Novato
Balanced Budget Policy

Policy:
The City Council shall adopt a structurally balanced operating budget each fiscal year to ensure consistent and stable continuation of essential services.

Background and Purpose:
The goal of this balanced budget policy is to promote structurally balanced operating budgets.

A structurally balanced budget is a necessary component of good financial management and financial discipline and will help sustain the consistent and stable delivery of services to the community. An unbalanced budget is unsustainable as it undermines the City's ability to address financial challenges and meet the community's expectations for service delivery.

The budget should reflect community priorities and provide adequate resources to deliver services at the community's desired levels. The budget should also support financial sustainability for multiple years into the future as informed by the City's 5-Year General Fund forecast.

While it is the City Council's intent to have flexibility in how to pursue and achieve a structurally balanced budget, the following should be prioritized as vital elements of a structurally balanced budget during the budget development process:

- Ensures adequate resources are available for core service delivery, inclusive of staff, equipment, training, maintenance needs, etc.
- Funds City Council Strategic Plan initiatives
- Supports City Council Employee Compensation Policy
- Includes full contributions to Debt Service, Loan Repayment Schedules, Internal Service Funds, Pension Obligations, and Other Post Employment Benefits per Council policy or directive, or other mandate
- Ensures all required reserve policies (including funding levels) are satisfied

- Does not rely on beginning fund balance as a revenue source
- Does not depend on transfers from non-General Fund revenue sources to the detriment of capital program needs and priorities
- Presented transparently to identify how recurring revenues are aligned with recurring expenses

Use of grant funding is encouraged to reduce reliance on General Fund revenues; however grants can hurt the City's long-term financial position if they lead to implementation of an ongoing program that requires support from the General Fund when the grant expires. For this reason, the use of funds should be carefully considered.

For a variety of reasons, true structural balance may not be possible each year due to external factors such as natural disaster, temporary economic recession, or other factors outside the City's control.

In these situations: (1) use of reserves or other non-recurring revenue to balance the budget may be considered in compliance with existing policies, and (2) a strategy to return to structural balance, replenish fund balance, and remediate the impacts of the short-term balancing actions must be scheduled for discussion at a future meeting. The future meeting date shall be identified at the direction of the City Council.

It is not a violation of this policy to have a planned use of funds available to fund one-time items, including capital, equipment, land or transitional costs for operations (starting up or termination of a service element). It is also not a violation of this policy to use funds previously set aside to mitigate temporarily higher costs or lower revenues.

Definitions:

- Beginning Fund Balance – uncommitted monies a fund starts with at the beginning of a fiscal year, or the prior year's unencumbered ending balance
- Non-Recurring Revenue – funds received from a nonrecurring revenue source such as funds from sale of property, one-time developer contributions, grants
- Operating Budget – the financial plan that identifies projected revenue and anticipated expense needed for ongoing, day-to-day services
- Recurring Expenditures – the portion of the City's expenses that are expected to be funded year to year in order to maintain current/status quo service levels
- Recurring Revenues – the portion of the City's revenues that can reasonably be expected to continue year to year with some degree of predictability.

- Reserves – funds saved for future use, such as emergencies, unexpected one-time expenses, or future capital needs.
- Structurally Balanced Budget - A budget that does not have budgeted ongoing services that are higher than ongoing revenues.

Procedure:

City staff shall prepare a transparent operating budget proposal for City Council consideration at public City Council meetings. The budget presentation shall identify how the proposed budget is or is not structurally balanced in conformance with this policy.

Before July 1st of each year, the City Council shall adopt a structurally balanced operating budget. If the budget is not structurally balanced, the City Council will direct staff to return at a future public City Council meeting to discuss a plan to attain a structurally balanced budget.

Signature _____

City Manager

Exhibits - None

Appendices - None