



Finance Advisory Commission Meeting Agenda

Thursday, February 5, 2026 – 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.

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- A. CALL TO ORDER AND ROLL CALL**
 - B. APPROVAL OF FINAL AGENDA**
 - C. PUBLIC COMMENT**

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

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

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

D. CONSENT ITEM

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

D.1. Approve Meeting Minutes of December 4, 2025

D.2. Fiscal Year 2026/27 Budget Calendar

D.3. Update of Finance Department Activities

E. 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.

E.1. Presentation of General Fund 5-Year Forecast – Andy Heath

E.2. Fiscal Year 2024/25 Audit Results Discussion

- [Link to FY 2024/25 ACFR](#)
- [Link to FY 2024/25 Single Audit](#)

E.3. Establish an Ad Hoc Committee to Work on a Fiscal Sustainability Dashboard

F. UNFINISHED AND OTHER BUSINESS

F.1. Appointment of Finance Advisory Commission 2026 Chair and Vice Chair

G. COMMISSION AND LIAISON REPORTS

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

G.1. Staff Updates

G.2. Commission Member Reports

- Review Finance Advisory Commission Statement Regarding Economic Development Advisory Commission

The next meeting is scheduled for March 5, 2026, 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 February 5, 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, December 4, 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

Absent: Andy Zmyslowski

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

B. APPROVAL OF FINAL AGENDA

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

Ayes: MacKenzie, Manos, Maglio, McMillan, Smith, Thomas

Noes: None

Abstain: None

Absent: Zmyslowski

Motion carried.

C. PUBLIC COMMENT

D. CONSENT ITEMS

D.1. Approve Meeting Minutes of November 5, 2025

Commission Action: Upon motion by Commissioner Manos, and seconded by Vice Chair McMillan, the Commission voted 6-0-0-1 to approve minutes with the correction of a commissioner's name.

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

Motion carried.

E. UNFINISHED AND OTHER BUSINESS

F. GENERAL BUSINESS

F.1. Fiscal Year 2025/26 Quarter 1 Budget Report

Staff presented the Fiscal Year 2025/26 Quarter 1 Budget Report, including updates on budget variances and initial Measure M funding disbursements. Measure M revenues helped close the City's ongoing structural deficit of approximately \$3.97 million. Finance Director Carvalho-DeGraff informed the Commission that, because the City is now current on its audits, this was the first time staff was able to pull data from the system with only one adjustment, making the reporting process significantly more streamlined than in prior years. Staff also noted that recently settled labor negotiation costs totaling \$1.78 million were not included in this report. Commissioners provided feedback to staff.

F.2. Proposed 2026 Finance Advisory Commission Meeting Calendar

Commission Action: Upon motion by Chair Thomas, and seconded by Commissioner Smith, the Commission voted 6-0-0-1 to schedule a Finance Advisory Commission meeting for July 9, 2026 due to the cancelation of the Jul7 2, 2026 meeting.

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

Motion carried.

F.3. Establish an Ad Hoc Committee to Work on Fiscal Sustainability Dashboard

Commissioners requested to defer this item to the upcoming February meeting with the possibility of new commissioners being appointed.

F.4. Update on Finance Department Activities

Staff provided an update to commissioners, advising them of the finalization of the labor negotiations, department staffing and vacancies, and FY 2024/25 audit.

G.1. Staff Updates

None

G.2. Commission Member Reports

Commissioners discussed a draft letter addressed to the Economic Development Advisory Commission intended to express shared interests between the two commissions and explore opportunities for coordination. Commissioners reviewed and discussed options for how best to frame these issues in the letter. The Commission agreed to include language expressing support for the appointment of Economic Development Manager Katie Skjerpig and noted their interest in receiving future updates on Economic Development activities. Chair Thomas stated that she would draft the letter, including an expression of appreciation for the Economic Development Manager's presentation at the previous meeting and an invitation for continued collaboration. The draft letter will be brought back to the Commission in February for further discussion, including how it will be presented.

H. ADJOURNMENT

The meeting was adjourned at 9:45 AM

I HEREBY CERTIFY that the foregoing minutes were duly adopted at the Finance Advisory Commission Meeting of _____, 2026.

/ Stacey Hoggan /
Stacey Hoggan, Management Analyst I

STAFF REPORT
MEETING

DATE: February 05, 2026
TO: Finance Advisory Commission
FROM: Jennifer Maldonado, Principal Analyst
SUBJECT: FISCAL YEAR 2026/27 BUDGET CALENDAR

REQUEST

Review the Fiscal Year (FY) 2026/27 budget calendar listing public meeting dates for the upcoming budget development process.

DISCUSSION

The first step in developing the City’s budget is establishing the annual budget calendar. The budget calendar lists the dates that the City Council and other bodies will discuss financial information related to the FY 2026/27 budget.

Staff have placed this on the consent agenda as the Commission aligned its meetings to be prior to the City Council meetings by moving its meeting to the first Thursday of the month. In addition, this aligns with the Commissions FY 2025/26 work plan.

At this time Staff does not anticipate the need for any special meetings, Commissioners should anticipate a full two hours for meetings from February – June 2026.

The City Council public meeting dates are proposed as shown in the table below.

Finance Advisory Commission Meeting	City Council Meeting	Topic
February 05, 2026	February 10, 2026	FY26/27 Budget Calendar
March 05, 2026	March 24, 2026	FY26/27 Mid-Year Budget Report
April 02, 2026	April 14, 2026 –Operating April 28, 2026 - CIP	FY26/27 Budget Study Session and Capital Improvement Program
May 07, 2026	May 12, 2026	FY26/27 Budget Workshop
June 04, 2026	June 09, 2026	FY26/27 Budget Hearing
	June 23, 2026	FY26/27 Budget Adoption

Community feedback is an important element of the annual budget development process. In addition to the public meeting dates listed on the above calendar, staff plans to utilize online surveys, video workshops, extensive social media outreach, as well as Budget Pop-ups to obtain

input for this year's budget process. These efforts have been very successful in prior years, leading to a robust community participation in the annual budget. Staff plan to launch an initial community survey the week of February 8th to obtain input regarding preferred dates, times and format for these public engagement efforts.

RECOMMENDATION

Review the FY 2026/27 budget calendar.

STAFF REPORT

MEETING

DATE: February 5, 2026

TO: Finance Advisory Commission

FROM: Carla Carvalho-Degraff, Finance Director

SUBJECT: Update on Finance Department Activities

REQUEST

Receive report.

DISCUSSION

The following items are updates for the Finance Advisory Commission (Commission) on current finance activities.

- Finance Staffing Update
 - Open Positions – currently there are three open positions: Deputy Finance Director, Accounting Assistant I/II for Accounts Payable, and an Accountant I/II.
 - There is a potential candidate for the deputy Director position.
 - The Sr. Accounting Assistant that was vacant was backfilled by the former Accounting Assistant for Accounts Payable. The recruitment for Accounts Payable is open and closed February 8th.
 - The recruitment for the Accountant I/II will happen after these positions are filled.
- Financial Reporting Catch-Up
 - AB1600 reports are being reported for 2017/2018 through 2025/2025 – this is one of the remaining catch up items that still had to be completed. These should go to Council on February 24, 2026.
- Projects
 - Working on implementing a cash management tool

- Starting FY2026/27 Budget Development

Staff recommends the Commission receive the report.



STAFF REPORT

MEETING

DATE: February 5, 2026

TO: Finance Advisory Commission

FROM: Carla Carvalho-DeGraff, Finance Director

SUBJECT: **ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR FISCAL YEAR
ENDING JUNE 30, 2025**

REQUEST

Receive the City of Novato Annual Comprehensive Financial Report (ACFR) for Fiscal Year (FY) 2024/2025.

DISCUSSION

The Certified Public Accountant (CPA) firm of MUN CPAs, LLP has completed the audit of the City of Novato’s financial statements for the year ending June 30, 2025. The auditors have issued an unmodified (clean) opinion on the financial statements. A clean opinion means that the financial statements are deemed to be materially free from misstatements and the financial status as depicted in the report is accurate. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The auditors also completed the single audit report; an audit of the federal funds that the City has received when federal expenditures exceed \$1,000,000.

The auditors conducted fieldwork starting the week of October 26, 2025, and the report was issued January 20, 2026. Ideally these statements are completed and issued 6-8 months after the close of the fiscal year. The completion of this audit is a significant milestone as this is the first current audit that the City has completed since 2017. The audit was posted to the City website and shared with required financial institutions upon completion.

The FY 2024/2025 audit findings show significant improvement over the FY 2023/2024 audit; this is due to the audit being timely and work being completed on the remaining material weaknesses. The challenges in the FY 2024/2025 audit and financial accounting were related to vacancies on staff, balances that have been carried forward for many years without detailed review; accounting errors that were rectified from prior years which caused prior period adjustments; one-time funding for COVID-19, and the implementation of the new accounting for Compensated absences (GASB 101)

This is the fourteenth year that the City has produced an Annual Comprehensive Financial Report (ACFR). The format and contents of the ACFR are governed by GASB standards, and this results in a relatively technical and complex document. The ACFR reflects the City’s financial position, and fund balances, at the end of the fiscal year.

Audit Findings

The City received several findings related to the ACFR and the single audit though improved

financial controls and more timely financial work has paid off and the City has no material weaknesses and no compliance findings. As anticipated, there are control deficiency findings as staff has continued to balance speed in completing audits with cleaning up previously existing findings, vacancies and turnover, and rebuilding controls. Material weaknesses are the most serious audit findings, so it is outstanding that the City has remediated the all material weaknesses. A material weakness means that there is a deficiency in an internal control and there is a reasonable possibility that there could be a material misstatement. The City still has one repeat significant deficiency which it expects to remediate in FY 2025/2026. A significant deficiency is a control weakness or combination of weaknesses that is less severe than a material weakness but is still important enough to warrant attention and there is more than a remote chance that a misstatement though not necessarily material will not be prevented or caught.

The table below shows the progress that has been made over the six audits that have been completed in the last three years.

Fiscal Year	Material Weaknesses	Significant deficiencies	Compliance	Control Deficiencies	Journal Entry Adjustments
2019/20	4	2	4	3	65
2020/21	4	2	4	5	11
2021/22	3	1	3	7	7
2022/23	1	1	3	10	5
2023/24	1	1	3	5	4
2024/25	0	1	1	4	2

Internal controls and internal control improvements continue to be developed. It takes meticulous care to rebuild financial processes with imbedded internal controls, create and document them, and train staff to use the tools associated with maintaining them. This work was started in FY 2020/2021 and has continued through FY 2025/2026. Doing all this work simultaneously simply takes time. This is the sixth audit completed since February 2023 when the 2019/2020 audit report was issued. Completing six audits within this timeframe is a feat and validation that there has been significant progress in rebuilding of Finance Department operations, including internal controls, and stabilizing day to day functions. It also represents the commitment that the City Council, Finance Advisory Commission, and the staff have had in bringing financial operations to a current state.

At the January 27, 2026, City Council meeting the audit partner from Mun presented the audit results.

UNASSIGNED FUND BALANCE

In addition to confirming that the financial information is accurate, the annual audit confirms fund balances as nonspendable, restricted, committed, assigned, and unassigned (GASB 54 – Footnote 9). The unassigned General Fund balance is (\$94,121).

Though the unassigned fund balance was negative it was lower than anticipated and is primarily the result of the City having incurred less expenses than anticipated particularly in personnel costs (vacancy savings), and revenues generated by investment activity, plus stronger than expected revenue. The deficit unassigned fund balance would have been larger if the operating budget deficit had come in at budget.

FY 2024/25 Unassigned Fund Balance (in millions)

Category	Amount
Budget Savings including investment activity	\$80,689
Prior Period Adjustment and other changes in fund balance	(\$174,810)
Total Unassigned Fund Balance	(\$94,121)

On June 25, 2024, the City Council adopted a budget for Fiscal Year 2024/25 with a deficit of (\$4,253,246). At the end of the year the amended budget related excluding the transfers of unassigned fund balance for the prior year audit was a (\$3,907,941) deficit.

The results are shown in the table below:

Category	Budget	Actual
Revenues	\$51.65M	\$54.09M
Expenses	\$55.56M	\$54.01M
Budget Deficit	(\$3.91M)	\$0.08M

TRANSFER FROM RESERVES

The City Council reserve policy (Attachment 6) requires that no General Fund reserves shall be maintained at year-end except those that are assigned per GASB 54. It further states that if the general fund ends the year with an unexpected deficit which would create a negative unassigned fund balance, funds shall be transferred from the Emergency and Disaster Response Fund (EDRF) - Fund 116. The FY 2024/2025 unassigned General Fund balance is (\$94,121). In compliance with the reserve policy, Staff recommended that the Council authorize a transfer of \$94,121 to the General Fund to create an unassigned fund balance of zero, and Council approved this transfer.

The EDRF was created as *“a financial buffer in the event of significant economic downturns or for unexpected severe emergencies or disasters.”* To ensure fiscal prudence and sound financial management, the City’s Reserve Policy requires that this reserve be maintained at a level equal to 15% of annual General Fund expenditures (excluding Transfers Out).

The delayed completion of financial audits previously made it difficult to accurately project fund balances, including the balance of the EDRF. However, since the audits are now caught up and are current, the best information is available to determine the available balance. The FY 2025/2026 budget is balanced and there is no impact from the FY 2025/26 budget on reserves. The balance is \$18.5 million at June 30, 2025, this is approximately 32% of the \$57.72 million budgeted expenses in the adopted budget for fiscal year 2025/2026.

Fund 116 Emergency & Disaster Response Fund	
Beginning Fund Balance 7/1/2024	\$15,014,151
Measure M Allocation	941,132
Investment Income	578,939
Transfer of prior year (22/23 and 23/24) unassigned fund balance	2,140,027
Potential FY 24/25 Transfer to General Fund	(94,121)
Available Balance as of 06/30/2025	\$18,580,128

RECOMMENDATION

Staff recommend that the Commission receive this report.