



Finance Advisory Commission Meeting Agenda

Thursday, March 5, 2026 – 8:00 AM

To Be Held At:

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

**Chair
Cris MacKenzie**

**Vice Chair
Michele Manos**

**Members
Rafelina Maglio, Tina McMillan, Dean Smith, Larisa, Thomas, 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**

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 February 5, 2026

D.2. Fiscal Year 2024/25 Measure F Report

E. UNFINISHED AND OTHER BUSINESS

F. GENERAL BUSINESS

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

F.1. Fiscal Year 2025/26 Quarter 2 Budget Report

F.2. Fiscal Year 2025/26 Mid-Year Budget Review

F.3. Finance Department Updates

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

The next meeting is scheduled for April 2, 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 March 5, 2026, 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, February 5, 2026 – 8:00 AM

A. CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Thomas at 8:01 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, Principal Management Analyst Jennifer Maldonado, Accountant II Polo Lopez Carrasco, Management Analyst I Stacey Hoggan

B. APPROVAL OF FINAL AGENDA

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

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

Noes: None

Abstain: None

Absent: None

Motion carried.

C. PUBLIC COMMENT

Public Comment:

1. Derek Knell

D. CONSENT ITEMS

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

D.2. Fiscal Year 2026/27 Budget Calendar

D.3. Update of Finance Department Activities

Commission Action: Upon motion by Vice Chair McMillan, and seconded by Commissioner Zmyslowski, the Commission voted 7-0-0-0 to approve items in the consent calendar.

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

Noes: None

Abstain: None

Absent: None

Motion carried.

E. GENERAL BUSINESS

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

Consultant Andy Heath presented the updated general fund financial forecast to the Commissioners. The forecast reflects the City's current financial position, including audited fund balances and the availability of voter approved Measure M sales tax.

Mr. Heath reviewed the City's baseline General Fund requirements, using ongoing revenues to support ongoing service levels. The forecast incorporates projected cost drivers and key variables, and applies conservative revenue assumptions.

Based on the updated analysis, the City is projected to maintain a structurally balanced budget in the upcoming fiscal years. The forecast also indicates that reserve levels remain in a healthy position.

Staff advised that, looking ahead, the City must continue to make prudent fiscal decisions to ensure long-term sustainability and emphasized that Measure M cannot be the sole revenue source relied upon to maintain financial stability.

Commissioners asked clarifying questions and provided comments following the presentation. Commissioners also emphasized the importance of clear public messaging regarding the use of Measure M revenues during the upcoming budget process.

Commissioners requested that staff place on a future agenda a review of the City's reserve levels and the associated reserve policies. Staff noted that these topics will be addressed as part of the upcoming review of the budget development process.

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

Staff presented the Fiscal Year 2024/25 audit results. Staff reported that the audit received an unmodified ("clean") opinion, with no material weaknesses and no compliance findings. Staff noted significant improvement in audit results over the past several years, attributing this progress to the diligent efforts of staff to bring financial records up to date and strengthen processes. The Finance Department has enhanced its operations, including improvements to internal controls and stabilization of day-to-day functions.

Staff reported an unassigned General Fund balance of (\$94,121). Due to the negative balance, the City Council authorized a transfer of \$94,121 from the Emergency and Disaster Response Fund (Fund 116) to the General Fund to bring the fund balance to zero.

Commissioners asked questions and provided comments.

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

Commission Action: Upon motion by Chair Thomas and seconded by Commissioner Manos, the Commission voted 7-0-0-0 to establish a **Fiscal Sustainability Dashboard Ad Hoc** Committee, consisting of Commissioners **Larisa Thomas, Cris MacKenzie, and Andy Zmyslowski**.

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

Noes: None

Abstain: None

Absent: None

Motion carried.

F. UNFINISHED AND OTHER BUSINESS

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

Commission Action: Upon motion by Chair Thomas and Commissioner Zmyslowski, the Commission voted 7-0-0-0 to appoint **Commissioner MacKenzie as the 2026 Chair** and **Commissioner Manos as the 2026 Vice Chair**.

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

Noes: None

Abstain: None

Absent: None

Motion carried.

G.1. Staff Updates

None

G.2. Commission Member Reports

Commissioners agreed to postpone discussion of a statement to the Economic Development Advisory Commission until completion of the Economic Development Strategic Plan.

H. ADJOURNMENT

The meeting was adjourned at 10:01 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

DRAFT

STAFF REPORT

MEETING

DATE: March 5, 2026

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 2024/25 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 2024/25 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 2024/25 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 2024/25.



**NOVATO FINANCE ADVISORY / OVERSIGHT
COMMISSION
FY 2024/25 REPORT**

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DRAFT

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 24/25	BUDGETED FY 25/26	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	\$13,783	\$9,566,817
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	\$13,783	\$23,332,278

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

MEASURE F BACKGROUND

Measure F was a general-purpose sales tax applied to most taxable purchases made within the City, excluding groceries and prescription medications. The revenue generated supported a combination of operating services and one-time investments designed to stabilize City operations and improve long-term efficiency.

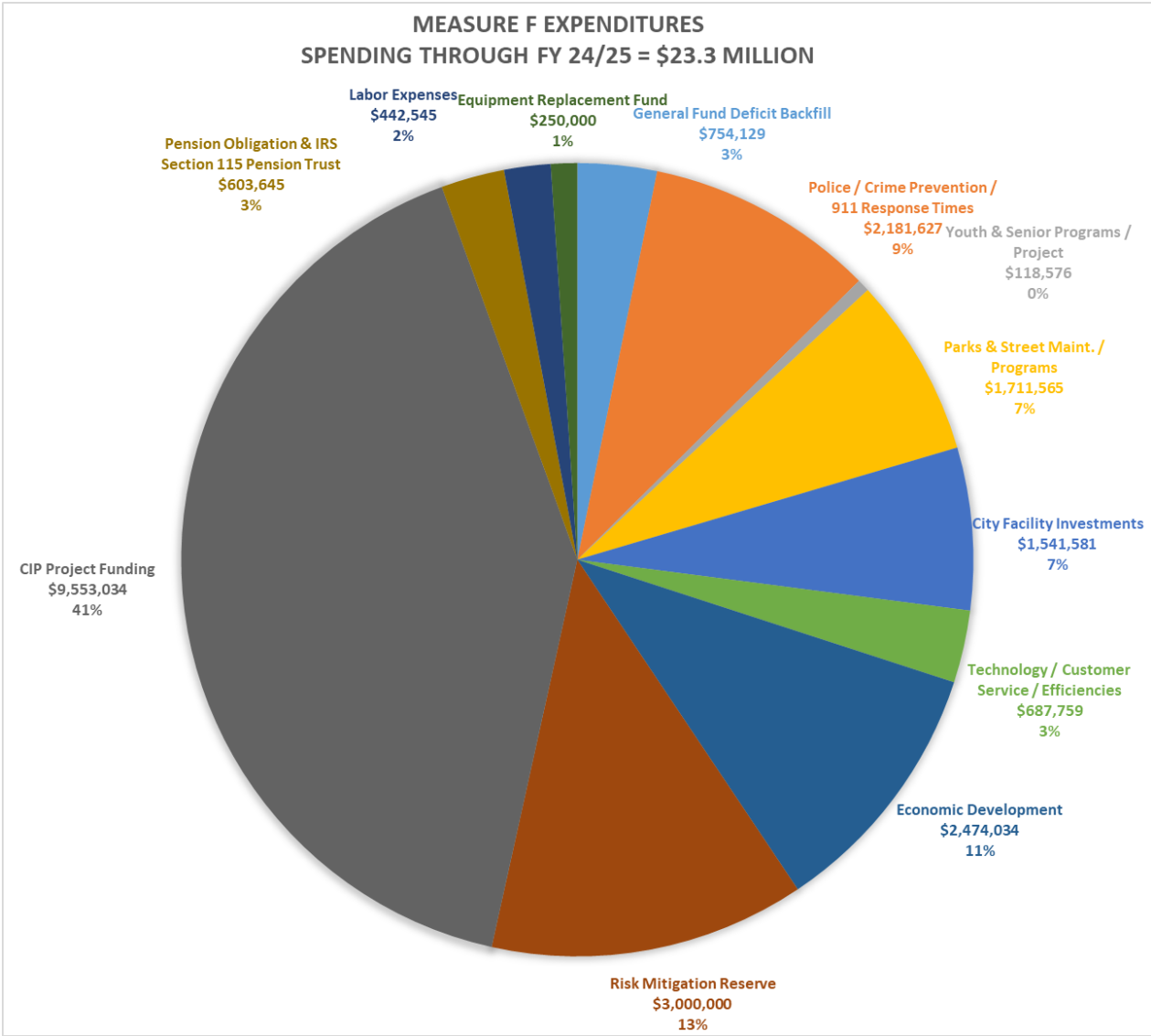
A significant portion of Measure F funding supported public safety services. The Novato Police Department used funds to maintain programs such as the Novato Response Team, support participation in the Northern California Computer Crimes Task Force and help fund emergency services coordination with the Novato Fire Protection District. These investments helped preserve response capabilities and crime prevention services during a period of fiscal uncertainty.

Measure F also helped sustain youth, senior, and recreation services that were at risk of reduction or elimination. Funding supported after-school programs in partnership with the Novato Unified School District and improvements to facilities such as the Hill Recreation Area. These investments ensured continued access to important community programs and recreational opportunities.

In addition, Measure F contributed to parks and street maintenance efforts. Funds helped restore maintenance staffing levels that had been reduced during the recession and supported infrastructure improvements, including street crack sealing, pavement maintenance, landscaping, and park enhancements. These improvements reduced deferred maintenance and improved neighborhood conditions throughout the City.

Measure F also funded technology and operational improvements, including approximately \$2.8 million in system upgrades and cybersecurity protections to strengthen the City's infrastructure and reduce long-term risk. Funding supported a Business Analyst position to assist with project implementation and improve organizational efficiency.

Finally, Measure F supported economic development efforts, including the launch of the "Shop Local Novato" campaign. This initiative encouraged residents to support local businesses, strengthened the local economy, and helped stabilize sales tax revenues during a challenging economic period.



WHAT HAS MEASURE F DONE FOR NOVATO

For several years, Measure F 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 2024/25.

Measure F Oversight / Finance Advisory Commission

Measure F required independent oversight to ensure transparency and accountability. In 2011, the City formed the Measure F Oversight / Citizens Finance Committee, later renamed the Finance Advisory Commission. The Commission reviews Measure F revenues and expenditures, provides input on budget proposals, and presents annual reports to the City Council and the public. Independent audits have been conducted in accordance with the ordinance requirements.

Expiration and Current Status

Measure F expired in 2015. Revenue in its final years was minimal, and remaining funds were reserved for previously approved capital projects. By FY 2020/21, no Measure F revenue was allocated to ongoing operating expenses.

As of FY 2024/25, remaining Measure F funds are directed toward completing approved Capital Improvement Projects.

Conclusion

Measure F played a critical role in stabilizing City finances during a period of significant economic downturn. It prevented deeper cuts to public safety, recreation, and community services; addressed infrastructure maintenance needs; supported operational improvements; and strengthened economic development efforts.

While temporary in nature, Measure F provided essential financial stability during a challenging time and helped position the City to move toward long-term fiscal sustainability.

NOVATO CITIZENS
FINANCE ADVISORY /
OVERSIGHT COMMISSION

Larisa Thomas, Chair
Tina McMillan Vice Chair
Andy Zmyslowski
Cris MacKenzie
Rafelina Maglio
Michele Manos
Dean Smith

**MEASURE F ANNUAL REPORT
FY 2024/25**

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	FINAL ACTUAL 2023/24	AUDITED ACTUAL 2024/25	BUDGETED 2025/26	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
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

STAFF REPORT**MEETING**

DATE: March 05, 2026

TO: Finance Advisory Commission

FROM: Jennifer Maldonado, Principal Analyst

SUBJECT: **QUARTER 2 FISCAL YEAR 2025/26 BUDGET PERFORMANCE REPORT**

REQUEST

Receive and file the Quarter 2 Fiscal Year 2025/26 Budget Performance Report.

DISCUSSION

The Quarter 2 (Q2) Budget Report compares year-to-date revenues and expenditures to the Amended Budget while highlighting significant variances and providing detailed explanation for those variances.

Q2 Review is especially important as it marks the halfway point of the Fiscal Year. By this time the City will have received the first installment of property tax, the City's largest operating revenue source which helps staff review the trajectory of revenues through the end of the year. Additionally, the first half of the year's sales tax receipts are received and can be trended to see if they are in-line with projections.

Additionally, the quarterly report enhances transparency for the City Council and the community by providing an accessible summary of the City's fiscal condition early in the year. This early analysis supports better long-term financial planning, strengthens the Five-Year Forecast, and ensures that Council has timely information when considering policy decisions tied to service levels, staffing, and use of Measure M funds.

General Fund Performance Summary

General Fund revenue (Fund 101) is budgeted at \$60.0 million while General Fund Expense is budgeted at \$59.5 million through Q2 of FY2025/26. Notable changes from the beginning of the fiscal year include budget amendments related to labor negotiations which have been included in this report. Additionally, the first half of receipts for significant revenues such as property tax have been received which helps with making sure revenues are tracking as they are supposed to. Receipts in several key areas are not tracking as originally anticipated and will be proposed as an adjustment through the midyear review process.

This report begins with an overview of General Fund budget-to-actual performance, followed by a review of other key funds that impact the City's overall financial position, including Measure M (Fund 102).

Budget Performance Summary Through Quarter 2		
	Budget	Actuals
Revenue	\$53.08 M	\$23.37M
Transfer In Measure M for Deficit Backfill	3.98M	0
Transfer In Measure M for Restored Staffing/ Resources	2.86M	2.86M
Transfer In Measure M for Downtown Tenant Improvement Grant	0.1M	0.1M
Subtotal	\$60.02M	\$26.33M
Expense	56.40M	31.36M
Subtotal	\$57.72M	\$31.36M
Surplus/(Deficit)	\$0 M	

Revenues

General Fund Revenue for Fiscal Year 2025/26 is budgeted at \$60.02 million and is received through Q2 at 44% or \$26.33 million. Revenues in the charts below are broken down by departmental revenues which are revenues generated by specific departments to offset costs as well as non-departmental revenues which are revenues such as property tax, sales tax and hotel tax which are the largest sources of revenue for the City to provide services to the community and keep the City functioning.

Non Departmental

Property Tax

Property tax is the General Fund's largest revenue source and is budgeted at \$20.1 million for FY 2025/26. This revenue is received in two major installments during the fiscal year, with the first distribution occurring in the second quarter and the second distribution in the fourth quarter. Budget assumptions for property tax are based on projections provided by the County of Marin and are adjusted as needed to reflect historical trends.

Through the end of the second quarter, property tax receipts total \$10.6 million or 53% of the annual budget. Property tax receipts are performing strong as expected and are anticipated to meet projections by the end of the fiscal year.

Sales Tax

Sales Tax is the City's second largest source of General Fund revenue, budgeted at \$16.6 million for FY 2025/26. Through the second quarter, overall Sales Tax receipts total approximately 32% of budget and are trending lower than anticipated in both General Sales & Use Tax as well as Measure C Sales Tax.

General Fund Sales Tax revenue is comprised of both the City's General Use Sales Tax and Measure C Sales Tax. Measure M local Sales Tax revenue is accounted for in a separate fund and will be discussed in the Other Funds section of this report.

Hotel Tax

Transient Occupancy Tax (Hotel Tax) revenue is budgeted at \$1.9 million for FY 2025/26. Actual receipts through the second quarter total approximately \$755,000 or 40% of budget. Receipts are

trending as expected and no requests for amendments at Mid-Year are anticipated.

Other Taxes

The Other Taxes category is budgeted at \$3.4 million for FY 2025/26 and is primarily composed of Business License revenue and Franchise Fees. Cable Franchise Fees represent \$924,000 of the amended budget and have receipts of \$202,000 or 22% of their budget. These fees are not trending in-line with expectations and anticipate an approximate \$100,000 decrease in budget to be proposed at Mid-year.

Business License revenue is the largest component of this category, budgeted at \$1.3 million. First-quarter receipts total approximately \$214,000 or 16% of the amended budget. Business License receipts are not aligned with expectations and will likely require a proposed decrease in budget of nearly \$180,000. This is not unexpected as receipts in the last five years have only met budget by approximately 85%. At adoption this budget was help flat, but after further analysis it appears a decrease will be necessary to establish an accurate baseline to move forward.

Central Administration

Revenue In Central Administration in budgeted at \$96,600 for FY 2025/26. This is a combination of the divisions listed below:

Sustainability

The Sustainability Division is budgeted to receive \$25,000, primarily from EV charging reimbursements. Through the end of Q2, the City has received 73%, or approximately \$14,500, which is in line with expectations.

City Attorney

The City Attorney's Division has \$67,000 budgeted in revenue, consistent with the prior fiscal year. This category reflects cost recovery revenue, representing reimbursements for City expenditures tied to specific projects. Through Q2, the City has received approximately \$45,000, or 33% of budgeted revenue. While this revenue source fluctuates from year-to-year due to its reimbursable nature, it has historically met or exceeded budget.

Community Development

Overall, Community Development revenues are performing as expected. Revenue in the Community Development Department is budgeted at \$3.0 million for FY 2025/26. Through the second quarter, the department has received approximately \$1.46 million in revenue, representing 49% of the annual budget. This level of performance is consistent with straight-line projections and suggests that the department is on track to meet year-end revenue estimates. Revenues in this department were performing above projections in the prior fiscal year, and budgeted amounts were increased during development of the FY 2025/26 budget to align with actual performance trends.

Within the Community Development budget, some of the major revenue generating areas are construction permits and plan check fees. Construction permit revenue is budgeted at \$1.5 million for the fiscal year and receipts through the first quarter total approximately \$716,000, or 48% of budget, and are performing within expected levels. Plan Check fees are budgeted at \$1.2 million, with 46% received or \$531,000 through the second quarter. This category is also trending appropriately and is anticipated to meet budgeted projections.

Park, Recreation and Community Service

Revenue in Parks, Recreation and Community Services (PRCS) is budgeted at \$2.7 million for FY 2025/26. Through the first quarter, receipts total approximately \$1.5 million, or 56% of budget. Parks and recreation is on track to beat revenue expectations and will likely capture an approximate \$40,000 increase in budgeted revenue to align budget to performance.

Program fees continue to serve as the department's primary revenue source, offsetting a significant portion of program-related costs. These fees are budgeted at \$1.6 million and have reached 55%, or approximately \$889,000, through Q2. Additionally, facility rentals represent another major revenue category within the department, with a budget of \$333,000 and Q2 receipts at 50% or about \$166,000.

Another significant revenue source for PRCS is revenue generated from Hamilton Pool operations. This category is budgeted at \$327,000 and is highly seasonal, as the pool typically operates from early summer through early fall, weather permitting. These revenues help offset the costs of providing a valued community amenity. Through Q2, receipts total \$199,000, or 61% of budget.

Expense

Personnel Costs

Personnel costs for FY 2025/26 are budgeted at \$41.1 million and account for 67% of the overall budgeted expense for the City. Personnel budget in Q2 are inclusive of budget for labor negotiations that happened after adoption. Through Q2, personnel costs are at 51% of budget, driven in part by the prepayment of the City's \$5.9 million Unfunded Accrued Liability (UAL) at the start of the fiscal year. This prepayment allowed the City to take a discount of \$201,000.

The personnel budget is broken down by \$30.9 million in salaries and wages and \$10.2 million in employee benefits. Salaries and wages are expended at approximately \$13.2 million, or 43% of budget. Employee benefits are budgeted at \$10.2 million and are at 74%, or \$7.6 million, through Q2. This higher percentage is primarily due to the annual UAL prepayment made at the beginning of the fiscal year.

Operating Costs

Operating costs for FY 2025/26 are budgeted at \$20.2 million, with actual expenditures totaling \$10.5 million, or 52% of the annual budget, through the end of Q2. A significant portion of the year-to-date activity at approximately \$1.9 million is related to encumbrances recorded early in the fiscal year to reserve funding for ongoing contractual obligations.

These encumbrances represent commitments for services and projects that span the fiscal year and are established upfront to ensure that appropriations are set aside for these specific purposes. As a result, the percentage of budget expended in Q2 appears higher than typical operating activity alone would suggest. When excluding encumbrances, operating costs are trending within expected levels for this point in the fiscal year at about 43% of budget as some divisions have slightly higher activity in the second half of the year.

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 Q1 to fully fund Capital Improvement Plan (CIP) projects.

Central Administration

Expense in the Central Administration Department is budgeted at \$8.5 million for FY 2025/26. Through the end of Q2, expenditures total \$4.7 million, or 56% of budget. This above straight-lined pace is primarily due to the use of encumbrances, which set aside funds early in the fiscal year for planned purchases and contracts.

Central Administration expenditures fall into two major categories: personnel costs and operating costs.

Personnel Costs

Personnel costs for Central Administration are budgeted at \$3.8 million and are 45% spent through Q2. The percentage spent is elevated due to the annual prepayment of the City's Unfunded Accrued Liability (UAL) at the beginning of the fiscal year. Below is a breakdown of the personnel budget for Central Administration:

- Salaries and Wages: Budgeted at \$3.1 million, with 39% spent through Q2 or \$1.9 million.
- Benefits: Budgeted at \$679,000, with 74% spent through Q2 or \$503,000, driven by the UAL prepayment.

Operating Costs

Operating expenditures are budgeted at \$4.9 million for FY 2025/26, with approximately \$3.0 million, or 61%, spent through the second quarter. Consistent with other City department budgets, second-quarter expenditures are elevated due to the use of encumbrances at the start of the fiscal year to reserve funding for ongoing and anticipated contractual obligations.

Within Central Administration, the City Council reinstated the Tenant Improvement Grant Program, budgeted in Economic Development at \$100,000 for FY 2025/26. The revitalization of this program represents a meaningful investment in supporting local businesses and strengthening economic activity in the City of Novato.

Finance

Expense in the Finance Department is budgeted at \$2.7 million for FY 2025/26, with \$1.4 million (50%) spent through Q2.

Finance Department expenditures consist of personnel costs and operating costs:

- Personnel Costs: Budgeted at \$2.1 million, with \$945,000 (45%) spent through Q2.
- Operating Costs: Budgeted at \$628,000, with \$345,000 (68%) spent through Q2, largely due to encumbrances established early in the year as well as the use of consultants to fill vacant positions throughout the department.

Police

The Police Department is budgeted at \$22.3 million in expenditures for FY 2025/26, with \$12.2 million, or 55% of budget, spent through Q2. Police Department expenditures fall into two primary categories: personnel costs and operating costs.

- Personnel Costs: Budgeted at \$20.7 million, with \$11.4 million (55%) spent through Q2.
- Operating Costs: Budgeted at \$1.6 million, with \$762,000 (47%) spent through Q2.

Community Development

Community Development expenses are budgeted at \$6.7 million for FY 2025/26, with \$3.2million, or 48% of budget, spent through Q2. Expenditures in the second quarter trend slightly higher due to the use of encumbrances to reserve funds for planned contractual and operational commitments. Community Development expenditures are composed of personnel costs and operating costs:

- Personnel Costs: Budgeted at \$4.3 million, with \$1.8million (42%) spent through Q2.
- Operating Costs: Budgeted at \$2.3 million, with \$1.4 million (58%) spent through Q2, influenced by the timing of encumbrances.

Parks, Recreation and Community Services

Parks, Recreation, and Community Services (PRCS) expenditures are budgeted at \$4.2 million for FY 2025/26, with \$2.2 million, or 51% of budget, spent through Q2. Expenditures are divided into two primary categories: personnel costs and operating costs.

- Personnel Costs: Budgeted at \$3.4 million, with 51% spent through Q2.
- Operating Costs: Budgeted at \$851,000, with \$426,000 (50%) spent through Q2.

Other Funds Performance

Measure M

Measure M revenue was budgeted at \$10.27 million for FY 2025/26. Receipts through Q2 are at \$2,411,620 or 23% of budget indicating this sales tax is slightly lower than expectations. It is anticipated that Measure M will be adjusted downward by \$334 thousand at midyear. Measure M is allocated through operating transfers to the funds that will use Measure M.

While an amount of Measure M is allocated for deficit backfill; that backfill will not occur until Q4 as overall performance will be analyzed to determine the actual deficit.

The Measure M allocation at the end of Q2 is summarized in the table below:

FY 2025/26 Measure M Allocation	
Category	Prior Budget Amendment
Deficit Backfill	\$3,978,738
Restored Staffing/Resources	1,076,473
Personnel Costs (All Units)	1,780,338
Deferred Maintenance	500,000
Managing Financial Liabilities (Pension Reserve)	744,451
Innovation and Investment	250,000
Capital Projects	1,935,000
Total	\$10,265,000

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 budgeted at \$595,000 for revenue and is at 54% of expectations or approximately \$321,778 and budgeted at \$1.7 million for expense and at 14% of budget through Q2. 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. The contract will be going out for bid this year.

Fund 220 – Hamilton Art Center

The Hamilton Art Center fund reflects rental revenue from leases at the center. Budgeted revenue for this fund is \$519,000 and budgeted expense is \$1.0 million.

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 capital improvement program did not have significant expenditures in the prior fiscal year and therefore carried forward approximately \$689,000 in FY 2025/26, and is not expected to have large expenditures in 2025/26.

Fund 229 and Fund 270– State Gas Tax

Revenue from the gas tax is distributed by the State Controller's Office and is performing in line with expectations. This revenue source is expected to decline over the next decade and must be monitored given the potential long-term impacts of increased electric vehicle adoption and declining gasoline consumption statewide. For FY 2025/26, gas tax revenue is budgeted at \$3 million, with 39% received through Q2, which aligns with anticipated collections as there is typically a one to two month lag in cash receipts.

Expenses in this category consist of operating transfers to the General Fund and the Capital Improvement Program (CIP) funds. Transfers to the General Fund support the street sweeping contract and general street maintenance and are budgeted as a fixed amount each year. Transfers to the CIP funds vary based on actual work performed and project activity throughout the fiscal year.

Fund 237 – Parks Measure A

Revenue for Parks Measure A is typically received during Q3. 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.

ATTACHMENTS

1. Quarter 2 of Fiscal Year 2025/26 Budget Performance Report.

City of Novato Budget Performance Report - General Fund

Quarter 2 Fiscal Year 2025/26

Classification	Adopted Budget	Budget Amendments	Amended Budget	YTD Encumbrances	YTD Transactions	Budget - YTD Transactions	% Used/ Rec'd	Prior Year Total
Fund 101 - General Fund								
REVENUE								
Use of Money & Property	.00	.00	.00	.00	.00	.00	+++	.00
Department 00 - Non Departmental								
Taxes	41,380,724.00	.00	41,380,724.00	.00	16,863,499.26	24,517,224.74	41	40,226,095.85
Licenses & Permits	.00	.00	.00	.00	.00	.00	+++	.00
Intergovernmental	126,476.00	.00	126,476.00	.00	4,649.60	121,826.40	4	196,670.31
Charges for Services	.00	.00	.00	.00	.00	.00	+++	.00
Fines & Forfeitures	64,000.00	.00	64,000.00	.00	20,773.51	43,226.49	32	82,277.39
Use of Money & Property	387,345.00	.00	387,345.00	.00	84,110.73	303,234.27	22	259,612.82
Other	23,000.00	.00	23,000.00	.00	774,059.05	(751,059.05)	3365	57,275.03
Operating Transfer In	7,697,948.00	2,290,073.00	9,988,021.00	.00	4,515,241.06	5,472,779.94	45	2,960,952.94
Department 00 - Non Departmental Totals	\$49,679,493.00	\$2,290,073.00	\$51,969,566.00	\$0.00	\$22,262,333.21	\$29,707,232.79	43%	\$43,782,884.34
Department 10 - Central Administration								
Licenses & Permits	.00	.00	.00	.00	670.05	(670.05)	+++	.00
Intergovernmental	200.00	.00	200.00	.00	.00	200.00	0	16,499.25
Charges for Services	91,400.00	.00	91,400.00	.00	36,641.80	54,758.20	40	98,287.74
Other	5,000.00	.00	5,000.00	.00	2,515.67	2,484.33	50	34,157.13
Department 10 - Central Administration Totals	\$96,600.00	\$0.00	\$96,600.00	\$0.00	\$39,827.52	\$56,772.48	41%	\$148,944.12
Department 15 - Finance								
Taxes	.00	.00	.00	.00	.00	.00	+++	.00
Intergovernmental	.00	.00	.00	.00	.00	.00	+++	66,196.03
Charges for Services	181,896.00	.00	181,896.00	.00	99,715.82	82,180.18	55	192,973.98
Fines & Forfeitures	.00	.00	.00	.00	.00	.00	+++	.00
Use of Money & Property	49,986.00	.00	49,986.00	.00	(134,687.65)	184,673.65	-269	586,217.39
Other	10,000.00	.00	10,000.00	.00	5,887.49	4,112.51	59	10,599.09
Department 15 - Finance Totals	\$241,882.00	\$0.00	\$241,882.00	\$0.00	(\$29,084.34)	\$270,966.34	-12%	\$855,986.49
Department 20 - Police								
Taxes	600,000.00	.00	600,000.00	.00	247,281.00	352,719.00	41	562,834.21
Licenses & Permits	17,500.00	.00	17,500.00	.00	3,565.00	13,935.00	20	19,244.93
Intergovernmental	495,328.00	.00	495,328.00	.00	151,434.91	343,893.09	31	595,899.27
Charges for Services	125,000.00	.00	125,000.00	.00	61,901.50	63,098.50	50	133,157.11
Fines & Forfeitures	310,000.00	.00	310,000.00	.00	133,319.50	176,680.50	43	329,322.16

City of Novato Budget Performance Report - General Fund

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
Other	12,700.00	.00	12,700.00	.00	21,571.22	(8,871.22)	170	19,943.19
Department 20 - Police Totals	\$1,560,528.00	\$0.00	\$1,560,528.00	\$0.00	\$619,073.13	\$941,454.87	40%	\$1,660,400.87
Department 40 - Community Development								
Licenses & Permits	1,512,800.00	.00	1,512,800.00	.00	724,681.32	788,118.68	48	1,563,030.64
Intergovernmental	35,000.00	.00	35,000.00	.00	12,955.47	22,044.53	37	44,945.22
Charges for Services	1,348,600.00	.00	1,348,600.00	.00	696,335.02	652,264.98	52	1,518,517.77
Fines & Forfeitures	54,050.00	.00	54,050.00	.00	2,524.31	51,525.69	5	57,759.80
Other	46,000.00	.00	46,000.00	.00	21,393.12	24,606.88	47	184,935.36
Operating Transfer In	.00	.00	.00	.00	.00	.00	+++	.00
Department 40 - Community Development Totals	\$2,996,450.00	\$0.00	\$2,996,450.00	\$0.00	\$1,457,889.24	\$1,538,560.76	49%	\$3,369,188.79
Department 50 - Public Works								
Licenses & Permits	189,100.00	.00	189,100.00	.00	110,147.22	78,952.78	58	334,041.11
Intergovernmental	10,000.00	.00	10,000.00	.00	.00	10,000.00	0	10,000.00
Charges for Services	201,000.00	.00	201,000.00	.00	202,120.01	(1,120.01)	101	342,024.19
Use of Money & Property	12,000.00	.00	12,000.00	.00	4,850.19	7,149.81	40	11,309.80
Other	8,700.00	.00	8,700.00	.00	49,567.17	(40,867.17)	570	25,420.00
Department 50 - Public Works Totals	\$420,800.00	\$0.00	\$420,800.00	\$0.00	\$366,684.59	\$54,115.41	87%	\$722,795.10
Department 60 - PRCS								
Intergovernmental	.00	.00	.00	.00	.00	.00	+++	.00
Charges for Services	2,395,070.00	.00	2,395,070.00	.00	1,342,866.76	1,052,203.24	56	2,459,816.53
Use of Money & Property	333,071.00	.00	333,071.00	.00	166,456.02	166,614.98	50	290,019.08
Other	4,200.00	.00	4,200.00	.00	7,756.48	(3,556.48)	185	53,520.53
Department 60 - PRCS Totals	\$2,732,341.00	\$0.00	\$2,732,341.00	\$0.00	\$1,517,079.26	\$1,215,261.74	56%	\$2,803,356.14
REVENUE TOTALS	\$57,728,094.00	\$2,290,073.00	\$60,018,167.00	\$0.00	\$26,233,802.61	\$33,784,364.39	44%	\$53,343,555.85
EXPENSE								
Other Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Department 00 - Non Departmental								
Salaries & Wages	(651,000.00)	.00	(651,000.00)	.00	.00	(651,000.00)	0	(205,895.79)
Employee Benefits	.00	.00	.00	.00	.00	.00	+++	.00
Rentals & Leases	.00	.00	.00	.00	.00	.00	+++	.00
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	30,917.93
Debt Service	.00	.00	.00	.00	.00	.00	+++	.00
Other Expenses	.00	.00	.00	.00	105,000.00	(105,000.00)	+++	30.00

City of Novato Budget Performance Report - General Fund

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
Operating Transfers Out	2,413,447.00	30,072.00	2,443,519.00	.00	2,413,447.00	30,072.00	99	4,402,265.00
Department 00 - Non Departmental Totals	\$1,762,447.00	\$30,072.00	\$1,792,519.00	\$0.00	\$2,518,447.00	(\$725,928.00)	140%	\$4,227,317.14
Department 10 - Central Administration								
Salaries & Wages	2,921,262.00	181,953.00	3,103,215.00	.00	1,202,696.37	1,900,518.63	39	2,362,901.70
Employee Benefits	657,748.00	21,396.00	679,144.00	.00	502,501.75	176,642.25	74	583,180.50
Professional Services	1,468,385.00	646,208.00	2,114,593.00	424,710.37	903,683.11	786,199.52	63	2,097,667.63
Intergovernmental Services	17,024.00	.00	17,024.00	.00	.00	17,024.00	0	69,882.74
Training & Travel	110,193.00	.00	110,193.00	.00	24,588.71	85,604.29	22	23,874.87
Rentals & Leases	.00	.00	.00	.00	1,051.00	(1,051.00)	+++	3,343.21
Repairs & Maintenance	43,200.00	.00	43,200.00	.00	30,438.53	12,761.47	70	33,144.60
Materials & Supplies	2,337,758.00	.00	2,337,758.00	.00	1,594,084.43	743,673.57	68	2,667,994.48
Utilities	19,440.00	.00	19,440.00	.00	3,183.89	16,256.11	16	20,693.26
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Other Expenses	230,156.00	.00	230,156.00	.00	3,801.64	226,354.36	2	57,200.80
Department 10 - Central Administration Totals	\$7,805,166.00	\$849,557.00	\$8,654,723.00	\$424,710.37	\$4,266,029.43	\$3,963,983.20	54%	\$7,919,883.79
Department 15 - Finance								
Salaries & Wages	2,447,613.00	6,521.00	2,454,134.00	.00	977,667.52	1,476,466.48	40	1,824,732.03
Employee Benefits	576,226.00	766.00	576,992.00	.00	421,763.56	155,228.44	73	455,016.78
Professional Services	698,773.00	109,851.00	808,624.00	84,629.29	357,806.00	366,188.71	55	814,682.59
Intergovernmental Services	1,070,324.00	.00	1,070,324.00	.00	609,182.22	461,141.78	57	990,703.15
Training & Travel	38,403.00	.00	38,403.00	.00	27,297.81	11,105.19	71	22,579.81
Rentals & Leases	599,711.00	40,868.00	640,579.00	40,867.67	189,605.96	410,105.37	36	518,887.62
Repairs & Maintenance	250,050.00	.00	250,050.00	.00	164,605.65	85,444.35	66	233,820.48
Materials & Supplies	81,250.00	.00	81,250.00	.00	40,674.24	40,575.76	50	147,778.50
Utilities	71,560.00	.00	71,560.00	.00	72,296.40	(736.40)	101	186,424.22
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Debt Service	317,000.00	.00	317,000.00	.00	.00	317,000.00	0	10,545.35
Other Expenses	519,756.00	.00	519,756.00	.00	165,419.00	354,337.00	32	514,485.76
Department 15 - Finance Totals	\$6,670,666.00	\$158,006.00	\$6,828,672.00	\$125,496.96	\$3,026,318.36	\$3,676,856.68	46%	\$5,719,656.29
Department 20 - Police								
Salaries & Wages	13,420,225.00	918,750.00	14,338,975.00	.00	6,583,992.57	7,754,982.43	46	12,934,030.13
Employee Benefits	6,225,529.00	108,046.00	6,333,575.00	.00	4,833,257.19	1,500,317.81	76	5,470,253.01
Professional Services	347,753.00	.00	347,753.00	41,100.00	131,347.18	175,305.82	50	172,876.79

City of Novato Budget Performance Report - General Fund

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
Intergovernmental Services	19,057.00	.00	19,057.00	.00	31,463.00	(12,406.00)	165	26,391.35
Training & Travel	190,794.00	.00	190,794.00	.00	85,402.38	105,391.62	45	208,057.06
Rentals & Leases	3,804.00	.00	3,804.00	.00	.00	3,804.00	0	.00
Repairs & Maintenance	393,067.00	.00	393,067.00	.00	184,754.65	208,312.35	47	403,839.21
Materials & Supplies	243,620.00	.00	243,620.00	.00	89,103.12	154,516.88	37	277,558.29
Utilities	83,258.00	.00	83,258.00	.00	28,940.18	54,317.82	35	82,980.97
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	9,558.00
Debt Service	.00	.00	.00	.00	.00	.00	+++	135,927.78
Other Expenses	340,216.00	.00	340,216.00	.00	170,123.98	170,092.02	50	355,556.71
Department 20 - Police Totals	\$21,267,323.00	\$1,026,796.00	\$22,294,119.00	\$41,100.00	\$12,138,384.25	\$10,114,634.75	55%	\$20,077,029.30
Department 40 - Community Development								
Salaries & Wages	3,410,604.00	144,986.00	3,555,590.00	.00	1,275,493.95	2,280,096.05	36	2,438,605.27
Employee Benefits	775,828.00	17,051.00	792,879.00	.00	545,226.26	247,652.74	69	597,170.88
Professional Services	1,496,600.00	426,752.00	1,923,352.00	450,100.83	786,769.30	686,481.87	64	1,818,056.42
Intergovernmental Services	.00	.00	.00	.00	17,024.00	(17,024.00)	+++	17,024.00
Training & Travel	113,200.00	.00	113,200.00	.00	28,092.99	85,107.01	25	31,226.47
Rentals & Leases	.00	.00	.00	.00	.00	.00	+++	.00
Repairs & Maintenance	199,647.00	.00	199,647.00	.00	33,226.38	166,420.62	17	29,907.48
Materials & Supplies	60,775.00	.00	60,775.00	.00	24,573.14	36,201.86	40	34,136.30
Utilities	12,400.00	.00	12,400.00	.00	8,024.65	4,375.35	65	11,953.90
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Other Expenses	38,411.00	.00	38,411.00	.00	19,325.46	19,085.54	50	24,805.55
Department 40 - Community Development Totals	\$6,107,465.00	\$588,789.00	\$6,696,254.00	\$450,100.83	\$2,737,756.13	\$3,508,397.04	48%	\$5,002,886.27
Department 50 - Public Works								
Salaries & Wages	5,036,643.00	247,374.00	5,284,017.00	.00	1,928,247.94	3,355,769.06	36	4,349,402.42
Employee Benefits	1,238,896.00	29,092.00	1,267,988.00	.00	843,972.54	424,015.46	67	1,035,328.60
Professional Services	1,359,404.00	362,377.00	1,721,781.00	666,264.40	561,804.50	493,712.10	71	1,456,253.36
Intergovernmental Services	22,828.00	.00	22,828.00	.00	4,691.95	18,136.05	21	14,718.85
Training & Travel	29,944.00	.00	29,944.00	.00	9,101.19	20,842.81	30	8,988.02
Rentals & Leases	3,500.00	.00	3,500.00	.00	639.18	2,860.82	18	4,885.78
Repairs & Maintenance	991,519.00	133,805.00	1,125,324.00	121,076.59	479,293.48	524,953.93	53	946,223.03
Materials & Supplies	327,315.00	.00	327,315.00	16,745.14	188,064.54	122,505.32	63	326,843.74
Utilities	1,452,380.00	.00	1,452,380.00	.00	612,345.93	840,034.07	42	1,445,421.03

City of Novato Budget Performance Report - General Fund

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	6,036.66
Debt Service	.00	.00	.00	.00	.00	.00	+++	.00
Other Expenses	(463,624.00)	.00	(463,624.00)	.00	(108,022.94)	(355,601.06)	23	(455,913.25)
Department 50 - Public Works Totals	\$9,998,805.00	\$772,648.00	\$10,771,453.00	\$804,086.13	\$4,520,138.31	\$5,447,228.56	49%	\$9,138,188.24
Department 60 - PRCS								
Salaries & Wages	2,706,062.00	93,415.00	2,799,477.00	.00	1,273,718.15	1,525,758.85	45	2,468,596.27
Employee Benefits	564,432.00	10,986.00	575,418.00	.00	457,032.58	118,385.42	79	544,496.17
Professional Services	456,000.00	5,000.00	461,000.00	5,000.00	243,530.05	212,469.95	54	500,195.71
Intergovernmental Services	10,900.00	.00	10,900.00	.00	.00	10,900.00	0	12,208.28
Training & Travel	24,003.00	.00	24,003.00	.00	14,227.04	9,775.96	59	18,863.88
Rentals & Leases	6,397.00	.00	6,397.00	.00	4,037.50	2,359.50	63	5,600.00
Repairs & Maintenance	52,735.00	.00	52,735.00	1,860.10	25,029.18	25,845.72	51	19,382.42
Materials & Supplies	228,800.00	.00	228,800.00	.00	113,968.68	114,831.32	50	250,474.79
Utilities	25,521.00	.00	25,521.00	.00	2,726.11	22,794.89	11	19,417.14
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Debt Service	.00	.00	.00	.00	.00	.00	+++	27,421.29
Other Expenses	41,372.00	.00	41,372.00	.00	15,891.04	25,480.96	38	33,514.28
Department 60 - PRCS Totals	\$4,116,222.00	\$109,401.00	\$4,225,623.00	\$6,860.10	\$2,150,160.33	\$2,068,602.57	51%	\$3,900,170.23
EXPENSE TOTALS	\$57,728,094.00	\$3,535,269.00	\$61,263,363.00	\$1,852,354.39	\$31,357,233.81	\$28,053,774.80	54%	\$55,985,131.26
Fund 101 - General Fund Totals								
REVENUE TOTALS	57,728,094.00	2,290,073.00	60,018,167.00	.00	26,233,802.61	33,784,364.39	44%	53,343,555.85
EXPENSE TOTALS	57,728,094.00	3,535,269.00	61,263,363.00	1,852,354.39	31,357,233.81	28,053,774.80	54%	55,985,131.26
Fund 101 - General Fund Totals	\$0.00	(\$1,245,196.00)	(\$1,245,196.00)	(\$1,852,354.39)	(\$5,123,431.20)	\$5,730,589.59		(\$2,641,575.41)

City of Novato Budget Performance Report - Other Funds

Quarter 2 Fiscal Year 2025/26

Classification	Adopted Budget	Budget Amendments	Amended Budget	YTD Encumbrances	YTD Transactions	Budget - YTD Transactions	% Used/ Rec'd	Prior Year Total
Fund 102 - Measure M Sales Tax								
REVENUE								
Taxes	10,265,000.00	.00	10,265,000.00	.00	2,411,619.81	7,853,380.19	23	2,341,132.47
REVENUE TOTALS	\$10,265,000.00	\$0.00	\$10,265,000.00	\$0.00	\$2,411,619.81	\$7,853,380.19	23%	\$2,341,132.47
EXPENSE								
Operating Transfers Out	10,265,000.00	.00	10,265,000.00	.00	6,286,262.00	3,978,738.00	61	2,341,132.47
EXPENSE TOTALS	\$10,265,000.00	\$0.00	\$10,265,000.00	\$0.00	\$6,286,262.00	\$3,978,738.00	61%	\$2,341,132.47
Fund 102 - Measure M Sales Tax Totals								
REVENUE TOTALS	10,265,000.00	.00	10,265,000.00	.00	2,411,619.81	7,853,380.19	23%	2,341,132.47
EXPENSE TOTALS	10,265,000.00	.00	10,265,000.00	.00	6,286,262.00	3,978,738.00	61%	2,341,132.47
Fund 102 - Measure M Sales Tax Totals	\$0.00	\$0.00	\$0.00	\$0.00	(\$3,874,642.19)	\$3,874,642.19		\$0.00
Fund 118 - Long-Term Maint-Facilities								
REVENUE								
Use of Money & Property	66,763.00	.00	66,763.00	.00	.00	66,763.00	0	72,251.00
Other	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfer In	320,000.00	.00	320,000.00	.00	320,000.00	.00	100	300,000.00
REVENUE TOTALS	\$386,763.00	\$0.00	\$386,763.00	\$0.00	\$320,000.00	\$66,763.00	83%	\$372,251.00
EXPENSE								
Other Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfers Out	840,000.00	655,998.00	1,495,998.00	.00	1,469,140.89	26,857.11	98	728,003.98
EXPENSE TOTALS	\$840,000.00	\$655,998.00	\$1,495,998.00	\$0.00	\$1,469,140.89	\$26,857.11	98%	\$728,003.98
Fund 118 - Long-Term Maint-Facilities Totals								
REVENUE TOTALS	386,763.00	.00	386,763.00	.00	320,000.00	66,763.00	83%	372,251.00
EXPENSE TOTALS	840,000.00	655,998.00	1,495,998.00	.00	1,469,140.89	26,857.11	98%	728,003.98
Fund 118 - Long-Term Maint-Facilities Totals	(\$453,237.00)	(\$655,998.00)	(\$1,109,235.00)	\$0.00	(\$1,149,140.89)	\$39,905.89		(\$355,752.98)
Fund 119 - Long-Term Maint-Infrastructure								
REVENUE								
Use of Money & Property	63,711.00	.00	63,711.00	.00	.00	63,711.00	0	69,141.00
Operating Transfer In	820,000.00	.00	820,000.00	.00	820,000.00	.00	100	300,000.00
REVENUE TOTALS	\$883,711.00	\$0.00	\$883,711.00	\$0.00	\$820,000.00	\$63,711.00	93%	\$369,141.00
EXPENSE								
Other Expenses	.00	.00	.00	.00	.00	.00	+++	.00

City of Novato Budget Performance Report - Other Funds

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
Operating Transfers Out	805,000.00	854,811.00	1,659,811.00	.00	1,148,391.98	511,419.02	69	364,789.80
EXPENSE TOTALS	\$805,000.00	\$854,811.00	\$1,659,811.00	\$0.00	\$1,148,391.98	\$511,419.02	69%	\$364,789.80
Fund 119 - Long-Term Maint-Infrastructure Totals								
REVENUE TOTALS	883,711.00	.00	883,711.00	.00	820,000.00	63,711.00	93%	369,141.00
EXPENSE TOTALS	805,000.00	854,811.00	1,659,811.00	.00	1,148,391.98	511,419.02	69%	364,789.80
Fund 119 - Long-Term Maint-Infrastructure Totals	\$78,711.00	(\$854,811.00)	(\$776,100.00)	\$0.00	(\$328,391.98)	(\$447,708.02)		\$4,351.20
Fund 210 - Affordable Housing Programs								
REVENUE								
Charges for Services	180,000.00	.00	180,000.00	.00	30,359.06	149,640.94	17	150,607.69
Use of Money & Property	231,709.00	.00	231,709.00	.00	248,024.00	(16,315.00)	107	327,064.00
Other	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfer In	183,711.00	.00	183,711.00	.00	43,394.81	140,316.19	24	359,178.73
REVENUE TOTALS	\$595,420.00	\$0.00	\$595,420.00	\$0.00	\$321,777.87	\$273,642.13	54%	\$836,850.42
EXPENSE								
Salaries & Wages	5,303.00	.00	5,303.00	.00	2,395.90	2,907.10	45	4,924.16
Employee Benefits	1,243.00	.00	1,243.00	.00	966.27	276.73	78	1,098.09
Professional Services	250,000.00	66,596.00	316,596.00	182,596.00	52,200.00	81,800.00	74	167,179.00
Materials & Supplies	.00	.00	.00	.00	.00	.00	+++	.00
Other Expenses	1,350,000.00	.00	1,350,000.00	.00	.00	1,350,000.00	0	.00
Operating Transfers Out	.00	.00	.00	.00	.00	.00	+++	931.00
EXPENSE TOTALS	\$1,606,546.00	\$66,596.00	\$1,673,142.00	\$182,596.00	\$55,562.17	\$1,434,983.83	14%	\$174,132.25
Fund 210 - Affordable Housing Programs Totals								
REVENUE TOTALS	595,420.00	.00	595,420.00	.00	321,777.87	273,642.13	54%	836,850.42
EXPENSE TOTALS	1,606,546.00	66,596.00	1,673,142.00	182,596.00	55,562.17	1,434,983.83	14%	174,132.25
Fund 210 - Affordable Housing Programs Totals	(\$1,011,126.00)	(\$66,596.00)	(\$1,077,722.00)	(\$182,596.00)	\$266,215.70	(\$1,161,341.70)		\$662,718.17
Fund 220 - Hamilton Art Center								
REVENUE								
Use of Money & Property	519,293.00	.00	519,293.00	.00	243,216.28	276,076.72	47	533,354.95
Other	.00	.00	.00	.00	.00	.00	+++	132.92
Operating Transfer In	.00	.00	.00	.00	.00	.00	+++	.00
REVENUE TOTALS	\$519,293.00	\$0.00	\$519,293.00	\$0.00	\$243,216.28	\$276,076.72	47%	\$533,487.87
EXPENSE								

City of Novato Budget Performance Report - Other Funds

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
Professional Services	108,000.00	.00	108,000.00	.00	.00	108,000.00	0	.00
Repairs & Maintenance	212,000.00	.00	212,000.00	.00	148,911.01	63,088.99	70	322,736.16
Utilities	9,100.00	.00	9,100.00	.00	4,324.94	4,775.06	48	9,475.62
Capital Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Debt Service	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfers Out	.00	689,135.00	689,135.00	.00	689,918.05	(783.05)	100	78,047.02
EXPENSE TOTALS	\$329,100.00	\$689,135.00	\$1,018,235.00	\$0.00	\$843,154.00	\$175,081.00	83%	\$410,258.80
Fund 220 - Hamilton Art Center Totals								
REVENUE TOTALS	519,293.00	.00	519,293.00	.00	243,216.28	276,076.72	47%	533,487.87
EXPENSE TOTALS	329,100.00	689,135.00	1,018,235.00	.00	843,154.00	175,081.00	83%	410,258.80
Fund 220 - Hamilton Art Center Totals	\$190,193.00	(\$689,135.00)	(\$498,942.00)	\$0.00	(\$599,937.72)	\$100,995.72		\$123,229.07
Fund 229 / 270 - State Gas Tax								
REVENUE								
Intergovernmental	2,902,248.00	.00	2,902,248.00	.00	1,144,104.90	488,563.46	38	2,948,924.95
Use of Money & Property	95,707.00	.00	95,707.00	.00	.00	95,707.00	0	111,119.00
Operating Transfer In	.00	.00	.00	.00	.00	.00	+++	.00
REVENUE TOTALS	\$2,997,955.00	\$0.00	\$2,997,955.00	\$0.00	\$1,144,104.90	\$2,509,391.54	38	\$3,060,043.95
EXPENSE								
Professional Services	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfers Out	2,927,469.00	1,950,772.00	4,878,241.00	.00	4,302,248.21	2,421,438.94	88	3,116,154.68
EXPENSE TOTALS	\$2,927,469.00	\$1,950,772.00	\$4,878,241.00	\$0.00	\$4,302,248.21	\$2,421,438.94	88	\$3,116,154.68
Fund 229 270 - State Gas Tax Totals								
REVENUE TOTALS	2,997,955.00	.00	2,997,955.00	.00	1,144,104.90	1,853,850.10	38	3,060,043.95
EXPENSE TOTALS	2,927,469.00	1,950,772.00	4,878,241.00	.00	4,310,002.61	568,238.39	88	3,116,154.68
Fund 229 / 270 - State Gas Tax Totals	\$70,486.00	(\$1,950,772.00)	(\$1,880,286.00)	\$0.00	(\$3,165,897.71)	\$1,285,611.71		(\$56,110.73)
Fund 237 - Park Measure A								
REVENUE								
Taxes	523,875.00	.00	523,875.00	.00	43,473.58	480,401.42	8	496,688.00
Use of Money & Property	38,793.00	.00	38,793.00	.00	.00	38,793.00	0	41,942.00
Other	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfer In	.00	.00	.00	.00	.00	.00	+++	.00
REVENUE TOTALS	\$562,668.00	\$0.00	\$562,668.00	\$0.00	\$43,473.58	\$519,194.42	8%	\$538,630.00

City of Novato Budget Performance Report - Other Funds

Quarter 2 Fiscal Year 2025/26

Classification	Adopted	Budget	Amended	YTD	YTD	Budget - YTD	% Used/	Prior Year Total
	Budget	Amendments	Budget	Encumbrances	Transactions	Transactions	Rec'd	
EXPENSE								
Salaries & Wages	.00	.00	.00	.00	.00	.00	+++	.00
Employee Benefits	.00	.00	.00	.00	.00	.00	+++	.00
Professional Services	.00	.00	.00	.00	.00	.00	+++	.00
Training & Travel	.00	.00	.00	.00	.00	.00	+++	.00
Repairs & Maintenance	.00	.00	.00	.00	.00	.00	+++	.00
Materials & Supplies	.00	.00	.00	.00	.00	.00	+++	.00
Utilities	.00	.00	.00	.00	.00	.00	+++	.00
Debt Service	.00	.00	.00	.00	.00	.00	+++	.00
Other Expenses	.00	.00	.00	.00	.00	.00	+++	.00
Operating Transfers Out	1,105,000.00	115,442.00	1,220,442.00	.00	1,236,240.77	(15,798.77)	101	535,651.03
EXPENSE TOTALS	\$1,105,000.00	\$115,442.00	\$1,220,442.00	\$0.00	\$1,236,240.77	(\$15,798.77)	101%	\$535,651.03
Fund 237 - Park Measure A Totals								
REVENUE TOTALS	562,668.00	.00	562,668.00	.00	43,473.58	519,194.42	8%	538,630.00
EXPENSE TOTALS	1,105,000.00	115,442.00	1,220,442.00	.00	1,236,240.77	(15,798.77)	101%	535,651.03
Fund 237 - Park Measure A Totals	(\$542,332.00)	(\$115,442.00)	(\$657,774.00)	\$0.00	(\$1,192,767.19)	\$534,993.19		\$2,978.97
Grand Totals								
REVENUE TOTALS	16,210,810.00	.00	16,210,810.00	.00	4,648,651.00	11,562,159.00	29%	8,051,536.71
EXPENSE TOTALS	17,878,115.00	4,332,754.00	22,210,869.00	182,596.00	13,460,190.75	8,568,082.25	61%	7,670,123.01
Grand Totals	(\$1,667,305.00)	(\$4,332,754.00)	(\$6,000,059.00)	(\$182,596.00)	(\$8,811,539.75)	\$2,994,076.75		\$381,413.70

STAFF REPORT**MEETING**

DATE: March 05, 2026

TO: Finance Advisory Commission

FROM: Jennifer Maldonado, Principal Analyst
Carla Carvalho-DeGraff, Finance DirectorSUBJECT: **FISCAL YEAR 2025/26 MID-YEAR BUDGET REPORT**

REQUEST

Review proposed budget amendments and provide feedback.

DISCUSSION

Staff periodically reviews the status of the operating and capital budgets to determine if revenue and expense projections are tracking as anticipated and/or if adjustments to the adopted budgets are needed.

On June 24, 2025, the City Council adopted an operating budget for Fiscal Year (FY) 2025/26. As with any other year, adoption of the annual budget represents a snapshot of the City's fiscal position at a specific point in time. Revenue and expense projections continually shift throughout the year, and the mid-year review is necessary to ensure revenues and expenses are tracking as anticipated.

The purpose of this report is to review the status of the operating budget at mid-year (through December 31, 2025), as compared to the adopted budget and recommend any changes needed.

Operating Budget Update

The primary focus of the mid-year review is on the General Fund as these are the monies used to fund ongoing City services such as neighborhood police patrols, maintenance of streets, parks and facilities, wildfire risk mitigation (such as tree and vegetation maintenance), and recreation programs and services.

General Fund Revenue

Following a review of General Fund Revenue, staff recommends adjustments as outlined in the table below. Some of the City's Major revenue sources require adjustments after mid-year review and are outlined below.

Adjustments totaling a net decrease of \$464,712 are proposed for the various categories listed on the table below. While Measure M will be tracked in its own fund, it is a "general fund" fund, so it is included in the table below.

Table 1

General Fund Revenue	
Department	Proposed Amendment FY2024/25
Non-Departmental – Measure M Sales Tax	(\$334,000)
Subtotal	(334,000)
Non-Departmental – Secured Property Tax	276,304
Non-Departmental – Secured Property Taxes In VLF	(68,000)
Non-Departmental – Unsecured Property Taxes	(12,200)
Non-Departmental – Supplemental Property Tax	(74,000)
Non-Departmental – Real Property Transfer Tax	(53,324)
Non-Departmental - General Use Sales Tax	(122,725)
Non- Departmental - Measure C Sales Tax	(345,770)
Non-Departmental – Business License Tax	(179,000)
Non-Departmental - Franchise Fees Cable Television	(100,000)
Non-Departmental – Rents	(35,366)
Non-Departmental – Unclaimed Funds	(97,556)
Non-Departmental – Miscellaneous Reimbursement	(1,706)
Non-Departmental – Use of Fund Balance	234,756
Central Administration	3,250
Finance	3,200
Police	83,605
Community Development	5,000
Public Works	178,200
Parks and Recreation	40,620
Subtotal	(464,712)
TOTAL	(\$798,712)

- Non-Departmental – Measure M Sales Tax:
Staff recommends decrease the budgeted revenue by \$334,000
- Non-Departmental – Secured Property Tax
Staff recommends a \$276,304 budget increase.
- Secured Property Taxes VLF Adjustment
Staff recommends a decrease of \$68,000 to the budget in this category.
- Non-Departmental – Real Property Transfer Tax
Staff recommends a decrease of \$53,324 in budgeted revenue relating to Real Property Transfer Tax. Looking back to FY2022/23, this revenue stream has shown a continuous downward trend and budget needs to be recalibrated in order to capture true performance.

- Non-Departmental – Sales Tax
Staff recommends a \$122,725 budget decrease in General Use Sales Tax as well as a reduction of \$345,770 in budget for Measure C Sales Tax. After reviewing receipts in the first half of the year, receipts are not performing as anticipated. This assumption has been reviewed by a trend analysis and confirmed with our third-party experts HDL. HDL’s latest economic update indicates that consumer spending patterns are showing signs of slowdown after a period of increased activity. Additionally, after reviewing data, there were signs of consumers shifting from spending on taxable items to services. These combined factors contribute to the reduced sales tax outlook for the remainder of the fiscal year.
- Business License Tax
Staff recommends a (\$179,000) budget decrease in this category. Over the last three fiscal years this category has consistently underperformed and reached an average of 88% of budgeted revenue. At the time of budget adoption, the revenue projection was held flat to allow for continued monitoring and to assess whether post-pandemic activity would fully recover. Following the Mid-Year review, performance trends indicate that a recalibration is warranted to better align the budget with current revenue patterns in Novato. This adjustment reflects a more realistic projection based on recent historical performance and observed local trends
- Police Department
Staff recommends increasing Police Department revenue by \$83,605 to recognize unbudgeted reimbursements received to date, primarily related to State reimbursable costs. This adjustment aligns the budget with actual revenues received and ensures accurate reporting of reimbursement activity.
- Community Development
Revenue in Community Development is trending close to expectations and staff is proposing a slight increase of \$5,000 in revenue to capture revenue performance that is variable from year-to-year and is based on project activity. This increase is related to cost recovery for private projects.
- Parks and Recreation
Staff recommends that Parks and Recreation increase budgeted revenue by \$40,620 at Mid-Year. This increase is related to approximately \$40,000 increase in activity for Margret Todd Senior Center. Additionally, approximately \$35,000 in donations specifically for the Margaret Todd Senior Center will be used to offset costs for materials to run various programs this fiscal year. This is shown in the Non-Departmental section on Table 1 under use of fund balance.

General Fund Expense

After a review of General Fund expenses, Staff recommends a \$212,956 net increase in General Fund expense. The table below shows the request to amend budget by department.

General Fund Expense	
Department	Proposed Amendment FY2025/26
Non-Departmental	(\$200,000)
Central Administration	20,500
Finance	20,000
Police	186,600

Community Development	32,400
Public Works	52,000
Parks and Recreation	101,456
TOTAL	\$212,956

Non-Departmental

Staff are proposing an increase of salary savings of \$200,000. This would bring the current assumption of salary savings (which includes the discount for prepaying the UAL) from \$651,000 to \$851,000 thereby reducing total budgeted expense by an additional \$200,000. Through the second quarter of the year, salaries and wages have performed at 43% of budget, indicating room to capture the additional vacancy savings and better align the budget to performance.

Central Administration

The \$20,500 request is for expense relating to the net increase needed to accomplish the Economic Strategic Plan estimated at about \$145,500. Offsetting savings identified in other budget areas have been reallocated to reduce the overall funding request needed to accomplish this priority.

Finance

Staff recommends increasing budgeted expenditures by \$20,000 to support the next phase of DebtBook implementation, expanding the platform’s functionality to include contract management and cash management. The system was initially implemented to address new accounting requirements related to leases and software and is now fully operational in those areas.

Expanding its use will centralize contract tracking and cash activity within a structured platform, strengthening internal controls, enhancing transparency, and improving audit readiness. This phase will also provide greater visibility into contractual obligations and cash management practices.

This investment aligns with the City’s continued efforts to modernize financial systems, reduce risk, and enhance operational effectiveness.

Police

Staff recommends an increase in budget of \$186,600 related primarily to its Axon contract. This amount reflects commitments to the existing vendor reviewed at the beginning of the calendar year by Council for storage and management of digital evidence.

Public Works

Staff is proposing an increase of \$52,000 primarily related to unexpected repairs and maintenance in several different areas of the City that is not related to the Capital Improvement Program.

Parks and Recreation

Staff is proposing an increase in expense for Parks and Recreation of \$101,456. This increase would capture \$53,000 related to cost recovery work discussed at adoption and would now be programmed into the budget to move forward with the work. Additionally, an increase of approximately \$34,000 reflects material costs that will be fully offset by the use of previously designated fund balance comprised of donated funds. The last portion on requested funding is related to approximately \$11,000 in part time personnel costs that will be offset by increased revenues due to program demands as well as \$3,456 is related to materials that will be required for increased participation throughout the department.

Measure M

Measure M was fully allocated by Council at budget adoption and with the subsequent budget amendments to the budget for labor negotiations. Measure M was initially projected to come in at \$10,265,000 and is now projected to come in at \$9,933,000. Staff recommends that the

variance of \$332,000 be taken from the amount allocated to the pension reserve. The current allocation is summarized in the table below.

FY 2025/26 Measure M Allocation		
Category	Prior Budget Amendment	Proposed Budget Amendment
Deficit Backfill	\$3,978,738	\$3,978,738
Restored Staffing/Resources	1,076,473	1,076,473
Personnel Costs (All Units)	1,780,338	1,780,338
Deferred Maintenance	500,000	500,000
Managing Financial Liabilities (Pension Reserve)	744,451	412,451
Innovation and Investment	250,000	250,000
Capital Projects	1,935,000	1,935,000
Total	\$10,265,000	\$9,933,000

Staff recommends that the Measure M allocation remain as is and that any funding needs be taken from the Emergency and Disaster Recovery Fund (Fund 116).

Fund Balance:

Based on the staff recommendations in this report, fund balance projections for the Emergency Disaster and Recovery Fund are shown in the table below:

Emergency Disaster & Recovery Reserve (Fund 116)	
Fund Balance Beginning FY 2025/26	\$18,674,250
Transfer out 2024/25 unassigned fund balance	(94,121)
Income/Projected Income	578,939
Proposed Capital Improvement Projects	(41,500)
Proposed Development Impact Fee Loan/correction	(476,983)
Revised Projected Reserve Balance as of 06/30/26	\$18,640,585

The reserve remains above the Council's policy of 15% and is now 32% of the proposed \$61.5M in operating expenses (excluding operating transfers).

Personnel

The adopted FY 2025/26 Operating Budget included a total of 205.00 Full-Time Equivalent (FTE) positions. This total has been adjusted to 203.50 FTEs as available funding was reallocated to enhance and reclassify certain positions, supporting promotional opportunities and strengthening retention of existing staff.

Overall General Fund Results

The following table provides a summary of the General Fund Operating Budget for FY2025/26 as adopted in June 2025, amended through the first six (6) months of the year, and as proposed in this mid-year report. The proposed changes would decrease projected revenues by \$264,712 and increase budget for expense by \$212,956. The overall impact of these proposed changes would have required a backfill of \$477,668. However, earlier in the fiscal year the recognition of unclaimed funds have offset these proposed expenses leaving an additional \$68,242 in the General Fund.

**General Fund
Budget Summary**

	Adopted Budget FY2025/26	Amended Budget FY2025/26	Proposed Amendments FY2025/26	Proposed Amended Budget FY202/26	% Change Adopted / Proposed
Revenue	\$57,728,000	\$61,809,273	(\$264,712)	\$61,544,561	6.61%
Expense	57,728,000	61,263,363	212,956	61,476,319	6.50%
Surplus/(Deficit)	\$0	\$545,910		\$68,242	

Inclusive of transfers in/out.

In the above table, the Adopted Budget column represents budget at adoption for FY2025/26 on June 25, 2025. The Amended Budget column represents the budget inclusive of any Amendments after adoption including carryover-items from the prior fiscal year. The proposed Amendments column summarizes changes that are being proposed to the General Fund at Mid-year and the Proposed Amended Budget column reflects all amendments to date, including proposed items. Last, the % Change Adopted / Proposed column represents the proposed increase/decrease from the Adopted Budget.

Non-General Fund

Gas Tax and Development Impact Fee Funds

To improve financial processes and set the City's financial system up in a way that makes reporting easily achievable staff is recommending that the City set up new funds for the Gas Tax Fund and the Development Impact Fee funds. Currently, the City has one fund in each of these areas and that means that all of the activity closes into one fund balance necessitating manual tracking of expenditures and revenues for reporting whereas with each type of gas tax and development impact fee in its own fund the system will track the expenditures, revenues, and fund balance and reporting will be able to be facilitated from the financial system. Regulatory reports such as the Annual Streets Report (ASR) and the annual AB1600 reports (Development Impact Fee reports) will be timely and accurate.

Setting up new funds will necessitate transfers of actual expenses and revenues and fund balances as well as a budget amendment for operating transfers to other funds. Where the funds impact the capital project fund the CIPs remain the same. The tables below are a summary of the new funds and the proposed budget amendments.

Table 1 – New Fund Structure

Old Fund	New Funds
229 – Gas Tax	229 Gas Tax RMRA (Road Maintenance and Rehabilitation Act)
	270 Gas Tax – HUTA (Highway Users Tax)
241 – Development Impact Fees	250 – DIF Open Space
	251 – DIF Recreation and Cultural Facilities
	252 – DIF Civic Facilities
	253 – DIF Transit Facilities
	254 – DIF Corporation Yard
	255 – DIF General Government Facilities
	256 – DIF Streets and Intersections
	257 – DIF Drainage

Table 2- Proposed Budget Amendments – Revenue

FY 2025/26 Revenues	
Fund	Amount
Gas Tax HUTA – Fund 270	\$1,394,905
Gas Tax RMRA – Fund 229	(1,394,905)
DIF - Fund 241	(250,000)
DIF Open Space - Fund 250	20,000
DIF Recreation and Cultural Facilities - Fund 251	65,000
DIF Civic Facilities – Fund 252	15,000
DIF Transit Facilities – Fund 253	6,000
DIF Corporation Yard – Fund 254	5,000
DIF General Government Facilities – Fund 255	9,000
DIF Streets and Intersections – Fund 256	95,000
DIF Drainage – Fund 257	35,000
Total	\$0

Table 3 – Proposed Budget Amendments – Operating Transfers

FY 2025/26 Budget Amendments		
To	From	Amount
General Fund – Fund 101	Gas Tax HUTA – Fund 270	\$1,451,469
Gas Tax RMRA – Fund 229	General Fund – Fund 101	(1,451,469)
Capital Projects – Fund 301	Gas Tax HUTA - Fund 270	1,162,829
Gas Tax RMRA – Fund 229	Capital Projects – Fund 301	(1,162,829)
DIF – Fund 241	Capital Projects - Fund 301	(3,251,544)
Capital Projects - Fund 301	DIF Recreation and Cultural Facilities – Fund 251	148,642
	DIF Civic Facilities - Fund 252	10,980
	DIF General Government Facilities – Fund 255	92,852
	DIF Streets and Intersections – Fund 256	2,628,715
	DIF Drainage – Fund 257	370,355
Total		\$0

Capital Improvement Projects

Staff is proposing an increase of \$116,500 to the FY 2025/26 Capital Improvement Program (CIP) budget as well as corrections related to CIPs in the amount of \$482,765.

Below is a summary of the proposed amendment and its funding source.

FY2025/26 Capital Improvement Projects			
	To	From	Amount
1	CP22-007 – Permit System	Emergency Disaster & Recovery Fund (Fund 116)	\$41,500
2	Development Impact Fees – Fund 253 Transit Facilities	Long Term Maintenance Infrastructure – (Fund 119)	\$5,782
3	Development Impact Fees – Fund 254 Corporation Yard	Emergency Disaster & Recovery Fund (Fund 116)	\$476,983
4	CP25-001 Gas Tax HUTA Fund 270	CP25-001 Gas Tax RMRA Fund 229	\$816,600
5	CP26-XXX Hamilton History Museum	Long Term Maintenance Facilities	\$75,000

1. CP22007 Permit System - There are two additional pieces of implementation requiring funding for the new permit system. The first item is an interface with HdL, the City's contractor for business licenses. This interface will enable the contractor license information to be available in the permit system, creating efficiencies for the permit staff while improving timeliness for permit issuance. The second item is additional project management funds for the automation of cost recovery billing. The accounting for cost recovery is complicated and requires additional interfaces between the permit system and

the financial system, which has taken more time than expected.

2. Development Impact Fee – Transit Facilities this development impact fee was over expended by the Grant Avenue Bridge project in FY 2024/25. This was reported on the AB1600 Development Impact Fee reports and requires correction. This transfer brings the fund to a zero balance.
3. Development Impact Fee Corporation Yard – this fund was brought into a negative balance by CP98-012 – Corporation Yard Improvements. This project was completed in the early 2000s. Under generally accepted accounting principle (GAAP) this represents a loan to the City. This transfer facilitates the setup of the loan. Staff will bring loan terms to Council prior to the end of the fiscal year.
4. CP25-001 Pavement Project 2025 – this is a correction of over programmed HUTA Gas Tax.
5. The Hamilton History Museum is a new project. The scope of this project includes making repairs to the exterior walking surfaces surrounding the museum. This project will address ADA accessibility concerns at the facility and reduce trip hazards by repairing the sidewalk and reinstalling brick pavers.

Marin Valley Mobile Country Club (MVMCC)

The Helsing Group, MVMCC’s property manager, prepared a mid-year review package. The operating budget is expected to come in within budget for FY2025/26 and does not require an amendment. There is one capital improvement project that was not on the adopted MVMCC capital improvement budget.

FY2025/26 Capital Improvement Projects – MVMCC		
To	From	Amount
118 Marin Valley – Replace Broken Storm Drain	MVMCC Reserve	\$10,680

RECOMMENDATION

Receive the report and provide feedback.

STAFF REPORT

MEETING

DATE: March 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.
 - The Deputy Director position is with a recruiter.
 - Accounting Assistant I/II interviews were scheduled for first round of interviews the week of February 23rd. The remaining candidates will have 2nd interviews with the AP Supervisor and the Finance Director.
 - Recruitment for the Accountant I/II will be a recruitment for an Accountant/Analyst. The request to fill has been processed and HR will advertise the position.
- Financial Reporting Catch-Up
 - AB1600 Development Impact Fee reports are being reported for 2017/2018 through 2024/2025. These should have gone to Council on February 24, 2026, but there was a 15-day notice that we needed to send, so we had to push the reports to the March 10, 2026 meeting. The reports are published

on the Finance page of the City's website.

- Projects
 - Working on implementing a cash management tool
- Started FY2026/27 Budget Development
- Interim Audit scheduled for June 23-24, 2026.

Staff recommend the Commission receive the report.