



**CITY OF NOVATO**  
**C A L I F O R N I A**

***SUPPLEMENTAL MATERIALS***

***for***

***Council meeting of May 19, 2020***

**Per California Senate Bill 343, the enclosed supplemental materials relating to the May 19, 2020 agenda packet have been received by the City Clerk's Office after the agenda packet's distribution to the City Council and are available to the public.**



**CITY OF NOVATO**  
CALIFORNIA

**JOINT CITY COUNCIL / CITY COUNCIL AS SUCCESSOR AGENCY MEETING**  
**Tuesday, May 19, 2020 - 6:00 PM**  
**eComment**

**Item J.1) Consider and adopt a resolution to provide temporary rent relief for commercial tenants of City-owned properties due to the Covid-19 Pandemic**

**Coy Smith**

**Position: Support**

**Submitted: May 19, 6:45 pm**

We are so thankful for your consideration of this request. Our revenue since April 1 is down by 90 percent. As a Chamber, when business is not open - they have no way to pay us to help them promote their business. so we have lost almost all of our revenue sources....We also know TOT will be down greatly - so that will impact us as well. We thank you for any support that is available.

**From:** [Adam McGill](#)  
**To:** [Council Members](#)  
**Cc:** [John Abaci](#); [VNeBB@walterpistole.com](mailto:VNeBB@walterpistole.com); [Jeff Walter](#); [Department Heads](#)  
**Subject:** Budget Item tonight - Questions  
**Date:** Tuesday, May 19, 2020 11:49:15 AM

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Dear Mayor and Councilmembers,

A council member asked the following questions regarding tonight's budget item. Staff's responses are below the questions.

1. How are we expected to end 19/20? Is that in the staff report?

A FY19/20 year end projection is not included in the staff report. There is a significant amount of revenue and expense data impacted by the COVID-19 emergency that is still changing rapidly, as well as a lot of incorrect data in the finance system that we are working through.

It remains difficult to project several revenue streams from March - June (particularly sales tax, TOT, and department revenues). In addition, Finance has had a number of issues with the A/P process that make current expenditure levels in the finance system unreliable. For instance staff has discovered numerous invoices that have not been paid (some in the \$10's of thousands of dollars range), large invoices that have been paid twice for which we are expecting refunds or future credits, and invoices that were paid but later did not clear the bank because we were not following proper bank protocols. We have initiated A/P process and personnel changes and are now making good progress in resolving these issues. We are also still working through the vacancy savings issues outlined in the staff report, and departments have not yet been asked to go back to their budgets to identify "savings" due to the emergency (probably most significant in Parks and Recreation). Finally, Finance has not yet posted approved budget changes for FY19/20 in the finance system, so we don't have the correct revised/amended budget to run accurate comparative reports. We do expect to have most of these issues worked out for the FY19/20 audit, however, there are simply too many influencing factors right now to project a FY19/20 year end status with any reliability.

2. What did we use as a property tax revenue estimate for 19/20's budget?

The property tax trend information was derived from the February 11, 2020, 5-Year Financial Plan report (Item J.2). Page 3 of the report states that the average rate of growth btw FY16-FY20 was 5.25%, but for FY19/20 the growth rate was 3.89%. For FY19/20 budget purposes the May 13, 2019 budget presentation and the CM budget letter (October 4th) both indicate a 3.5% increase was included. Staff is recommending using a conservative 3% growth rate for FY20/21 but we do intend to do additional analysis on property tax & sales tax trends prior to September to determine how closely actual receipts have been to budget over the past few years. This should provide a good base for projections going forward.

Adam McGill  
City Manager  
922 Machin Ave. Novato, CA 94945  
Direct (415) 899-8901 | General (415) 899-8900

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**From:** [Adam McGill](#)  
**To:** [Council Members](#)  
**Cc:** [Jeff Walter](#); [VNebb@walterpistole.com](mailto:VNebb@walterpistole.com); [John Abaci](#)  
**Subject:** Budget questions  
**Date:** Tuesday, May 19, 2020 1:14:07 PM

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Dear Mayor and Councilmembers,

The below question was submitted by a councilmember regarding tonight's budget item. Staff's response is in blue below.

1. Pg 9 of the staff report indicates that non-personnel costs totaling \$442,545 for MOU negotiations for 2019-2020 is being carried over for 2020-2021. Can staff explain what these non-personnel costs are?

In FY2019/20, the \$442,545 was budgeted for one-time lump sum payments to employees as agreed upon in the MOU's approved last year. For FY20/21, there is no Measure F funding to backfill the negotiated one-time lump sum payments due in July 2020 and January 2020, therefore the amount is shown as an expense in FY20/21 that will be absorbed by the Gen Fund.

**Adam McGill**  
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# **RENT RELIEF FOR TENANTS OF CITY PROPERTY**

**Kate Whan, Public Works Administrative Services Manager**  
**Council Presentation May 18, 2020**

# COMMERCIAL TENANTS OF CITY-OWNED PROPERTIES

- 45 Individual Studio Artists at the Novato Arts Center
- Marin Museum of Contemporary Art
- Beso Bistro Restaurant
- Chamber of Commerce
- Morning Star Farm at O'Hair Park



# REQUEST TO CONSIDER AND ADOPT RESOLUTION

Provide temporary rent relief for tenants of city-owned properties:

1. Waive rents during timeframe that occupancy is restricted (up to 12-mos)
2. Return to Council to extend program beyond initial 12-months
3. Allow for 12-month rent deferral when occupancy/rent resumes
4. Flexibility to prepare deferred rent agreements to meet individual needs
5. Utilize existing “natural disaster” lease protocols to provide relief to

Morning Star Farm

# FISCAL IMPACT

Tenants	Fund Impacted	1 Month Waived	3 Months Waived	1 Year Waived
<b>Novato Arts Center (NAC)</b>	220 (NAC)	(40,000)	(120,000)	(480,000)
<b>Novato Chamber of Commerce – Carlisle House</b>	243 (NPFA)	(5,000)	(15,000)	(60,000)
<b>Morning Star Farms</b>	101 (GF)	(3,333)	(10,000)	(40,000)
<b>MONTHLY TOTALS:</b>		<b>(\$ 48,333)</b>	<b>(\$ 145,000)</b>	<b>(\$ 580,000)</b>





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QUESTIONS/COMMENTS?





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**FY20/21 BUDGET DEVELOPMENT**

**MAY 19, 2020**

# INTRODUCTION



# EMERGENCY ACTION TAKEN

- Hiring freeze
- No travel & training
- Laid off ~100 part time non-benefitted staff
- No promotions
- Expenditures for essential operations only
- Defer Capital Projects, reduce future contribution

## BUDGET DEVELOPMENT

# “Carryover Budget”

Replicate FY20 Budget

Include only known changes to revenue & expense

Remove one-time activities

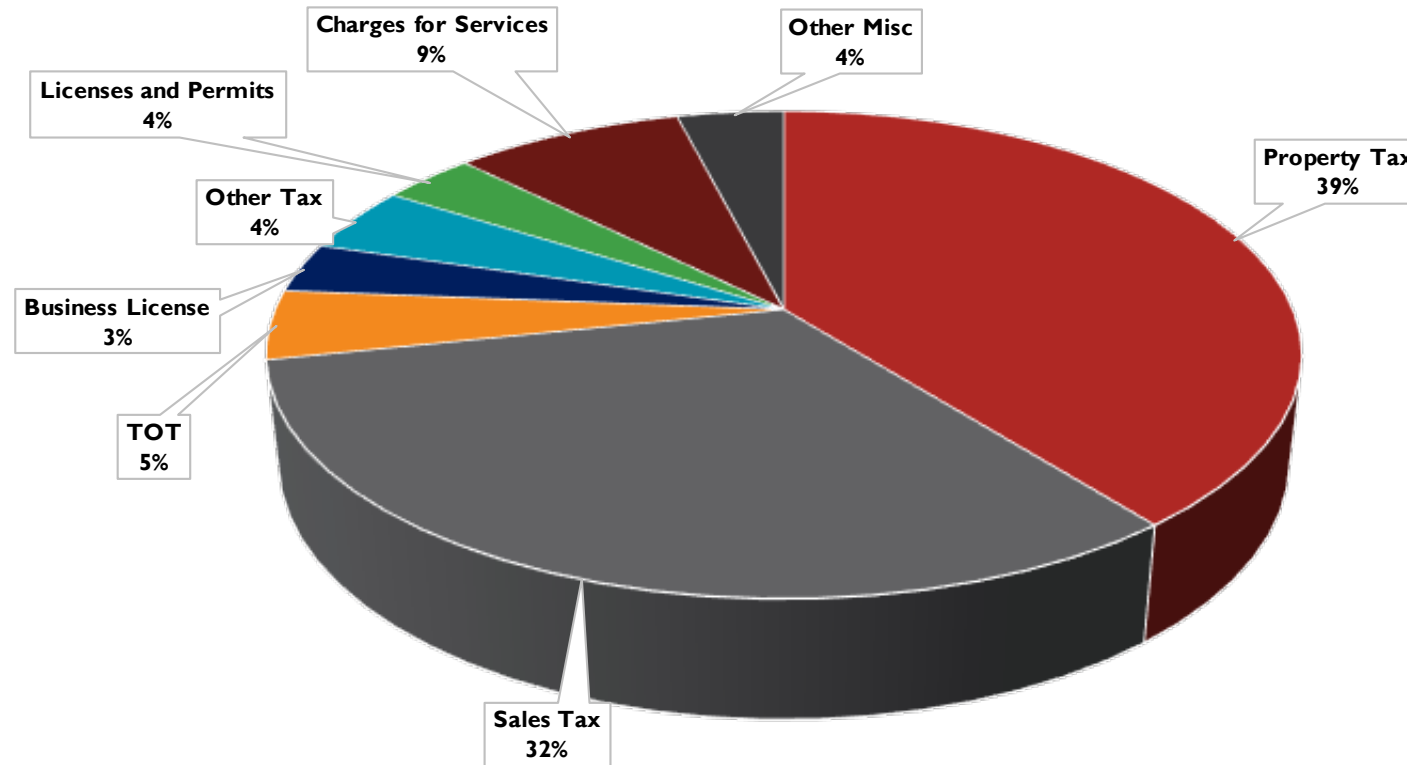
Provide time to identify & evaluate fiscal condition



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# GENERAL FUND REVENUE

**FY19/20 Adopted Budget  
General Fund Revenue**



**FY19/20  
Gen Fund ~\$40M**  
**Proportional share  
of revenue by  
category**



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# GENERAL FUND REVENUE

## Property Tax

- 39% GF Revenue
- + \$470k

## Sales Tax

- 32% GF Revenue
- - \$348k

## Transient Occupancy Tax

- 5% GF Revenue
- - \$375k

## Department Revenue

- - \$1.5 million



# GENERAL FUND REVENUE



Not included in FY20/21 Budget



# GENERAL FUND REVENUE

## FY20/21 Staff Recommended Revenue Adjustments

Revenue Category	Adjustment
Property Tax	\$470,000
Sales Tax	(348,000)
TOT	(375,000)
Department Revenue	(1,536,540)
<b>TOTAL</b>	<b>(\$1,789,540)</b>



# GENERAL FUND EXPENDITURE UPDATES - PERSONNEL

## Salaries

- No COLA's
- One-Time Payments + \$758k

## Minimum Wage

- Part Time / Seasonal
- \$15/hour
- + \$61k

## Health Insurance

- + 5%
- 6 months only

## Workers Compensation

- + 33%
- + \$225k



# GENERAL FUND EXPENDITURE UPDATES - PERSONNEL

## CalPERS Pension

- Payroll Cost Updated
- + \$180k
- + 8.50%

## CalPERS Unfunded Accrued Liability

- + \$450k
- + 14.58%

# GENERAL FUND EXPENDITURE UPDATES - OTHER

## Liability Insurance

- +\$482k
- +39.27%  
(includes WoCo)

## Utilities

- Electricity/Gas = +5%
- Water = +11%
- Garbage = +5%
- Sanitary = +4.5%

## Animal Control

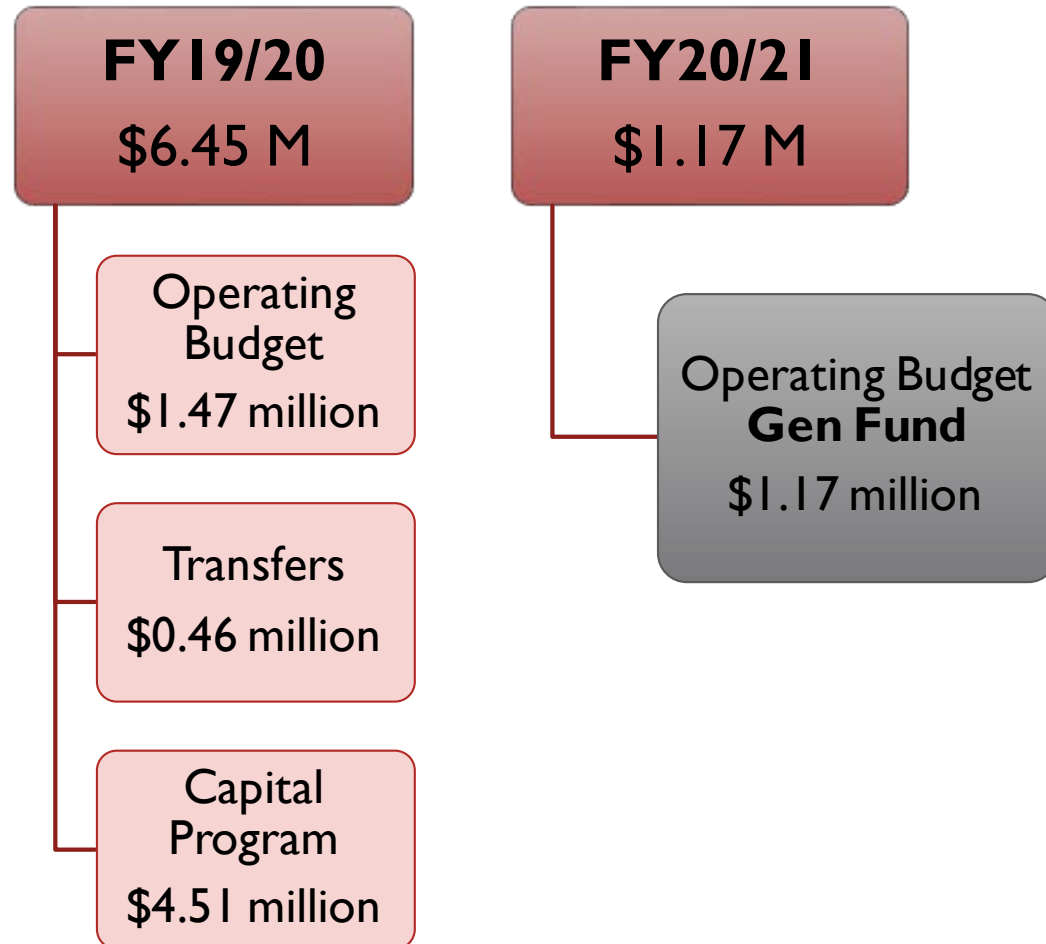
- +\$733k
- 2.61%

## Previously Measure F

- +\$1.171m
- Includes MERA Debt Service \$221,325



# EXPENDITURE IMPACT – MEASURE F



# GENERAL FUND

<b>General Fund Summary</b>	
	<b>FY20/21</b>
Carryover Budget Surplus / (Deficit)	(\$3.931 million)
Staff Recommended Revenue Adjustments	(1.790 million)
<b>Adjusted Surplus / (Deficit)</b>	<b>(\$5.721 million)</b>



# GENERAL FUND

## September Revision

Travel & Training

Contract & Professional Services

Insurance

Frozen Positions

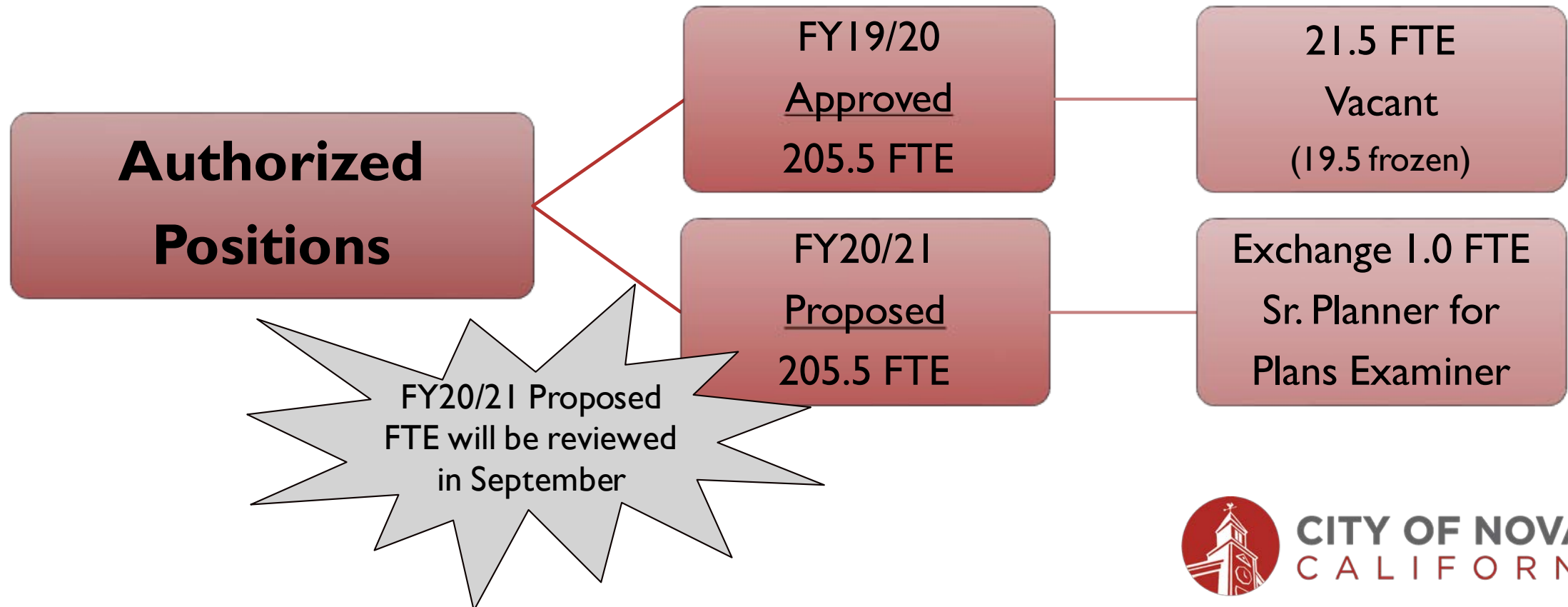
Other Personnel Actions

Add'l COVID-19 Impacts



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# PERSONNEL ALLOCATION





# FY 2020/21 MODIFIED SCHEDULE

## Proposed Calendar

✓	Tuesday, April 28 <sup>th</sup>	Capital Improvement Program Review
✓	May 19 <sup>th</sup>	Operating Budget Workshop
	May 26 <sup>th</sup>	Draft Preliminary Budget Document
	Tuesday, June 9 <sup>th</sup>	Public Hearing
	Tuesday, June 23 <sup>rd</sup>	Adopt Budget
	September (TBD)	Operating Budget Revision Discussion

# CONCLUSION

## Potential Options

Service level changes

Shifting focus to new priorities

Deferral of work

Use of reserves

Reductions

Enhancements

Strategic Plan

Other projects

(If needed)



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# RECOMMENDATION

- Receive report
- Provide Direction on Revenue Adjustments:

<b>FY20/21 Staff Recommended Revenue Adjustments</b>	
<b>Revenue Category</b>	<b>Adjustment</b>
Property Tax	\$470,000
Sales Tax	(348,000)
TOT	(375,000)
Department Revenue	(1,536,540)
<b>TOTAL</b>	<b>(\$1,789,540)</b>



# QUESTIONS





**CITY OF NOVATO**  
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**VOLUNTARY EARLY SEPARATION PROGRAM &  
VOLUNTARY TIME OFF PROGRAM OVERVIEW**

CITY COUNCIL MEETING MAY 19, 2020

PRESENTERS: JESSICA DEAKYNE, ASSISTANT CITY MANAGER & AMY CUNNINGHAM, FINANCE DIRECTOR

## PURPOSE OF PROGRAMS

- COVID-19 total budget impacts unknown
- Voluntary programs that would allow City to reduce labor costs ahead of budget impacts
- Upon Council approval, staff will offer meet and confer with labor groups
- Return to Council in September 2020

# VOLUNTARY EARLY SEPARATION PROGRAM (VESP)

- **Eligibility:** 10 years of Novato service & CalPERS retirement-eligible
- **Amount:** \$1,000 for each year of service, capped at \$30,000 per individual
- **Fiscal Impact:** capped at \$400,000 city-wide
- **Process:** letter of intent, PERS retirement application, supervisor/dept. head/City Manager approval



# VOLUNTARY TIME OFF PROGRAM (VTOP)

- **Eligibility:** All regular, benefitted employees
- **Schedule:** reductions in 4 hour increments or days
- **Fiscal Impact:** unknown at this time, dependent on interest and approval
- **Process:** letter of interest, supervisor/dept. head/City Manager approval





# PROGRAM TIMELINES

## VESP

Meet & Confer: Week of May 18<sup>th</sup>

Application out to employees: May 26

Deadline to Submit to HR: June 22

City Manager approval by: June 30

Retirement: August 1, 2020 at the latest

## VTOP

Meet & Confer: Week of May 18<sup>th</sup>

Application out to employees: May 26

Deadline to Submit to HR: June 5

City Manager approval by: June 15

Schedules begin: July 6 – start of pay period





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THANK YOU

