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Novato ponders response to report on financial troubles, by Will Houston

The Novato City Council is set to meet later this month to discuss a rebuttal to a Marin County Civil Grand Jury report that criticized the city's financial problems.

The report published in June said the city has been aware of its financial struggles and vulnerabilities to deficits for more than a decade but "has not taken sufficient measures to resolve them."

The city is projecting ongoing budget deficits, including an estimated \$2.6 million shortfall for the current fiscal year, unless it brings in new revenue or makes significant service cuts. The grand jury is recommending the city take several actions in the coming years, including considering raising the city's sales tax rate from a quarter-percent to a half-percent.

The City Council met in late July to take a first pass at its required responses, with the most discussion centering on the grand jury's recommendation to address the "administrative and financial burdens" of the Marin Valley Mobile Country Club. The city owns the property.

The discussion prompted the council to continue its discussion at its Aug. 22 meeting, when it is expected to adopt its final responses.

At the council's discussion on July 27, its chambers were filled with Marin Valley Mobile Country Club residents who disagreed with the grand jury's findings about the neighborhood's financial strains on the city. Residents said the community has not cost the city any money.

"I don't know what's going on. Why are there so many mistakes there?" resident John Hansen told the council. "It's been embarrassing for us all through the county for this grand jury report to go out, articles in the newspaper. Is the city now going to do something to rectify what you have done to us?"

The discussion also follows a Novato resident's offer to buy the residential campus for \$30 million. The City Council has been meeting in closed session to discuss the offer for the past month but has reported no action so far.

Some council members voiced support for pushing back on the grand jury's description of the community's costs to the city. The most outspoken was Councilmember Pat Eklund, who said the community does not operate at a substantial deficit.

"I think we need to have a strong response," Eklund said during the meeting. "This grand jury report has put the city and the park in tremendous turmoil."

Councilmember Tim O'Connor said the report's description of the community as a burden was "ridiculous," but said there is general consensus that the neighborhood's reserve funds are insufficient to cover the projected maintenance costs.

The 63-acre neighborhood is home to more than 400 residents age 55 or older, with about 40% of the spaces reserved for tenants with low or very-low incomes. While the city owns the campus, rental fees cover park operations and maintenance.

However, the city projects the community's reserve funds will be depleted within the next five years unless it can find new revenue. In its budget adopted in June, the City Council voted to raise rents there for the first time since 2016.

The city estimates that \$40 million to \$70 million in infrastructure projects will be needed during the next 30 years to address aging facilities. Additionally, officials say the city has not been charging the community enough to cover its administrative costs and about \$200,000 in water utility costs.

"There is an increasing administrative burden on the city," City Manager Adam McGill told the council during the meeting. "We are confident that we have not been charging back all of the city's soft costs to the park."

Residents of the community say it has only spent about \$2.5 million for capital and maintenance projects during the past four years compared to the \$7.3 million reported by the city.

The grand jury report said the community's expenses exceeded revenues by \$3.6 million during the past four years, and that the neighborhood is budgeted with a deficit for the current fiscal year. Residents and members of the community's citizen-led operating body, known as the park acquisition corporation, or PAC, said their financials show a \$2.1 million surplus. The residents say the conflicting figures are the result of the grand jury and city reporting the community's adopted budgets rather than the actual financials at the end of each fiscal year.

Mayor Pro Tem Mark Milberg agreed that the city should include the financials in its response.

"When you're looking at a going entity, we want to be considerate of the fact that it really is more of the financial statements than what we projected on a budget that would be the actual operating situation for the park, in my estimation," Milberg said.

Novato Administrative Services Director Amy Cunningham, who heads the finance division, said the city has only completed financial audits up to the 2019-2020 fiscal year. She advised against the city including unaudited financials in its response to the grand jury.

“We don’t think that the information is accurate and I would caution the council to put it out there as factual or even close to actual information until we can actually take a look at it,” she told the council.

When the residents raised concerns about the report in June, grand jury foreperson Pat Shepherd said the panel cannot debate the contents of the report.

“The report was thoroughly investigated and stands as it is,” Shepherd said.

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