

## Finance and Audit Committee Minutes

October 1, 2024  
Historic Schoolhouse

### Attendees

George Savage – Chair	Tony McFarlane, Finance Director
Ken Lavine, Member and Acting Secretary	
Michele Takei, Member	
Chris Ritter, Member	
Mark Waissar, Member	
Stephen Cassani, Member	
Bill Urban, Member	

### Oral Communications for Items Not on the Agenda

Teresa Godfrey of the Woodside Road Maintenance District reminded the committee that the District's funds, though held by the Town, are separate from Town funds.

### Announcements and Presentations

No announcements or presentations were made.

### Approval of Minutes

The minutes for the meeting of September 9, 2024 were approved with a minor change clarifying that the Utility User's Tax group was led by Chris Ritter and George Savage, not Mark Waissar.

### New Business – Cash reserve projection, '24/25 budget update, discussion of plan for structural balance

Finance Director Tony McFarlane presented a cash reserve history and projections spreadsheet starting with the audited statements for '20/21 and unaudited results for the period '21/22 through '23/24. Both the original June 2024 budget and a recent reset budget were projected. The bottom line is that the June 2024 proposed budget projects a general fund deficit of approximately \$1,300,000. The reset '24/25 budget projects a general fund surplus of approximately \$700,000.

Having reviewed recent year's major expenditures, Tony found that the use of ARPA funds and the costs associated with the housing and safety element contributed to and masked the current structural imbalance. However, the increased cost of the Sheriff's contract is the elephant in the room. Costs have increased from \$1.25M in '20/21 to 2.346M in '24/25. The town has negotiated a \$443K credit for '24/25, so only \$1.9M will be booked in '24/25. Additional new revenues must be considered.

To address this situation, Tony identified some questions that need to be answered:

1. Do we remain a town or disincorporate?
2. What is the appropriate reserve level?
3. What is the appropriate balance between FTE and use of consultants?
4. What efficiencies can be identified to reduce costs?
5. What revenue enhancement measures should be considered?

Despite significant restricted cash reserves, the town's ability to transfer funds to the general fund is limited as under California law, any borrowing from restricted funds must be paid back within 12 months. Consequently, there is a short term cash flow problem that needs a solution, and a long term structural

financial imbalance problem that needs a solution. The current financial imbalance is thought to be approximately \$1,500,000 per year.

All revenue enhancements will require voter approval, and there is a delay between voter approval and the initial receipt of funds. The next scheduled election isn't until November, 2026. However, should the town declare a fiscal emergency, we could hold a special election as early as March 2025. That would require submittal of ballot measures in December 2024. But, it would allow us to add the tax to the County's property tax roll by the July 31 deadline to receive funds the following December, 2025, and the following April, 2026. The cost of a special election was estimated to be \$50,000.

After a protracted discussion, the following revenue enhancement alternatives were identified for further evaluation.

1. A combination of a parcel tax and/or an increase in the utility users tax (UUT) that goes to the general fund.
2. A real property transfer tax (RPTT).

It was also suggested that sweeteners be considered so that when asked for approval, voters would see the possibility of a reduction in taxes once cash reserves were re-established.

It was agreed to evaluate these alternatives in light of the seven criteria previously discussed:

1. Appeal to voters
2. Anticipated revenues
3. Complexity to implement
4. Cost/effort to maintain
5. Duration (time to implement and receive revenue)
6. Future flexibility
7. Legal risk

Public contributions to the discussion included comments on the process to identify and evaluate revenue alternatives and examine expense reduction.

Given the late hour, the Chair suggested that other items on the agenda be carried over to another meeting.

### **Adjournment**

The meeting was adjourned at 6:10 pm.