



THE CITY OF
NOVATO
CALIFORNIA

922 Machin Avenue
Novato, CA 94945
415/899-8900
FAX 415/899-8213
www.novato.org

**NOVATO CITIZENS FINANCE ADVISORY/
OVERSIGHT COMMITTEE MEETING**

to be held at

**City Administrative Offices
Womack Conference Room
922 Machin Ave**

**November 16, 2017
7:30 AM**

Chair

Caitrin Devine

Vice Chair

Tim O'Connor

Commissioners

David Bentley

Regina Bianucci Rus

Cris MacKenzie

Rafelina Maglio

Robert J. Scott, Jr

AGENDA

A. CALL TO ORDER

B. APPROVAL OF FINAL AGENDA

C. PUBLIC COMMENT

Anyone wishing to speak on non-agenda items will be recognized at this time. These items can legally have no action as they are not on the agenda. There is a three-minute time limit.

7:35 A.M. *(Time is approximate.)*

D. COMMITTEE ORGANIZATIONAL ITEMS

D-1: APPROVAL OF SEPTEMBER 21, 2017 MINUTES

D-2: ELECTION OF COMMITTEE CHAIR AND VICE CHAIR

E. GENERAL BUSINESS

Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three-minute time limit for public comment per item.

7:50 A.M. *(Time is approximate.)*

**E-1: REVIEW AND DISCUSSION OF USES FOR JUNE 30,
2017 UNASSIGNED FUND BALANCE**

Information and discussion of potential uses of fund balance; priorities identified by Council and staff.

**E-2: REVIEW OF FIRST QUARTER GENERAL FUND
FINANCIAL REPORT**

Information and discussion of report presented to Council on October 24, 2017, format for future reports, availability to the public, and appropriate level of detail.

F. COMMITTEE / STAFF COMMENTS

G. FUTURE MEETINGS

Next meeting scheduled for December 21.

H. ADJOURNMENT

ATTACHMENTS

1. **September 21, 2017 Meeting Minutes**
2. **Unaudited General Fund Balance Sheet / Income Statement at June 30, 2017**
3. **Staff Report: FY 2017/18 1st Quarter General Fund Budget Report**

AFFIDAVIT OF POSTING

I, Maureen Chapman, certify that on November 9, 2017 I caused to be posted the agenda of the November 16, 2017 meeting of the Novato Citizens Finance Advisory/Oversight Committee meeting of the City of Novato, California, on the City of Novato Community Service Boards in City Hall and the Police Department, and on the City's website at www.novato.org.

/Maureen Chapman/
Accounting Supervisor



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AGENDA

A. CALL TO ORDER

Meeting called to order at 7:36 am. Committee Members: Caitrin Devine (arrived at 7:37 am), Tim O'Connor, David Bentley, Regina Bianucci Rus, Robert J. Scott, Jr., Cris MacKenzie, Rafelina Maglio. Staff Members: City Manager Regan Candelario, Assistant City Manager Michael Antwine (arrived at 7:46 am), Interim Finance Manager Maureen Chapman, Accounting Technician Christina Soares. City Council Member: Pam Drew. Members of the Public: Hutch Turner.

B. APPROVAL OF FINAL AGENDA

The agenda was approved unanimously. Ayes: 7 (Devine, Bentley, Bianucci Rus, O'Connor, Scott, MacKenzie, Maglio) Noes: 0. Absent: 0.

C. PUBLIC COMMENT

Hutch Turner stated data used in his report may be based in part on inaccurate data. Hopefully by next meeting a revised report will be available once staff has had a chance to review. Bentley thanked manager and staff for looking at report. CM Candelario also noted report has been reviewed and hope to get more details regarding data.

D. COMMITTEE ORGANIZATIONAL ITEMS

D-1: APPROVAL OF AUGUST 31, 2017 MINUTES

Approved with revisions; HOA assume responsibilities for parks, Bentley would like to add to agenda that Regina Bianucci Rus offered to assist staff with budget report, Committee thanked Don Bibeault for his participation on the Committee. Ayes: 6 (Bianucci Rus, Devine, O'Connor, Bentley, Scott, Jr., Maglio) Abstain: 1 (MacKenzie)

D-2: APPROVAL OF MAY 18, 2017 MINUTES

MacKenzie motioned to approve. Bianucci Rus seconded the motion. Scott, Jr. abstained from approval. Ayes: 5 (MacKenzie, Bianucci Rus, Devine, O'Connor, Bentley) Noes: 0. Abstain: 1 (Scott, Jr.)

E. GENERAL BUSINESS

Anyone wishing to speak on agenda items will be recognized after the Committee has concluded their initial discussions. There is a three-minute time limit for public comment per item.

E-1: REVIEW OF CITY RESERVE POLICIES

Maureen Chapman presented the City Reserve Policies for review by the Committee. Discussed GASB 54 fund balances and how those fund balances are divided into 5 categories on the financial statements, their use restrictions and specific purposes.

General Fund and Emergency & Disaster Response Fund: recommends a City maintain at least two months of operating expenditures or 15% reserves. Current reserves are approximately 18-19%. General Fund has approximately \$1.2 million balance at year-end to be transferred to Emergency Fund. \$300,000 to be transferred to the Insurance Reserve Fund to make whole due to large claims paid from fund.

Scott asked about what transfers out the fund consist of. Chapman explained the transfers are for replacement costs. Current annual expense of \$460,000 to maintain vehicles, (efforts to extend life of equipment and vehicles have been made), debt services and MERA (Marin Emergency Radio Authority.) Also includes operating transfers \$1.3 million for Pension Obligation Bond.

CM Candelario introduced new Assistant City Manager, Michael Antwine to the Committee. Committee Members then introduced themselves.

The adopted 17/18 budget is balanced. Payroll costs were \$1.3 million under budget due to lack of staff in all departments. MacKenzie asked about analyzing competitive recruitment and retention numbers. CM Candelario noted the last four-five years have been low in staff numbers. MOUs at approximately 95% of market compensation a key factor. Real estate market also a factor in recruiting. Work towards workforce housing. Chapman commented that the over-budget numbers in revenue as well as payroll savings while nice, creates stress for employees.

Chapman added City had to pay \$5.2 million over two years. RDA claimed that the money was theirs and the City had to repay. Transfer of assets considered an illegal transfer. The City had to go through a series of tasks to repay agency debt to fund. Start getting back revenue that

belongs to the City. Scott asked what kind of emergencies fall under Municipal Code Section 2-13. CM Candelario noted it would be for dealing with major emergency situation and money would come from Emergency Fund.

O'Connor asked what the self-insurance covered and if the \$1 million had a specific purpose. CM Candelario noted the many layers of insurance and claims can be paid back by pool of insured allowing City to take care of business. Chapman added that minor claims were paid by General Fund while the Self-Insurance Fund pays the larger claims. Plan to make plan whole at year-end after claims are paid.

\$3 million of Measure F funds set aside as a Risk Mitigation Reserve Fund at Council's request for those funds to be moved to their own fund.

Chapman discussed the Equipment, Technology & Vehicle Replacement Fund. Current balance of \$5-6 million. Scott asked if the replacement schedule is done on a date or mileage basis. Chapman noted both. Bianucci Rus asked if all cities have an Equipment Replacement Fund and CM Candelario noted in his experience they do not.

Scott asked about Technology Replacement. Chapman noted Technology needs to be updated in policy as it has its own fund. IT Manager Scott Sanders has created a replacement schedule and estimated annually a need of about \$95,000. MacKenzie asked if the City purchases or leases software. Chapman noted that some are purchased while some are leased. CM Candelario added Scott Sanders would be the person to best answer that question. Also added that the City made a good choice in hiring Scott and his team. Chapman concluded that the Reserve Policy needs to be revised and updated.

Bentley noted a little disappointed with Reserve Policy. Should look at bigger picture including all of the different funds. Chapman noted some of the funds are restricted and not included for that reason. Bentley added should make more transparent and more comprehensive list of funds. ACM Antwine suggested listing different funding sources and brief description of them. Scott added including restrictions on encumbrances. MacKenzie asked if the \$32 million Hamilton Reserves is part of \$100 million. CM Candelario mentioned that funds have specific uses or restrictions and that information on Hamilton Trust is available on the website. O'Connor would like to see a full snapshot of all funds despite funds only being spent on certain items. CM Candelario noted creating a budget in brief that is easy to read and make available to the public.

E-2: REVIEW OF PRELIMINARY JUNE 30, 2017 GENERAL FUND BALANCE

\$300,000 to replenish Self-Insurance Fund and balance transfers to Emergency Reserves. 18-19% funded reserve balance. Scott asked if there were better ways to fund the City if the reserves are at 1.5 times the policy. CM Candelario noted exploring options such as longer-term responsibilities, appreciate staff. MacKenzie suggested revisiting sustainability plan that was visited a few years back. Part of sustainability plan discussion included compensation and where City wanted to be in marketplace. Bentley noted Council will be looking at a five year financial plan this fall. Chapman added new managers will be starting in a few weeks. Bianucci Rus asked if Council has a vision in place for the next 5-15 years to improve Novato; create workforce housing, fund pension liabilities and have public discussion? Chapman replied that the City has a three year plan. CM Candelario noted the City will start working on plan this winter and hopes to have three year plan in place by next spring.

Bianucci Rus asked if unaudited financials were available and Chapman replied that only audited financials were published. Bianucci Rus asked if numbers were looked at quarterly. Chapman noted the quarterly review is not very telling since most funds are received later in the year and the expenditure side is usually higher at the beginning of the year. Also noted the quarterly statements are hard to follow and labor intensive to process.

F. COMMITTEE / STAFF COMMENTS

Hutch Turner commented the Committee is capable of reviewing information quarterly. Important to citizens there is a sense of continuity with City. Also added that Novato is the only city without a representative on Self-Insurance Fund HQ in Emeryville. Noted that the City has borrowed money from the Hamilton Trust from time to time. Not a good idea to co-mingle with Reserve Fund could be misinterpreted as being misleading and should be stated as separate item.

Devine asked when Annual Report on Measure F will be ready. Chapman will send final document to Committee and when it will be on Council's agenda.

G. FUTURE MEETINGS

Meeting scheduled for October 19 approved by Committee.

H. ADJOURNMENT

Meeting adjourned at 8:47 am.

FY 16/17 - GF BALANCE SHEET

	General Fund
ASSETS	
Cash and investments	\$ 1,431,879
Receivables (net of allowance where applicable):	
Taxes	2,327,185
Interest	176,701
Accounts and due from other governments	787,136
Loans	9,594
Prepaid expenses	70,556
Due from other funds	2,709,611
Deferred costs	
Total assets	<u>\$ 7,512,662</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 1,020,042
Accrued salaries & benefits	731,134
Accrued liabilities	63,193
Due to other funds	124,493
Deposits/other payables	255,121
Deferred revenue	298,876
Total liabilities	<u>2,492,859</u>

Fund balances (deficits)

Non-spendable, reported in general fund	3,097,177
Assigned, long-term receivables	9,594
Assigned, CIP projects	459,983
Unassigned	1,453,049
Total fund balances (deficits)	<u>5,019,803</u>
Total liabilities and fund balances	<u>\$ 7,512,662</u>

control (from IS) \$ -

FY 16/17 - GF INCOME STATEMENT

General
Fund

REVENUES

301-319 Taxes	\$ 29,857,331
320-329 Licenses and permits	1,322,660
330-339 Revenues from other agencies	418,235
350-359 Fines and forfeitures	610,177
360-369 Use of money and property	312,937
340-349 Current service charges	3,530,227
370-390 Other revenue	90,269
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Total revenues	36,141,836
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EXPENDITURES

Current:

401-419	General government	6,135,949
420-429	Public safety	14,843,646
430-449	Public works	5,508,938
450-459	Cultural and recreation	5,449,784
460-469	Community development	477,042
480-489	Internal Service	881,602
71xx	Capital outlay	1,591,716
	Debt service:	
471	Principal	86,093
472	Interest and fiscal agent fees	6,402
		<hr/>
Total expenditures		34,981,172
		<hr/>

REVENUES OVER (UNDER)

EXPENDITURES

1,160,664

OTHER FINANCING SOURCES (USES)

Capital Leases	
Equity Transfers In	1,695,000
Equity Transfers Out	(2,488)
Transfers in	1,278,511
Transfers out	(3,242,490)
Total other financing sources (uses)	(271,467)
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Net Revenues/Expenditures 889,197

Fund balances, beginning of year 4,130,606

Fund balances, end of year \$ 5,019,803

J-19



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STAFF REPORT

MEETING

DATE: October 24, 2017

TO: City Council

FROM: Michael L. Antwine, Assistant City Manager
Tony Clark, Finance Manager
Maureen Chapman, Accounting Supervisor

SUBJECT: **FISCAL YEAR 2017-2018 1ST QUARTER GENERAL FUND BUDGET REPORT**

REQUEST

Receive and file the report regarding the revenue and expenditures of the City’s general fund for the 1st quarter of Fiscal Year 2017-2018.

DISCUSSION

The purpose of this report is to provide the Council with a summary of the revenue and expenditures for the 1st quarter of the fiscal year. The report is not meant to be an inclusive nor detailed listing of all finance and accounting transactions that occurred during the period. The intent is to provide the Council and the public with an overview of the City’s general fiscal condition.

As part of the City’s budget preparation for fiscal year 2017-2018 and during staff presentation of the mid-year budget review, staff will provide a detailed analysis and review of expenditures and revenues for all City funds; as well as, a review of the Five-Year forecast.

ANALYSIS

The 2017/18 General Fund budget comprises \$38M (including appropriations and transfers out to other funds) of the total \$69M overall City budget. The City utilizes its general fund revenues to provide essential services and programs, such as, Police, Parks and Recreation, Public Works and Community Development to the residents and business of Novato.

For the 1st quarter 2017-2018, ending September 30, 2017, the City’s General Fund revenues were \$3,267,751 or 9% of the anticipated revenue for the year (as shown in attached report). Revenue trends within a given fiscal year can be challenging to analyze on a revenue report due to the City receiving certain revenue sources at different times throughout the year.

In accordance with Governmental Accounting Standards Board (GASB) Accounting Requirements, Policies and Procedures, the City’s accrual of certain revenues received through August of each year are recorded to the prior fiscal year, which can skew the appearance of higher revenues during the first half of the next fiscal year.

Revenues

The City's major revenue sources are tax revenue such as property tax, sales tax, business licenses and franchise fees. Overall, the attached revenue report through September 30, 2017 shows that the City had received 9% of budgeted revenues.

Below is a discussion of specific revenue category trends.

Sales & Use Tax –The City collected \$1,322,945 in sales and use tax, or 11% of budgeted revenue. For the 1st quarter, July taxes are collected in September and are consistent with the budget. However, broader macroeconomic trends, including gasoline prices and the overall outlook for the brick-and-mortar retail economy, may negatively impact tax receipts for the overall 17/18 fiscal year.

Parks & Recreation Fee-The City collected \$651,017 in Parks and Recreation fees, or 32% of budgeted revenue. Parks & Recreation program fees are the primary driver of this source of revenue, and are on track to slightly exceed budget estimate for the year.

Construction Permits –The City collected \$391,943.77 in construction permits collected thus far, and is generally on track with the budget estimate. This revenue source is cyclical in nature, with the majority of the revenues generated between March and October.

Expenditures

City's expenditures are on track with the Adopted Budget with 1st quarter expenditures of \$29,163,091.04 or 25% of budget. Annually, the City will see increases in several areas; wherein the City has limited control; such as CalPERS or Risk Management costs. For instance, the City made an unfunded pension liability payment to CALPERS from the General Fund of \$797,344 in FY16/17, and \$1,850,737 for FY17/18. This is the first year the unfunded liability for the miscellaneous plan has been funded through a lump sum payment opposed to incorporating the cost in the employer rates charged by CALPERS.

In addition, the Administrative Services Department City-Wide Programs has incurred two significant expenditures. There was a liability insurance payment and a semi-annual animal services payment in the 1st quarter of 2017-2018; \$463,638 and \$315,498 respectively.

Also, there can be a one-time expenditure or major event that impacts the City's operational activities. For instance, the recent Sonoma and Napa County fires will have an impact on the City's payroll costs in the area of overtime for staff assisting with the various logistics and Emergency Management Operations activities during the event.

Consistent with the revenue estimates discussed above, the 1st quarter expenditures for 2017-2018 are consistent with the adopted budget.

FISCAL IMPACT

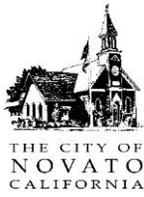
There is no fiscal impact associated with this report.

RECOMMENDATION

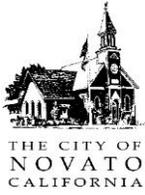
Receive and file the report.

ATTACHMENT

1. 2017-2018 1st Quarter Revenue & Expenditure Report



Account Description	Annual Budget Amount	YTD as of 9/30/17 Actual Amount	Budget Less YTD Actual	% of Budget
<i>Revenues</i>				
Secured Property Taxes	13,646,430.00	19,780.71	13,626,649.29	0%
Unsecured Property Taxes	138,500.00	.00	138,500.00	0%
Supplemental Property Tax	210,000.00	.00	210,000.00	0%
Special Assessments	4,500.00	255.00	4,245.00	6%
Real Property Transfer Tax	358,500.00	61,103.81	297,396.19	17%
Sales & Use Tax	11,675,275.00	1,322,945.72	10,352,329.28	11%
Hotel Tax	1,768,900.00	.00	1,768,900.00	0%
Business Licenses	1,218,840.00	43,925.40	1,174,914.60	4%
Franchise Fees	1,733,000.00	.00	1,733,000.00	0%
Residential Development Tax	5,000.00	1,470.00	3,530.00	29%
Construction Permits	1,115,700.00	391,943.77	723,756.23	35%
Police Permits	21,250.00	1,536.00	19,714.00	7%
Other Permits	15,500.00	4,426.00	11,074.00	29%
State-Motor Vehicle in Lieu	23,000.00	.00	23,000.00	0%
State-HOPTR	34,000.00	.00	34,000.00	0%
Other State Revenues	151,500.00	11,547.64	139,952.36	8%
County Grants	25,000.00	2,025.58	22,974.42	8%
Federal Grants	134,000.00	.00	134,000.00	0%
Other Intergovernmental Revenue	13,650.00	.00	13,650.00	0%
General Government	240,500.00	43,098.60	197,401.40	18%
Zoning & Subdivision	191,000.00	53,264.68	137,735.32	28%
Plan Checking Fees	186,800.00	51,567.65	135,232.35	28%
Engineering Fees, Inspections & Other	97,000.00	37,145.89	59,854.11	38%
Parks & Recreation	2,023,600.00	651,017.58	1,372,582.42	32%
Police Services	99,000.00	29,686.91	69,313.09	30%
Other Service Charges	82,500.00	34,801.45	47,698.55	42%
Fines & Forfeitures	220,000.00	18,961.18	201,038.82	9%
Code Enforcement Fines	200,000.00	63,295.50	136,704.50	32%
Parking Fines	90,000.00	13,030.69	76,969.31	14%
Penalties	15,500.00	2,140.14	13,359.86	14%
Investment Earnings	110,000.00	46.59	109,953.41	0%
Rents	430,110.00	155,321.66	274,788.34	36%
Sale of Property	1,500.00	.00	1,500.00	0%
Private Donations/Contributions	13,000.00	280.00	12,720.00	2%
Miscellaneous Reimbursements	29,300.00	31,410.39	(2,110.39)	107%
Bad Debt Writeoffs	300.00	.00	300.00	0%
Other	17,500.00	2,847.39	14,652.61	16%
Operating Transfers In	1,359,935.00	218,874.95	1,141,060.05	16%
REVENUE TOTALS	\$37,700,090.00	\$3,267,750.88	\$34,432,339.12	9%
<i>Expenses</i>				
Non Departmental	3,174,853.00	463,978.77	2,710,874.23	15%
Central Administration	2,408,608.00	457,544.48	1,951,063.52	19%
Administrative Services	5,881,606.00	1,884,236.52	3,997,369.48	32%
Police	14,317,550.00	3,817,035.82	10,500,514.18	27%
Community	2,616,019.00	656,459.47	1,959,559.53	25%
Public Works	6,887,447.00	1,525,309.25	5,362,137.75	22%
PRCS	3,527,962.00	846,389.65	2,681,572.35	24%
EXPENSE TOTALS	\$38,814,045.00	\$9,650,953.96	\$29,163,091.04	25%
NET EXPENSES	(\$1,113,955.00)	(\$6,383,203.08)	\$5,269,248.08	



Q1 Income Statement

General Fund Only

<u>Account Description</u>	<u>Annual Budget Amount</u>	<u>YTD as of 9/30/17 Actual Amount</u>	<u>Budget Less YTD Actual</u>	<u>% of Budget</u>
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