



THE CITY OF  
NOVATO  
CALIFORNIA

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

held at

922 Machin Avenue  
Novato, CA 94945  
415/899-8900  
FAX 415/899-8213  
[www.novato.org](http://www.novato.org)

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

**September 21, 2017  
7:30 AM**

Chair

Caitrin Devine

Vice Chair

Tim O'Connor

Commissioners

David Bentley

Regina Bianucci Rus

Rafelina Maglio

Cris MacKenzie

Robert J. Scott, Jr

**MINUTES**

**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 20 year expense analysis report may be based in part on inaccurate data. Hopefully by next meeting a revised analysis 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 suggested adding to a future agenda Regina Bianucci Rus's offer to assist staff with budget report The 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 due to vacant positions, creates stress for employees.*

Chapman added City had to pay \$5.2 million over two years. The State 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 was an adequate amount of reserve. 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 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 answer that question best. 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 ea 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 does Council have 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 at year-end 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.*