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# CITY OF BELVEDERE

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## FINANCE COMMITTEE

### AGENDA

March 9, 2022

Via Zoom

1:00 p.m.

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Join Zoom Meeting

<https://us02web.zoom.us/j/87830736513?pwd=TWRYZVVSbnY0OGw3L1ZMYmJuWEtlUT09>

Meeting ID: 878 3073 6513

Passcode: 940402

Dial by your location

833 548 0282 US Toll-free

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1. Approve minutes of December 1, 2021 Finance Committee meeting.
2. Discussion regarding potential Real Property Transfer Tax
3. Discussion regarding Administrative Policy Manual: Section 2.5.6 Investment Approach
4. New Business
5. Adjourn

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Date posted: March 3, 2022

**FINANCE COMMITTEE**  
**December 1, 2021**  
**10:00 AM**  
**Belvedere City Hall – Council Chambers**  
**And on Zoom remote platform (hybrid meeting)**

**MINUTES**

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**COMMITTEE PRESENT:** Bob McCaskill, Justin Faggioli, Greg Ostroff, David Walker, John Wilton, Sally Wilkinson, Steve Block

**COMMITTEE ABSENT:** none

**OTHERS PRESENT:** City Manager – Craig Middleton,  
Admin. Services Director – Amber Johnson  
Interim Admin. Svcs. Dir. – Kristine Polian  
Auditor – Vikki Rodriguez of Maze & Associates

**CALL TO ORDER OF REGULAR MEETING**

The meeting was called to order at 10:00 a.m.

**SCHEDULED ITEMS**

1. *Approve minutes of October 20, 2021 Finance Committee meeting.*

**MOTION:** Approve the minutes of the October 20, 2021, meeting.

Approval was unanimous.

2. *Review draft audited financial statements for fiscal year 2020/21 with representative from Maze & Associates:*

- a. Auditor review and required communications.*
- b. Discussion of audited financial statements.*
- c. Closed session with Auditors and non-staff members of Finance Committee.*

Vikki Rodriguez reviewed the required communication letter and the draft audit with the Committee. Staff left the room so that Ms. Rodriguez could conduct a management oversight discussion with the Committee. After the private discussion was completed, staff re-joined the public meeting room.

**MOTION:** Recommend Council acceptance of the audited financial statements with minor typographical revisions

Approval was unanimous.

*(Item 2 continued)*

*d. Discussion of potential policy changes to reserve calculations and unassigned general fund balance.*

*e. Recommendations to Council regarding the financial statements potential policy changes*

Staff proposed changes to policy language regarding reserve calculations and unassigned general fund balance. After some discussion, the Committee agreed on the following language:

General Fund Reserve Calculations – 2.2.2.A “Target”:

The City shall endeavor to achieve at year end a General Fund Reserve that totals one half of the General Fund expenditures, plus one half of the General Fund transfer to the Fire Fund, plus one half of annual debt service payments. For the purposes of this calculation, the expenditures from the 2nd year of the 5-year budget projection shall be used. For example, when calculating the General Fund reserve of fiscal year 2021-2022, the expenditures forecast in the fiscal year 2022-2023 shall be used. In addition, the transfers to the City’s 115 Pension Trust and/or any additional discretionary payments made to CalPERS will not be included in this calculation because they are discretionary in nature.

Re-name Seawall Reserve. – 2.2.2.D:

- Rename this policy from “Seawall” Reserve to “Critical Infrastructure” Reserve.
- Target: No change.
- Purpose: Replace with this language:
- The Critical Infrastructure Reserve is available to provide resources for potential future critical infrastructure capital projects in the City; both planned and emergency repair projects. The reserve is designed to reduce the City’s future needs for borrowing or bonding on these projects and could also be used as required grant matching funds.
- Classification: No change.

New Excess Funds Policy. – 2.2.3 – New Section Titled EXCESS FUND RESERVES:

At the end of the fiscal year, any unassigned funds that remain in the City’s General Fund after all other funds have been classified as Nonspendable, restricted, committed or assigned in accordance with GAAP and City Policy are considered excess fund reserves.

These excess fund reserves shall be transferred to the Critical Infrastructure Reserve and classified as assigned.

**MOTION:** Recommend Council approval of the policy language revisions and additions as stated.

Approval was unanimous.

**ADJOURN**


The meeting was adjourned at 11:42 a.m.

**THE FOREGOING MINUTES** were approved at a regular meeting of the Finance Committee on \_\_\_\_\_, by the following vote:

**AYES:**           —  
**NOES:**           —  
**ABSENT:**       —  
**ABSTAIN:**      —

**APPROVED** \_\_\_\_\_  
Bob McCaskill, Chair

**ATTEST** \_\_\_\_\_  
Helga Cotter, Director of Admin. Services

	<b>CITY OF BELVEDERE – ADMINISTRATIVE POLICY MANUAL</b>  <b>POLICY 2.5</b> <b>INVESTMENTS</b>		
	<b>Adoption Date:</b>	9/7/2004	<b>Adopted by:</b>
<b>Revised Date:</b>	11/13/2018 4/12/2021	<b>Revised by:</b>	City Council Resolution No. 2018-32 City Council Resolution No. 2021-10
<b>Authority:</b>	City Council		

**2.5.1 PURPOSE**

The Investment Policy provides guidelines for the prudent investment of temporary idle cash, and outlines policies for maximizing the efficiency of the cash management system. Its purpose is to enhance the economic status of the City while protecting its pooled cash. It is intended that this policy cover all funds and investment activities under the direct authority of the City excluding pension trust funds, other post-employment benefit trust funds, and the proceeds of debt issues.

**2.5.2 OBJECTIVE**

- A. The investment objective is to ensure fund safety, preserve a significant amount of liquidity and achieve yields on City funds that are idle.
- B. The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to identify those funds that could be invested without adversely affecting City operations.

**2.5.4 POLICY**

In order to maximize interest earnings, the City pools the cash from all funds, except those funds held in trust for the City by various financial institutions in accordance with applicable trust agreements related to debt issues. Interest revenue derived from pooled cash is allocated monthly to the participating funds based on the relative cash balance of each fund.

**2.5.5 INVESTMENT CRITERIA**

Criteria for selecting investments and the order of priority are:

- **Safety:** The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe and are allowable under Government Code Sections 53600 to 53610.

- **Liquidity:** This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occasionally occurs.
- **Yield:** This is the dollar earnings an investment can provide, and sometimes is described as the rate of return.

### **2.5.6 INVESTMENT APPROACH**

It is the practice of the City to invest primarily in the Local Agency Investment Fund or in similar low-risk instruments. Longer-term investments of reserve funds or bond proceeds in other instruments may be considered and recommended by the Finance Committee to the City Manager. Any such investments should only be undertaken if the likelihood of the City needing to deploy these funds in the near term is low.

### **2.5.7 OVERSIGHT**

The Finance Committee shall review investments and investment performance on an annual basis. The Committee’s findings shall be reported to the City Council through the Councilperson(s) who serve on the Committee. The Finance Committee shall also review this Investment Policy every three years and report any recommendations to the City Council through the Councilperson(s) who serve on the Committee.