



**MINUTES
SPECIAL MEETING
OF THE
FINANCIAL ADVISORY BOARD**

**June 7, 2012 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue**

Roll Call

Members Present- Bartke, Caftel, Kronenberg, Murphy

Council Liaison Present - Cheng

Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Cheng discussed Council activity from prior meetings such as the upcoming Strategic Plan and the General Plan update as well as the positive responses in the National Citizen Survey. Cheng also discussed the last Council meeting where the FY13 budget was presented that had no layoffs, forgoing of contractually obligated COLA's by safety personnel as well as several speakers from SEIU with concerns about their lack of raises. Dodge discussed management staff contributing 3% to PERS and how all of the changes significantly impact the ten-year plan.

2. Comments from the Public

Denise Sangster was present to discuss the Budget.

3. Review of Minutes from April 25, 2012 and May 2, 2012.

Minutes from both meetings were individually approved unanimously. 4/25 M/S Caftel/Murphy
5/2 M/S Caftel/Bartke

4. Review of draft Proposed Operating Budget for FY2012-13

Dodge distributed information and discussed the changes from balances discussed at the May 22nd meeting to the currently distributed data. Kronenberg asked for analysis of the change and Dodge directed the FAB to page 3 that discussed those changes and Exhibit A which shows the balance in all funds. Caftel discussed the City Managers list of cost savings items which are not all in the budget and Dodge said they only needed some to get to the base amount and Council directed which ones to implement. Caftel expressed concern regarding the two-year service credit number and lack of specific information on how the savings is calculated. Dodge said the two-year service credit concept had been discussed in closed session and was approved by council. Caftel asked why they would let so many people go for such a little savings. Dodge said that besides one year of savings it provides savings over multiple years as those at top salary steps are replaced and an opportunity to evaluate the structure of the organization.

Caftel felt these actions still did not address the fundamental problems of spiraling PERS and health care rates. Dodge said the process of bringing in a second PERS tier in conjunction with the service credit helps provide turnover to utilize the second tier. Dodge disagreed with Caftel and said that she felt this was the beginning of long term fixes being implemented as the second tier and employee contributions are changing. Cheng said the Council is aware of the pension concerns on the City and State level and is in favor of a second tier. A discussion was held on the difficulties in calculating the service credit. Caftel wanted to see two things: how the FY12-13 amount was

calculated and what effect will it have overall on the ten-year plan. Dodge will research.

A discussion was held on the major revenue sources including the unexpected reduction in assessed valuation and the resulting property tax revenue. Bartke encouraged the FAB to determine what motion it would make as the discussion progressed. Cheng discussed the incremental value in all of the items being used to balance the budget.

Sangster asked if the \$150K estimated savings included payouts and Dodge said yes it did and it included estimates in the time it would take to recruit. Sangster felt at 15 people it is too many people and too much money to pay out. Caftel expressed concern regarding cash flow. Sangster asked where the payouts were in the budget and Dodge said they were not in any budget line items other than regular salary, but the total accrued liabilities is recorded and included in the financial statements. Caftel said maybe the budget should have the total amount of accrued hours in the long term debt section.

Sangster said the city should only pay out at the rate hours are earned at not the potential for rates 20 years later and Caftel said for non-profits it is illegal to pay out at any rate but current. Sangster said if there was a policy, it was legal, and Dodge expressed concern regarding the ability to account for hours as inventory on an either First-In/First-Out or other inventory basis and felt it was not addressed by any payroll system she knew. Sangster said they were available.

Sangster discussed her neighborhood advocating a reduction in the property tax basis. Dodge said property taxes are budgeted as flat since we do not know what the County Assessor will do. Sangster also wanted the health benefits reduced for staff and a catastrophic plan developed for residents during these economically trialing times. She also wants the structure of staff changed so that there are fewer managers. Cheng mentioned the reduction of key staff such as the Building Official and Community Development Director not being filled at this time. Cheng also said the purpose of the Council is to define policy not direct the City Manager in hiring. Dodge said part of the service credit program focus, as discussed in the City Managers budget report, is to reassess the positions and structure as staff retires. Sangster also recommended the City review changing the method for providing information technology to a contract method because of anticipated license costs increases and the potential for greater technology for less money.

Caftel wanted to see data summarized by departments in total instead of the way we it is done now by division. Dodge agreed that it would be helpful and that Caftel had requested it be done before. Murphy asked if that report could be run and Dodge said it would have to be created and that work was being done on our New World Finance System that would help make it easier. Caftel also discussed the need to revise the charter of the FAB regarding the dissolution of the Redevelopment Agency. Sangster said the FAB should be part of the strategic planning in the 10-year plan. Caftel said he thought it was in the recently revised ordinance but could be revisited when we update it for Redevelopment.

A discussion was held on whether the revision should include the Municipal Services Corporation and Dodge said it was already included since while it was a separate organization it is still part of the City. Dodge said the Successor Agency is not the City, but holds the funds and acts in a fiduciary capacity.

Caftel said he had tried to match the term sheets for the refinancings with the amounts in the book and Dodge said they should match except for payments made after the June 30, 2011 schedules and Dodge said she would look at the calculations. Caftel questioned the original issue amount on page 257, the summary of long term liabilities. Dodge said it was an error and she would research. Caftel also commented that Carla Hansen listed as being on two boards and thought that policy

said that could not happen.

Bartke asked that the font in the charts be made larger. Dodge said she would work on it. Bartke also asked about the goals for the Housing Division not tying to any of the Council stated goals. Cheng said she felt the Council was very supportive of affordable housing but is having to wait and see how they can proceed due to the demise of the Redevelopment Agency. Bartke asked about the City's compliance with the ABAG allocation for affordable housing and Cheng said she thought it had gone up, but transit proximity and other factors are currently being considered. Those factors are discussed in the recently approved Housing Element, but the loss of Redevelopment will make any of the projects more difficult.

Bartke praised the readability of the budget and felt it was an improvement and Caftel said that even with his comments he felt it was a very good document in regards to format and structure. Kronenberg asked if the FAB had a motion and it was discussed that with the Council meeting next week to possibly approve the budget they would not meet again. Sangster expressed concern that her suggestions would not be incorporated in the budget and Bartke said these suggestions are of a larger scope. Caftel said most of her suggestions are part of collective bargaining or items in the future and cannot be included in this year's budget.

Cheng said it would be appropriate for the FAB to include in their recommendation to Council items they felt could be evaluated for the future. Sangster said she was disappointed that the FAB had not incorporated her suggestions. Kronenberg said the FAB also was responsible for serving the Council as directed. Caftel said the FAB currently has authority to look at long term and wanted to have some concerns for long term activity included in the recommendation.

Sangster wanted the FAB to make a statement on the appropriateness of the two-year buyout and Caftel said besides his personal dislike of it as a method, the City Council had already been presented with other options and this was one they chose over others. Dodge said it had been discussed at a Council meeting as viable cost savings program. Further discussion was held on the FAB's role in determining funding strategies. Cheng said she felt the FAB's discussions were helpful to the Council was pleased the FAB wanted to review the data for these long term actions. Caftel said he felt the role of the FAB was not to give policy but to review and report.

Murphy said the Council already knows these are the structural issue and going forward the FAB could be investigative. And Kronenberg said we need to discuss the role of the FAB in a future meeting.

The FAB made the following recommendation:

The FAB recommends approval of the budget as presented subject to:

- 1) Non-substantive comments and suggestions pertaining to format and structure,
- 2) Concern regarding long term financial impact on items such as the two-year buyout, the PERS 3% increased contribution and the potential second PERS tier,
- 3) Also, the FAB does not favor or oppose to any cost saving items staff has presented as those are policy decisions of the City Council.

M/S Caftel/Bartke – Passed unanimously

Bartke suggested a second motion regarding the following items discussed tonight:

- Leave buyouts at other than current rate of pay
- Staff reorganization
- Information Technology Outsourced
- FAB involvement with MSC and Successor Agency

Dodge said that the FAB usually was not involved in operations, and the restructuring of the IT department was operations. Caftel was concerned with the amount of work staff would do on a project the Council had not proposed and Bartke agreed but that the Council could direct the FAB. Caftel said the specific items discussed this evening would be in the minutes and could be brought up later as directed by Council.

5. Adjournment

Kronenberg asked about items for the July agenda and Caftel proposed the adjustment of the FAB charter in light of the RDA dissolution and long term financial strategies. Dodge is to start by providing data regarding the items presented in this year's budget. Bartke said he was not sure we would need to meet in July. Dodge would notify the FAB of the next meeting date. Dodge will provide the minutes for the May 22nd and this meeting of June 7th at the next meeting.