



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

**September 11, 2012 7:00 p.m.
El Cerrito City Hall
Creekside Conference Room
10890 San Pablo Avenue**

Roll Call

Members Present- Bartke, Caftel, Kronenberg, Murphy, Yow

Council Liaison Absent - Cheng

Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

In the absence of Councilmember Cheng Dodge discussed Council activity from prior Council meetings such as the two year service credit, negotiations with SEIU including 22.5 hours of furloughs and an increase of 1.5% in PERS contribution as well as approval of the second tier for PERS at 2% at 60 for new hires. Caftel asked about the current law suit with the Department of Finance and Contra Costa County by the Successor Agency on the nonpayment of the ~\$1.7M demand letter relating to the dissolution of the Redevelopment Agency. Dodge discussed the concerns overall and the loss of six months “tax increment” due to the way the forms are designed. She also discussed the number of agencies who paid under protest or paid less than due and that there has been no resolution as yet.

Kronenberg asked why they were going after the City and not the Successor Agency and Dodge discussed concerns regarding the State withholding sales tax from the City as the quickest source of funds for the State but that the Board of Equalization would not participate. Dodge also discussed the new due diligence requirements that were put in place very quickly with staff working to contract with auditors to do the work. Caftel asked if there were funds to pay the \$1.7M and Dodge said it would be difficult and may come from the Successor Agency or MSC but she was not sure.

Caftel asked about the new Governor’s Pension Reform and Dodge did not have the information available but could bring it for the next meeting. Dodge discussed the impact of pension costs in relation to the revenue issues such as the reduction of property taxes and the material unanticipated reduction in Utility User Tax.

2. Welcome new FAB Member Bruce Yow

Yow introduced himself and then members of the FAB told a little about them. Kronenberg asked about the shortness of the term and Dodge said it was a method of getting the FAB on track for staggered terms.

3. Comments from the Public- none were present

4. Approval of Minutes of May 22, 2012 and June 7, 2012

Board members provided edits on content and typographical errors for the May 22, 2012 minutes with M/S Caftel/Bartke. The June 7, 2012 minutes were presented with M/S from Bartke/Caftel. Both minutes were adopted with approval from all members present the evening of the meetings. Yow abstained because he did not attend those meetings.

5. Continuation of Review of Council Compensation

The Board reviewed materials regarding the City Council compensation as a result of the Grand Jury recommendation to have an annual review of City Council compensation. The city has responded that Council compensation would be reviewed as part of the budget including review by the FAB. The FAB has determined that an annual review specific to the issue, with reference to the review in the minutes was necessary and since there were no specific comments in the budget review for FY12-13 they would perform one at this time and going forward during the budget review.

Dodge distributed materials including the Grand Jury Report, the State code regarding maximum Council compensation and a schedule she prepared showing that the Council could be earning substantially higher if they followed the potential 5% annual increase. Discussion was held regarding whether it was necessary to compensate Councilmembers as employees versus independent contractors and whether they should be eligible for PERS. Other discussion was held regarding the FAB's purpose and timing in this review. With there being no changes in Council's compensation of \$441 monthly since 1991 it was recommended to include Council compensation as a documented part of the FAB annual budget review, and to include the need for this in Municipal Code Section 2.04.300, the charter for the Financial Advisory Board.

6. Review of Municipal Code Section 2.04.300 - Financial advisory board

The Board reviewed the municipal code section and proposed revisions as necessary due to the dissolution of the Redevelopment Agency (RDA). Caftel asked if something should be put in place of the RDA and Dodge said since the City was only acting as the trustee for new Successor Agency it should not be included. A discussion was held regarding whether a specific reference to the Municipal Services Corporation (MSC) was necessary. Dodge said the MSC budget was done outside of the City Annual Operating Budget and she would discuss that with the RDA/MSC attorney and see if they felt it was necessary and bring that back to the FAB.

Dodge discussed the potential to include the Public Financing Authority (PFA) in the code section since that is who is issuing the debt and Caftel said that is not the organization the FAB reports to, but could include wording such as "and related entity" to include debt issued by the PFA. Murphy suggested wording on other duties as required and Caftel said that is addressed in the Council direction. Other revisions were also proposed and Dodge will bring back a draft to the FAB for final review at the October meeting prior to being presented to Council.

7. Review of 2009 Two Year Service Credit participation and resulting staff changes

Dodge presented an analysis of the 2009 Two Year Service Credit Program where only six staff took the offer. Of the six retirees two were replaced by full time employees, two were replaced by contract or overtime in the case of the firefighter and two were not replaced. Murphy expressed concern that the new program, where more are anticipated to leave, could cause many promotions or issues with overtime.

Kronenberg said in review of the documents provided in 2009 the actual savings appeared higher and Dodge said it was higher since two were not replaced. Caftel said if there are

positions that are not necessary we should arguably just lay them off and not provide any service credit. Dodge said she did not think that was the Council intention and that with the new program some positions would have the rehiring a little delayed to achieve some savings and some positions would be reorganized to work towards consolidation.

Bartke asked about the two positions where they are higher than before. Dodge said one position had been reclassified to a higher job description and one went to a higher step. The FAB wanted to review the 2012 schedules and Dodge will provide them at the October meeting.

8. Review of June 30, 2012 Quarterly Investment Report

The Board reviewed the report and Dodge commented on new agency investments being purchased to replace the Treasury certificates that are not providing any earnings. Caftel asked about the appropriateness of the certification wording that says there are adequate funds available for six month operations when we know we will be issuing TAN's in October. Caftel had brought this up when we issued TAN's last year and Dodge said she would remove the wording in the report template to that reference completely since it is no longer required by the Government Code section.

9. Adjournment

Dodge asked if FAB members would be available later in the month to review documents pertaining to the issuance of Tax Anticipation Notes (TAN's) so she could bring them to Council at the first meeting in October. The date of a special meeting will be proposed and sent to the FAB or it may be done at the regular October meeting if the timing worked.

Also at the regular meeting of October the revised FAB municipal code section will be brought to the FAB as well as the 2012 two year service credit documentation.