



MINUTES

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD

Tuesday, October 9, 2012 7:00 p.m.
El Cerrito City Hall
Hillside 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

Dodge discussed the approval by the Council of the Tax Anticipation Notes (TAN) that the FAB reviewed at the last meeting that included the revisions recommended by the FAB, but not all of the wording changes. Dodge said the attorneys will review the wording for next year's TAN. The Board mentioned that there were numbering issues with the agenda and Dodge said it was due to the old template that she would fix.

2. Comments from the Public

Carlos Santiago Cilley was in attendance and asked about the status of the law suit with Contra Costa County regarding the non-payment of the demand letter from the Successor Agency to the former Redevelopment Agency. Dodge said that many agencies were protesting the demand letter and 21 agencies had unresolved issues including lawsuits. Kronenberg defined the responsibility of the FAB as representing the City, and the Oversight Board, where he is a member, is not part of the City.

3. Approval of Minutes of September 11, 2012.

Caftel asked for more clarification in agenda item 1) regarding the discussion of the Successor Agency law suit with Contra Costa County. Grammatical errors in the draft minutes were discussed and the minutes were approved with the recommended revisions. M/S Kronenberg/Caftel – Minutes passed unanimously.

4. Equipment Lease Purchase Financing for Solar Photovoltaic Project

In order to allow Maria Sanders, Environmental Analyst, to discuss the development of the Solar Photovoltaic Project it was moved up in the agenda. Kronenberg expressed concern regarding receipt of the loan materials at the meeting instead of with the packet and Caftel was concerned that the agenda said that the FAB would review the materials but was silent regarding making a recommendation on the proposal. Dodge explained that in order to make the City Council October 16, 2012 agenda in time to use credits that expire in December 2012 it was necessary to rush the item to the FAB. It was determined they would review the transaction and comment on it as the Board.

Sanders gave a brief presentation on the initial process with the Small Cities Climate Action Partnership where the city partnered with three other cities to develop the project and then initiated a separate bid process that produced the proposal with Real Goods Solar (RGS) that

determined the amount needed to be financed. The cash flow document was reviewed and Bartke expressed concern that the City was accepting all of the risks, such as not achieving the projected savings and other risks like poor weather making reduced power generation, the equipment failing, and PG&E producing extra power and not allowing the savings. Sanders explained that there was a guarantee from RGS to cover the savings projected and discussed other areas where there were initiatives to go forward with the project. Caftel asked if the loan had the conditions regarding the maximum \$10 million in bank qualification and Dodge said it was not that type of debt and the condition did not apply.

Murphy asked Sanders about the contractor selection. Sanders explained the joint process with three other cities regarding the design process was directed by the City's consulting firm, Optony and that several times the design/build project was taken to Council which resulted in the selection of Real Goods Solar. Caftel said this was the first time it had been discussed by the FAB and should have been brought forward before. Dodge said it was not known until recently if the project was going forward. Bartke said it has been on the Council agenda several times and Dodge said she thought it had been reported out by Council Liaisons to the FAB but that she had not identified it as a potential borrowing prior to this meeting. Kronenberg asked if there had been a savings regarding the joint procurement and Sanders said there had been, and the other three cities were going forward as well with various other financing mechanisms.

Caftel asked how the monthly cash flow savings from energy billings applied to the semi-annual cash flow. Murphy asked about a monthly cash flow analysis. Sanders said they would fluctuate due to the weather. Caftel asked about putting these on the old Public Safety Building and Sanders said most of the ones that pertained to that location were carports on Kearney and panels could be removed if it was necessary. Caftel asked about rental interruption insurance and Dodge said we currently carry that insurance. Kronenberg asked for direction in reviewing the cash flow statement and Sanders described how all of the columns worked and how the operation and maintenance was calculated.

Bartke summarized the concerns as: having the agenda say the item would be reviewed without wording regarding a motion, no knowledge of the prior bidding process, too much risk on the city side, cash flow concerns, public safety panels may have to be moved and CPUC potentially changing the requirements and receiving the information at the meeting and not in the packet. Sanders said she did not think the CPUC would make that change and Bartke agreed but said it was political. Caftel commented that all debt issues involved risk and felt he could recommend the project going forward. Murphy said could we postpone the decision and Kronenberg said that Dodge could take the concerns to Council and Dodge said the Council will still need to ultimately make the decision, and that it needs to be soon to try to begin construction to have the work go forward which is why the item was rushed to the FAB. Yow asked about the timing and the status of the design and Sanders explained the design was substantially complete.

Kronenberg said that he felt the consensus was that the debt obligation as supported by the cash flow statement and Sanders' explanation made it a viable transaction but that the other concerns could be presented to the Council by Dodge.

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

The Board reviewed the draft municipal code section necessary due to the dissolution of the Redevelopment Agency that had been discussed at the previous meeting. Caftel said that item 6) still needed to be broader to include all other entities of the City. Dodge said the earlier

inclusion of the words “component unit” in item 1) covered that issue but Caftel felt it should also be included in item 6) as well. A discussion was held on types of debt and the various legal concerns with debt. Caftel asked if there would be a type of debt that was not issued and would therefore not come to the FAB at issuance and Dodge did not think of any but would consider this in revision the draft ordinance. Bartke suggested that settlement judgments may fall under this purview and Dodge said the Council would usually make those decisions. Dodge will bring back suggested language at the November meeting.

Other suggestions were made for revisions and Dodge said she would bring the new revisions to the November meeting for final review.

6. Review of 2012 Two Year Service Credit participation and resulting staff changes

The Board reviewed the analysis of the 2012 Two Year Service Credit Program presented to City Council August 21, 2012. Dodge explained how the schedules were calculated and which information was required by PERS. Murphy asked about the increase in the PERS rate on the schedule and Dodge said all of the rates have annual variables. Kronenberg asked why the increase started two years out and Dodge said because that was what PERS had said it would.

Caftel asked about overtime and leave balances and the appearance of some being hours being over caps. Dodge said there were a few employees who had been allowed to go over due to the special nature of their positions. Dodge also explained that miscellaneous employees could convert hours to service time with PERS or could cash them out at retirement on a one-to-four ratio. Caftel asked about a cap on sick leave and Dodge said she thought it was not allowed. Caftel said private employers can cap sick leave. Dodge said she had not seen a sick leave cap in other cities. Kronenberg said the other balances are amounts that would be paid out at some point in time either way. Dodge said sick leave is only paid at retirement and would not be considered if the employee just left employment.

Murphy asked about the one position elimination and Dodge explained about the process that allowed one to be eliminated but others can be added in other areas. Dodge explained about the difficulties in analyzing the savings from retirements and Bartke asked about rate smoothing and expressed concern of the long term costs associated with the program. Bartke said he thought the only savings was from the elimination of one position. Dodge said the position that was being eliminated was empty and had been for a while. Caftel said that other positions could be made vacant if necessary by laying-off staff instead of having them retire. Caftel said he felt this review satisfied the FAB’s request to review the documents and Kronenberg agreed.

7. Review of the Summary issued by CalPERS on AB 340-California Pension Reform Act

The Board reviewed summary materials regarding the new Pension Report Act collected from various sources and Dodge discussed the major changes in the act.

8. Adjournment

The regular meeting will be November 13, 2012. The agenda will include the second review of the FAB charter and Dodge said it may be her last meeting.