



MINUTES

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD

Tuesday, April 12, 2011 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue

Roll Call

Members Present- Bartke, Caftel, Jackson, Kronenberg

Council Liaison Present – Benassini

Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Councilmember Benassini reported on Council items since the last FAB meeting including the establishment of a commercial rehabilitation loan program. Dodge commented on Council activity related to the Redevelopment Agency related to proposed State legislation.

2. Comments from the Public

Richard Leigh distributed and discussed information he received from Contra Costa County on property taxes relating to East Richmond Heights and presented his concept of annexation being of a financial gain to the City. He also questioned page 94 of the Comprehensive Annual Financial Report which shows a significant reduction in fund balance for some years. Dodge explained that the reduction was due to the expenditure of bond proceeds received as revenue in prior years.

3. Approval of Minutes

The minutes of January 11, 2011 were approved. M/S Bartke/Jackson

4. Discussion of Short Term Borrowing Options.

Dodge discussed the reduction in bond proceeds, the sales tax issues related to the Home Depot distribution and the overall tightening of cash as the reasons behind researching options related to short term cash borrowings. Dodge told of meeting with Mechanics Bank and the \$30,000 annual fee they proposed the option of borrowing \$3,000,000 for 90 days and her refusal of that option. Mechanics Bank would have to restrict use of that money all year even if we did not use it as their reasoning for the high cost.

Dodge also discussed the proposal from Holman Capital that was incomplete since there was no fee or interest rate included in the report. Holman had told Dodge they were looking at institutional investors who would have funds needed to invest for short terms such as the 90 days requested and would not need to make the same reservations as a traditional bank. Dodge said she had not yet received that information and if it is not favorable the concept of short term borrowing may not be feasible.

5. Review of City Auditor contract and staff report

Dodge presented the process and recommendation to continue with Maze & Associates, the current auditors and audit team and Bartke commented that the records should reflect that the FAB has no

objections to maintaining the current auditors. Bartke also said he felt that changing auditors can be beneficial. Jackson asked how we plan to keep the existing team fresh and Dodge discussed the alternate team proposed as being competent but requested we keep the same team due to all of the changes in fund structures related to the Redevelopment Agency.

Kronenberg commented on his thoughts related to whether the FAB should review all of the proposals submitted but said he felt that was potentially micromanaging. Caftel said he had heard of the process from panel member and former FAB member Hilary Crosby and wondered why the FAB had not been part of the panel. Dodge said her goal for a panel member had been for a CPA and current auditor. Both Caftel and Bartke said they had participated in auditor selection panels before and Caftel said he wished he had been at least informed. Dodge said the postponement of the last two meetings aided in the lack of communication of the panel and that she would send emails to the Board if something of this nature came up in the future. Kronenberg was concerned that the Memorandum on Internal Control was included in the contract because it was not called out separately. Dodge felt it was part of the cost of the Comprehensive Annual Financial Report but would check and make sure it was included in the contract.

6. Review of Memorandum on Internal Control issued by the auditors.

The Board reviewed the Memorandum on Internal Control (MOIC) issued by the auditors for FY2010-11. Dodge commented on the current industry standards that are very restricting due to the Sarbanes/Oxley legislation that has changes proposed for the next few years that is not as restricting in what auditors have to report. Dodge also commented on the productive recommendations often received by the auditors as well as some where the limited staff of the City is unable to implement. Bartke commented on the staff response regarding the audit recommendation to do a full asset inventory where staff had responded it would have to consider a cost/benefit analysis before implementation of the recommendation. Dodge discussed the components of the City's fixed assets as primarily infrastructure as is the nature of most local governments.

Caftel discussed the value and physical attributes of buildings like the clubhouses and Dodge said most of them are probably fully depreciated and the only real purpose of the inventory is to verify that we are not overstating our assets. Bartke said he remembered their being a question in a previous year on the number of vehicles and the validity of the list.

Jackson asked about the recommendation regarding use of purchase orders and Dodge said that there is not the need for purchase orders where contracts have been approved either below the City Council level or by the City Council but that is not the policy and she wants to modify the policy so that it does not require purchase orders at this level.

The Board discussed various recommendations and comments from the report. Bartke made a comment that it appears the staff has done a good job of clearing prior year's recommendations. Dodge discussed the focus of the finance department on providing appropriate separation of duties and good review processes. Bartke said he felt this review did not show problems or items of material concern and the FAB concurred.

7. Adjournment

The FAB decided to hold special meetings on Tuesday, May 3, 2011 and May 31, 2011 and cancel the regular meeting of May 10, 2011 with the only item being review of the budget.

