



MINUTES

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD

Tuesday, June 8, 2010 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue

Roll Call

Members Present- Bartke, Caftel, Jackson, Kronenberg

Member Absent -None

Council Liaison Present - Lyman

Staff Liaison Present - Thomas

1. Council / Staff Liaison Report

Councilmember Lyman reported on Council activity relevant to the FAB since the last meeting including the receipt of the March 31, 2010 Quarterly Investment Report, the adoption of the Master Fee Schedule and the continuation of the Storm Drain fees at the current rate. The budget presentation from June 7th was discussed including the Council's knowledge of the FAB review tonight and their acknowledgement of the FAB's contributions to the budget process.

There was no report from staff.

2. Comments from the Public

None.

3. Approval of Minutes

Caftel proposed a change to the wording regarding potential opposition to the sales tax measure and a motion was made to approve the minutes of May 11, 2010 with those changes. M/S Kronenberg/Jackson -Motion passed unanimously

4. Review of Draft FY2010-11 Budget

Kronenberg commented on the clear presentation of the budget and the ability to find answers and reasoning for the numbers. Caftel said the budget was generally good but felt that an overall departmental summary should be included instead of just the division. Caftel also had difficulty tracing the department tables to the summary organizational chart. Caftel also felt that the budget information did not go back far enough to show the changes to overall positions. Comparing the Citywide position listing from FY2001, which was in the FY05-06 budget, to FY2011 showed an increase of 45 staff positions in the last 10 years, which he felt was significant. The Fire Department has had no changes but is reducing a position. Caftel felt the 25% increase in the police department staffing level was the majority of the change as well as the new environmental services

division. Jackson felt the layout was easy and simple and also was concerned about the increase in the cost of the Police Department as well as the increase in sales tax revenue. Jackson also had questions regarding the breakout of revenues for permits and Thomas explained that the budget is in total but the actuals are recorded by line item. Thomas said going forward they are trying to record the budget and the actuals by type. Jackson asked about the Municipal Services Corporation and what its purpose is and Thomas said that now that the fire station is paid off there is no activity budgeted.

Bartke said he went back and reviewed prior year's budgets like Caftel and noted that there were 26 new positions in the last six years. Bartke felt that the positions most likely contribute to the well run city we currently enjoy but we could go back to the way it was before. Bartke also mentioned the increase in pay and benefits in relation to private companies but was concerned with the FAB's role in reviewing specific salaries and benefits. Bartke said he also felt that Park and Recreation could be an enterprise activity that completely paid for all of their activity and that for the current year it appears they are not covering over \$500K.

Kronenberg mentioned the presentation and reports comments on doing the best within budget restraints and he felt it was discussed too much. Jackson asked about the Recreation Departments billing method and Thomas said it was with a company called Safari, independent of the city finance system.

Caftel mentioned the comment that states the potential for increases in PERS rates, and that the rates relate negatively to the long-term financial health of the city. Bartke asked if there were provisions for large increases in PERS rates in the ten-year plan and Thomas said not for large unknown increases. Kronenberg expressed concern regarding the high estimated rate of return being used by PERS to calculate their rates.

The following edits/questions were discussed and Thomas said they would be reviewed and corrections made where applicable:

- 1) The ten-year plan has a difference in the formula for the first year and should be reviewed.
- 2) Page 27, Table 1-9, the FAB review date should read June 8, 2010
- 3) Page 46, Table 2-1 position names do not match Org Chart 2-1. This may be the case with other position listings in the book. It was suggested that in some cases the number of positions do not match the Org Chart as well.
- 4) Page 83, Chart 5-2, graph is difficult to read. Is the CC line at zero or 1 for the past 6 years?
- 5) Page 107, the text says \$665,929 but Table 6-3 says \$682,349
- 6) Page 115, Chart 7-2, we assume it is Calendar Year but it is not stated. Throughout the book, we should be clear if we are referring to Calendar or Fiscal years.
- 7) Page 116, Table 7-2, Average Response Time Totals look wrong. Are they weighted averages?
- 8) Page 126, Regular Salaries increasing from \$516k in FY10 to \$637k in FY11 seems to be a significant increase.

- 9) Page 189, does the MSC serve a purpose now that there is no activity?
- 10) Page 269, Glossary of Budget Terms should include more acronyms. We may not be adding them to glossary as they get added to the text?
- 10) Page 274, Undesignated Fund Balance does not reflect the latest changes to the policy.
- 11) Page 282, Employee Benefit Schedule was helpful. Comments were made on why employees only pay 1% of the 8% and Safety does not pay any of the employee portion. Caftel said he prefers layoffs to pay cuts or furloughs but thought the employee portion should be paid by the employees.
- 12) Page 285, paragraph 3.2 says, “a Ten-year Plan that attempts to increase the minimum reserve balance to 15%” but we do not come close to 15% on the 10-year plans. Thomas mentioned and Lyman reiterated that the City Manager had presented the notion that if we do not budget the \$250k/yr going to Capital Outlay in the out years, we could use these funds to build up the Fund Balance. This could be discussed in the transmittal.

Other areas of the budget were discussed including Scenario B proposals and the FAB made three motions to be presented to the City Council as a result of their review:

- 1) If the Council decides to support the sales tax, the FAB recommends a 5-year term with adjustments in the 10-year plan to accommodate the change in revenue to meet the financial policy of 10% reserves. Passed 3-1 with Kronenberg voting against the motion, stating that he supported the 7-year term recommended by staff.
- 2) City Council should not ignore the statement about the PERS obligation on page 23 and should begin to assess options to address the comment and control what the City pays in the future. Passed 4-0
- 3) In addition to the proposed budget cuts considered in Scenario B, Council should consider pay and benefit reductions (for example, having employees contribute up to 100% of the employee's share of PERS), as soon as possible in contract negotiations. Passed 4-0.

5. Meeting Adjourned

Meeting adjourned 9:16. Next regularly scheduled meeting is for July 13, 2010.