



MINUTES
REGULAR MEETING
OF THE
FINANCIAL ADVISORY BOARD

Tuesday, January 12, 2010 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue

Roll Call:

Members Present- Bartke, Caftel, Kronenberg-Jackson arrived late

Member Absent -Hill

Council Liaison Present - Lyman

Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Councilmember Lyman reported on Council activity relevant to the FAB since the last meeting on December 12, 2009 including the agenda item regarding the new contract for the Chief of Police subsequent to his retirement and the second read of the changes to the FAB ordinance.

Dodge distributed the draft staff report and revised Comprehensive Financial Policies that will be brought to the Council on January 19, 2010. Caftel recommended revisions in the draft policy Section 3.2 regarding the use of the Internal Service Fund Balance for either a one-time situation or economic downturn when the current draft showed it as only a one-time use. Lyman agreed that his notes also supported Caftel's recommendation.

Bartke wanted stronger wording throughout the document that says "will adopt a plan" instead of "will develop a plan". Caftel said the policy needed to reflect the ten-year plan as the adopted plan in the policy. Dodge expressed concern that the policy does not allow the Council to go below 10% and in the current economy it may be necessary.

2. Comments from the Public

Denise Sangster and Jamie Vaughn were present to discuss items 5 & 6.

3. Election of Officers

Bartke – Chair, Jackson- Vice Chair - M/S Caftel/Kronenberg - Passed unanimously

4. Approval of Minutes

Caftel noted that the above mentioned change in regards to the Equipment Replacement Funds use of reserves needed to be changed in the minutes. Bartke expressed concern regarding the conclusions of critical items such as whether transfers should be included in the amount of total expenditures for the reserve calculation and need to be clarified in the minutes. Also needing

clarification is the discussion of the three year timeframe for the one-time tier and the determination to not remove a line in section 9.1 that was proposed to be removed as well as the definition of economic downturn. Dodge will make revisions to reflect the decisions of the FAB prior to posting the minutes. - M/S Caftel/Kronenberg - Passed unanimously with corrections - Jackson abstained because he was not in attendance at that meeting.

5. Review of Council Employee Compensation Policy and Survey information

The Board reviewed the Anderson report, the Council Policy on Compensation and the sample survey that was distributed by Dodge in the packet. Lyman explained how the policy had been updated 1997 with the results of the study done in 1996 and how the survey calculates what changes are needed to comply with the policy. Jackson asked what the timing was on the surveys and Lyman said it was an alternating year activity with the off year having a set increase. Dodge said it depended on the Memorandum of Understanding (MOU). Kronenberg asked if the survey or fixed increases were better for the staff. Dodge said it depended on the economy. A discussion was held on the various MOU's, the Anderson Report and the cities used in the surveys. Dodge said a new study would cost approximately \$30K-\$50K which is why one had not been done for so many years.

Bartke defined the role of the FAB as reviewing the Council Policy and asked for comments from the public. Denise Sangster, El Cerrito resident was in attendance and said that as stated in her letter distributed to the FAB at the November meeting she felt the compensation was excessive, particularly for non-sworn staff and that these positions needed to be streamlined. Dodge commented that the city functions with a very lean staff and almost no administrative support to save money. Sangster said the compensation was unsustainable and the executive team too large and the issue should be discussed by the City Council, especially if the City is going to put a sales tax on the ballot. Jamie Vaughn, El Cerrito resident said he agreed and while the City is in the business of providing service and that technology helps with the decrease in administration. Vaughn said that the City is caught in a tough spot but and was glad compensation was being discussed but had no recommendations for change.

Jackson asked Sangster what her recommendations for change were and Sangster said the executive team should be only three or four people based on the city focus and most of the management level below directors should be eliminated. She also felt the salaries should be compared to private and that items such as auto allowance and management administrative leave eliminated and staff could come in later and not do any overtime. Jackson asked if Sangster had any data on what other cities were doing and she did not. She said most cities were just raising taxes. Sangster discussed actions in Novato that restricted spending and said the City needs to reorganize to justify any tax measure. Caftel said that if the FAB were to discuss staffing levels it should be put on the agenda since tonight's item was the compensation policy.

Sangster said she was concerned that the numbers in her letter were inaccurate because there was a difference in the hourly rate provided from what was shown in the Council report for the Police Chief's new contract. Dodge commented that as shown in the title on the excel file she provided it was for budget modeling for the FY2009-10 year and that the Police Chief had been included with all police for that model. He had received his COLA increase earlier than the rest of the PD as was in his MOU. Dodge said she was working on providing Sangster with her most recent request.

Caftel said he agreed with Sangster's concern that the Compensation Policy does not do any comparisons to the private sector. Caftel said that in the private sector if a mandated cost like the PERS costs increased to the level they have then salaries would decline to cover the mandated costs. Caftel felt that the procedure of comparison only with other cities did not encourage the city to recruit staff at competitive prices. Caftel recommended that the policy be amended to include some component of private sector comparison. Kronenberg felt that he could not recommend to the Council inclusion of private sector information without more information from experts and Council direction.

Sangster said that she felt the reason the City lost public safety employees was the lack of a Medical Benefit after Retirement program. Sangster said most public safety do not live an average than longer than five years after retirement and have significant health issues and injuries. Sangster said that a few years ago more than a third of the fire department left because of a lack of health benefits and that the lack of benefits could create an unforeseen liability for the city.

Bartke asked if there was private sector information available and Dodge said there probably was for many non-sworn positions but it would be difficult for sworn. Lyman said in reviewing the last line in the third paragraph from the bottom it discussed the types of comparison and that is the only place where the requirement for comparisons with cities exists in the policy. Caftel requested that Lyman bring to the Council the recommendation that the compensation policy be considered for revision. Lyman said if a vote was taken he would bring the recommendation to Council.

Bartke made a motion that the Employee Compensation Policy at the end of the sixth paragraph be changed to read "comparison employers" from "comparison cities" and the City attempt to get private sector employers for comparison. Kronenberg felt the recommendation should only be that the Council consider private sector comparisons and see if the Council brought it back to the FAB. Jackson felt that submitting the revised policy gave the Council something written to consider. Bartke felt the FAB could submit a recommendation to change the policy and it is up to the Council to take the advice or not.

A motion was made by Caftel and seconded by Jackson to make the following recommendation to Council. It was approved unanimously:

It appears there is a public perception that the total compensation for employees of the City may be excessive and that it may not be not sustainable. It is recommended their be a review of the compensation policy by the City Council and a new study be done that includes a private sector component of the position comparisons where applicable.

6. Review of Godbe Report

Bartke asked Lyman what the Council requested of the FAB in regards to this report and Lyman responded that the Council wanted to keep the FAB aware in case they chose to move forward with any measures relating to capital projects or sales tax increases. Sangster distributed a document that compared the City's sales tax rates with those of other cities showing that El Cerrito, along with a few other cities in Contra Costa County, have the highest rate in the county and that we were in third highest bracket in the state. Sangster expressed concern that this is being considered without significant budget cuts.

Bartke asked Dodge about position vacancies that produced the 10% or his calculation of 19 position vacancy and Dodge said she did not know all of them but would guess that there were 16, but that the amount appeared reasonable when considering the vacancy list. Sangster asked if some of the positions were from the PERS service credit offering and Dodge said there were some. Caftel felt the sales tax option would discourage shopping in El Cerrito and that increasing the Utility User Tax to 10% should have been included in the survey. Kronenberg asked if the survey showed citizen reaction to being the highest rate in the county and Lyman said the question was included and there was only a 3% reduction in support.

Sangster and Vaughn said they had been called by Godbe and did not like the way the questions were presented. A discussion was held on survey questions that present a situation where public safety services are cut and the reality of those services being cut. Caftel discussed the lack of information in the budget on unfunded operational needs while there is information regarding unfunded capital needs and felt this information should be included. Caftel also felt that a priority should be the fixing of the public safety building. Caftel presented his concern that there are City workers living in the building and it is unsafe.

Kronenberg asked what timeframe was being considered for putting a measure on the ballot and Lyman said it had not been determined yet. Kronenberg said that even with a 60% approval on the survey he felt there would probably be opposition and it would have difficulty passing. Bartke said the survey should have included information on El Cerrito's ranking of sales tax rates in the County and State and the increase of staff in the years prior to now. Sangster said the City should charge for ambulance and fire response services. Caftel felt the Fire Chief was aware of these issues and would make recommendations where appropriate, but that other revenues should have been surveyed. Lyman was asked about the results of the survey regarding the assessment for the public safety building and he discussed the poor results from the survey and the recommendation from Godbe not to pursue that measure.

The FAB unanimously requested that Lyman report out to the Council that they were unimpressed with the Godbe report and recommended that other revenues be considered instead of a sales tax, and that they felt the bond measure needed to build a new public safety building should not be abandoned.

7. Review of Comprehensive Annual Financial Report

The Board discussed the CAFR and will receive the Memorandum on Internal Control when it is issued by the auditors.

8. Adjournment

The next meeting is scheduled for February 9, 2010 and will include mid-year projections and first round forecast for next year as well as the auditor's recommendation letter if it is available.