



Minutes

**REGULAR MEETING
OF THE
FINANCIAL ADVISORY BOARD**
Tuesday, September 12, 2017 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue
El Cerrito, CA 94530

Chairperson Patterson convened the Financial Advisory Board (FAB) meeting at 7:00 p.m.

Roll Call: Present: Board members: Patterson (Chair), Vranich (Vice-Chair), Keller, Crump and Farahmand.
Staff Liaison: Mark Rasiah, Finance Director.

1. Reviewed and approved meeting minutes from August 8, 2017 meeting.
By motion made to approve (Vranich) and seconded (Keller) the meeting minutes were approved unanimously.
2. Board/Staff Communications/Announcements – None.
3. Council Liaison Announcements and Reports – None.
4. Oral Communications from the Public on Items Not on the Agenda – None.
5. New Business Items
 - 1) Update on Auditor selection

Mark Rasiah informed the FAB that the City had issued an RFP for Audit services in July 2017 and that the RFP was sent to 17 CPA firms, 5 of which submitted proposals with bids ranging from \$40,500 to \$ 78,300. He said that City Staff had interviewed two of the lowest cost firms of the five that had responded. The two firms interviewed, and their respective bids were: Badawi & Associates at \$51,140, and Vavrinek, Trine & Day at \$40,500. He stated that Maze and Associates the current auditor had also submitted a bid for \$78,300.

Thereafter, FAB members engaged in a detailed discussion and inquired about the difference in bid amounts in relation to audit staff size and pay rate, staff resumes, quality and scope of audit, references and length of contract. Marlene Keller stated that it was important for the Finance Director to be able pick the best value engagement and not be forced by ordinance to pick the cheapest. Dick Patterson inquired why Maze's bid was higher than the rest. Pete Vranich inquired about increases in Maze's fees and if Badawi & Associates had a reputation for findings and not going easy on the Cities that they audited. He stated that it was in the best interest of the Finance Director to have a thorough audit done. Farhad Farahmand inquired about the contract term. Mark Rasiah stated that his goal was to have an excellent audit done with a full review of all systems. He stated that after a thorough review of all the proposals received, and based on location, accessibility, size, client list, references and professional training opportunities for clients, audit staff resumes and retention, Staff would recommend to Council that Badawi & Associates be awarded the contract to be the City's external auditor, at an initial cost of \$51,140 with a 3% annual increase for inflation in the subsequent 4 years of

the contract term. He mentioned that the Town of Los Gatos too had recently picked Badawi & Associates as auditor by their Finance Committee, after a full review of several bids from other firms.

- 2) Discuss the feasibility of doing a Risk Analysis to determine the impact on City finances of significant events that can reduce Tax Revenues.

Marlene Keller reported back that her search for financial risk analysis studies had not turned up anything although she had looked at about a dozen cities in California. She said that the closest she could find was from the City of San Jose which had risk management under the Finance Director largely focused on contractual obligations such as Workers' Comp rather than on disasters. She also talked about the use of CAT Bonds by some cities. Dick Patterson asked the FAB if there was anything else they would like to discuss with the City Manager at the next meeting. Pete Vranich inquired about scope and whether the FAB should focus on highly unlikely but high severity events, while also looking at specific scenarios that could lead to loss of key revenue sources. Dick Patterson indicated that the goal was not to do a full-scale analysis, but to come to some opinion about whether the City has gone through a process to identify potential disaster risk and if so what that process was. In response to Marlene Keller's inquiry about abatement of property taxes if houses were uninhabitable due to a disaster, Dick Paterson said that was the kind of thing that he wanted to know if there was a process. Pete Vranich stated that if this project could be completed before a review of financial policies was done, it would inform how best to modify the reserve requirements in the policy. Mark Rasiah stated that he would be bringing back the Investment Policy to the FAB in November and was planning to bring the Financial Policy for FAB review later this year.

Marlene Keller proposed setting up a restricted fund for emergencies such as a Catastrophe Fund, to help pay for disaster related expenses that were not fully FEMA reimbursable. She also expressed concern that the County could hold back payments to the City in a disaster. Mark Rasiah indicated that the City's primary need in the event of a major disaster will be cash – to meet payroll for about 2-3 months. He agreed that an Economic Recovery Fund could help cover 3 months of payroll. He suggested that the FAB consider an addition to the City's Financial policy that would set up such a fund and define how it could be funded, say by annually setting aside a portion of any new revenues, until a predetermined fund balance was achieved. He offered to craft and bring back language for review and discussion by the FAB when they meet with the City Manager. The FAB resolved to continue with the discussion at the next meeting and be guided by the City Manager on the role that FAB can play in this effort.

6. Discuss Agenda Items for the Next Meeting

- Next Meeting: Tuesday, November 14th, 2017
- Approve meeting minutes from September 12, 2017
- Receive FY 2017-18 First Quarter Investment Report.
- Review the City of El Cerrito Investment Policy and recommend adoption by Council.
- Continue to discuss the feasibility of conducting a Risk Analysis Study.

7. Meeting adjourned at 7:45 p.m.

COMMUNICATION ACCESS INFORMATION

To request a meeting agenda in large print, Braille, or on cassette, or to request a sign language interpreter for the meeting, call Shannon Collins, Staff Liaison at 215-4323 (voice) at least FIVE (5) WORKING DAYS NOTICE PRIOR TO THE MEETING to ensure availability.