



Minutes

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

Chairman 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.
Staff: Scott, Hanin, City Manager.
Public: Cordell Hindler.

1. Reviewed and approved meeting minutes from September 12, 2017 meeting.
By motion made to approve (Farahmand) and seconded (Crump) 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.
Cordell Hindler shared his concerns about the extended hours of operation of Massage Parlors in the City.
5. New Business Items

- 1) Discuss the feasibility of conducting a Risk Analysis Study with the City Manager.

Dick Patterson initiated the discussion with the City Manager by stating that the FAB was primarily interested in the process the City might have for assessing disaster related financial risk, and learning more about how often that was done. He said he was interested in learning about what the City would do, if something like the (fire) disasters that struck Santa Rosa recently were to happen in El Cerrito. Pete Vranich added that the banking industry had a process for reviewing risks, primarily driven by government regulation. He wanted to know how the City would respond to events that could lead to a significant drop in revenues.

Scott Hanin stated that over the past several years, he and previous Finance Directors had periodically reviewed how the City would deal with disaster preparedness. He said that in the past, they had looked at several reserve policies including those of San Diego and Novato and had felt that El Cerrito's fund balance reserve policy was fine.

He said that historically the City tended to have a lot of cash. But this was prior to the dissolution of the redevelopment Agency. Since the dissolution however, cash flow had been tight. He said that he was now of the considered opinion that cash was more important than fund balance, when it came to disaster preparedness.

Scott stated that the City's revenues were well diversified and tended to come in 3 to 4 months after the fact. As such he didn't foresee a scenario where cash would just stop suddenly. He said that he could see a huge spike in permit activity if there was a major disaster, where lots of rebuilding of properties needed to occur, as in the case of the Oakland Hills fire. He said that based on what he saw happen in Napa and Sonoma, residents will need to be able to make it on their own for about a week. He said the City would need about 3 months of cash for operating reserves.

Dick Patterson talked about the cost/expenditure side of managing a disaster, in addition to revenue that will be lost. Marlene Keller alluded to risk analysis studies done by San Francisco and San Jose and said that they mainly focused on an earthquake scenario, that could result in failed ageing infrastructure. She said that the analysis had assumed a fixed percentage reduction in revenues when estimating impacts and wanted to know if the City could estimate something along those lines, if say, businesses on San Pablo Avenue were affected. Pete Vranich stated that banks go through very complex exercises, and the City should not have to go through as detailed an exercise, but there needs to be some certainty when it came to defining a 3-month cash reserve.

Scott suggested that due to the number of variables involved, the FAB assume the City gets zero revenues for 3 months and come up with a cash reserve figure based on that assumption. He said he would like to see sufficient cash set aside for payroll and certain other operating expenses. He stated that since the city was a part of a large risk management pool that covered several municipalities in California, the pool would cover certain expenses in the event of a disaster. He also indicated that he anticipated the County would move resources into the City in a worst-case scenario.

The City Manager said that FAB can help staff by suggesting financial policies that can create an emergency fund with 3 months of operating cash, along the lines of what a few other cities have put in place. He suggested a goal of bringing such a proposal back to Council sometime before Council considers the budget for next year.

He said that if the City does go forward with a Charter and a Transfer tax measure, such a tax would be a general tax that can be used to pay for several priorities that the City currently has, such as building infrastructure, renovating facilities, paying for increased staff pension costs and providing for emergency reserves. He concluded by saying that he was prepared to advocate to City Council an addition to policy that would set up an emergency reserve fund for disaster preparedness and economic down turns, once the FAB and staff crafts suitable language that meets the need.

The City Manager thereafter shared the Charter City proposal that was presented to City Council and briefly outlined the role of the Charter committee.

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2) Action Item: Nominate a FAB member to the City Charter Committee

Marlene Keller, Pete Vranich and Dick Patterson indicated their willingness to serve on the Charter Committee. Following a brief discussion, Dick Patterson was nominated to the City of El Cerrito Charter committee as the FAB representative, by a motion proposed by Crump and seconded by Keller, and approved unanimously.

3) Review Financial Policies

Mark Rasiah shared a draft Reserve Policy statement for review at the next FAB meeting. Marlene Keller inquired if the government code would cease to apply if the city became a Charter City. She also wanted to know if section 3.3 in the Financial Policy was a recent change. Pete Vranich said that he recalled that a change had been made to policy back in 2015. Marlene pointed out that the GFOA recommended a 2-month minimum fund balance. Dick Patterson remarked on the distinction between a fund balance and a cash balance. He suggested that the FAB reconvene in January, to discuss the proposed reserve policy with an emphasis on cash reserves, with perhaps a vote on a policy proposal at a subsequent meeting.

6. Discuss Agenda Items for the Next Meeting

- Next Meeting: Tuesday, January 9th, 2018
- Approve meeting minutes from December 12, 2017
- Review the City of El Cerrito Financial Policies

7. Meeting adjourned at 8:20 p.m.

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