



Minutes

**REGULAR MEETING
OF THE
FINANCIAL ADVISORY BOARD
Tuesday,
June 12, 2018 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), Farahmand (Vice-Chair), Vranich and Rangdol
Public: Cordell Hindler (Richmond)
Staff Liaison: Mark Rasiah, Finance Director.

1. Reviewed and approved meeting minutes from May 8, 2018 meeting.
By motion made to approve (Farhad) and seconded (Vranich) 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 a flyer on a production of the Contra Costa County Civic Theater group and invited members to attend a performance.
5. New Business Items
 - 1) Review FY 2018-20 Proposed General Fund Budget

Mark Rasiah outlined the City's budget process and stated that there had been two public hearings already. He said that Council was complimentary of the quality of the budget document itself, which had very minimal corrections, compared to past budget presentations. He said that the City Manager had introduced the Proposed Budget to Council with a PowerPoint presentation of past achievements and future goals funded by the proposed budget. The presentation was available as a part of the Council minutes.

Mark Rasiah said that the City Manager was proposing that Council adopt a biennial budget that has expenditures of \$49,974,602 and \$51,598,352 in FY 2018-19 and FY 2019-20 respectively. A budget that provides funding for all City services, including police, fire, recreation, community development, public works, and city management

and represents direction received from Council, input from the community and the efforts and collaboration of all City departments. For FY 2018-19, City Staff is proposing a General Fund budget with revenues of \$37,770,371 and expenditures amounting to \$37,709,317 resulting in a very small surplus. The budget does not yet identify how to increase the City's reserves further. As in years past, personnel costs are a significant part of proposed expenditures, and it is worth noting that the General Fund is balanced in large part by not filling ten vacant positions. The continued reliance on vacancies means it becomes that much harder for the City to achieve the goals adopted in the strategic plan. Dick wanted to know the rationale for continuing to keep positions vacant and budget overtime and Pete responded that the Unions had agreed to keep positions vacant and that it was cheaper for the City to do so and pay overtime, rather than fill them. Dick inquired if the City would revisit Police and Fire staffing levels should the Charter City ballot measure not pass. Mark responded that staff would seek Council direction on staffing and service level adjustments if that were to happen.

Mark Rasiah said that the General Fund accounts for approximately 75% of all citywide expenditures, and the Special Revenue funds combined, support operations to the tune of nearly 13% of citywide expenditures. In the case of special funds where expenditures exceed revenues, existing fund balances are used to bridge the deficit. He noted that several of these Special Funds are at their limits, as they have been previously used to back fill services that the General Fund can no longer support.

Thereafter Mark Rasiah reviewed the General Fund Forecasted Balance in the budget document. He said that the Fund balance for FY 2015-16 had been restated to account for prior period adjustments relating to payroll accrual and other audit adjustments, resulting in the General Fund Reserve Ratio dropping to 3.4% over the budget time horizon. He said that the auditor had been present at the public hearing to take questions from Council members on the prior period adjustments to fund balance. Given the fluctuation in the reserve ratio caused by an accounting adjustment, Dick stressed the importance of having a cash reserve goal as opposed to a fund balance ratio goal. Farahmand and Dick inquired about the large Worker's Compensation insurance premiums and Mark stated that these were driven by the City's recent claims experience. Pete wanted to know if Council had detailed information on personnel costs and Mark said that he was able to drill down to line item details and show Council

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the major personnel cost items using OpenGov at the public hearing and additionally, the budget document had a line item detail of the entire budget in the appendix. Pete commented on the financial ramifications of certain political decisions in the past that had negative consequences on City finances. He mentioned the Department of Finance reimbursements for redevelopment agency related matters, the County Sheriff's refusal to contract with the City for Police dispatch services and the senior center relocation costs as a few of the issues that had beset the City. Dick said that it might be a prudent practice to budget for such one-time non-recurring items on the assumption that something unexpected will always come up every year. He also said that it might be a good time for a new study to be done to determine the best staffing levels for police and fire with acceptable service levels, given that staffing costs are a significant component of the budget.

By motion made to approve (Vranich) and seconded (Farahmand), the FAB unanimously recommends that City Council approve the proposed FY 2018-20 budgets. Furthermore, FAB recommends that Council direct FAB and City staff to review the cost structure of the City's operations over the next several years to identify potential cost savings to restore the target reserve balance.

2) Review City of El Cerrito Financial Policies

Mark Rasiah passed out a copy of the EDRF policy that Farahad had hand written. He said that these had been incorporated into the minutes of the last meeting of the FAB. The discussion began at section 3.2 and Farhad continued to edit the Financial policy document on behalf of the FAB. He will send Mark the working document to be shared with members of the FAB. The discussion centered around the minimum % for the reserve ratio and agreement was reached that it should be set at 10%, recognizing that the EDRF had a cash goal of \$6 million. Dick inquired if sections 3.5 and 3.7 belonged elsewhere, such as in budget policy rather than in section 3. The review ended at section 3.8 and the FAB adjourned.

6. Discuss Agenda Items for the Next Meeting

- Next Meeting: July meeting cancelled. Reconvene in August.
- Review the City of El Cerrito Financial Policies

7. Meeting adjourned at 8:45 p.m.

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