



**MINUTES
SPECIAL MEETING
OF THE
FINANCIAL ADVISORY BOARD**

**Monday, February 13, 2012 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue**

Roll Call

Members Present- Bartke, Caftel, Kronenberg, Murphy

Member Absent- Jackson

Council Liaison Absent - Cheng

Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Chair Kronenberg reported that Member Jackson has given his resignation as of February 13, 2012

2. Comments from the Public

None present.

3. Review of Minutes from November 8, 2011.

Grammatical errors in the draft minutes were discussed and the minutes were approved with the correction of the errors. M/S Bartke/Caftel – Murphy abstained.

4. Welcome new Council Liaison Cheng, new Member Rick Murphy and Election of Officers

Introductions were made by the new member, Rick Murphy, and all of the other Board members highlighting their professional background as well as other volunteer boards and committees. The timing of meetings and their focus was also discussed.

An election was held and Hale Kronenberg was re-elected Chair and Brad Caftel was elected Vice-Chair. Both positions were passed unanimously.

5. Continuation of Annual Review of Investment Policy and Comprehensive Annual Financial Policies.

At the January 17, 2012 City Council meeting the financial policies that were reviewed by the FAB were pulled from the agenda because of a concern of Councilmember Abelson with the first sentence in Section 5.4. Her concern was that it appeared we would charge a fee for any service where we could calculate a cost, such as responding to a house fire. The policy has been brought back for review by the FAB and will be represented to the Council at their February 21, 2012 meeting.

Bartke said he thought it was a good catch and Caftel said there was a big difference between the

phrasing that had been “shall consider” and “should use” but that he did not think the wording applied to fire suppression.

Kronenberg asked Dodge for clarification on what types of fees the section was referring to and Dodge said it should apply to all fees from the Master Fee Schedule. Caftel suggested we add a reference to the Master Fee Schedule in the first sentence of the section.

After discussion by the FAB the following sentence was approved to replace the first sentence in section 5.4:

Where direct services to users can be measured, *as set forth in the Master Fee Schedule*, the City should use appropriate fees, charges or assessments rather than general tax funds.

M/S- Bartke/Caftel- Passed unanimously

6. Mid-year Review

The Board received the detailed Budget Performance Report as well as the four summary Excel sheets that will be used in the report to Council on February 21, 2012. Bartke said that most of the departments appeared to be below budget and they should be commended for their efforts. Bartke asked about the large number in the Salary Savings account and Dodge discussed the use of that account to hold savings for positions unfilled but budgeted. The example Dodge used was the retirement of the Recreation Director that had not been filled, but was in the budget and offset by the Salary Savings account.

Caftel expressed concerns with the overage in Personnel and Dodge explained there were specific reasons for most of this. One is the new personnel costs from absorbing the Redevelopment Agency staff that will be reimbursed by the Municipal Services Corporation in the amount of \$127,000 so it does not have a negative impact on the General Fund. Also, there was the error in the Fire Department Budget of \$90,000 in Office of Emergency Services overtime. The revenue we receive to offset this cost was recorded but the expenditure was not. Besides those two adjustments, overtime in the Fire Department is running higher than projected.

Caftel directed the discussion to the overall reserve requirement percentage and the revenue forecasts. Dodge said the budget was originally approved at slightly less than 10% of a reserve and we were forecasting to still have a positive effect on fund balance, but it will not bring the percentage up to the full 10%. Dodge also said that the reduction in sales tax relates to a \$247K adjustment in the Sales Tax in Lieu relating to the Home Depot five year adjustment from the prior year, but sales tax overall appears to be on target. Dodge discussed how El Cerrito is working with Richmond to finalize the agreement going forward to keep all of these adjustments from happening. Murphy recommended reviewing BOE Publication 28 to assist in the resolution of this issue.

Caftel expressed concern with the under receipt of the Property Tax from the budgeted amount as he commented it would be during the budget preparation. Dodge explained that part of the problem was her calculation in the documents given to the FAB had used a wrong assumption and the new sheets distributed showed there still to be an underage, but less than first calculated. Dodge explained the problem with the method she used for projecting property tax considering the 1.36% reduction in assessed valuation as reported by the County Assessor and distributed new sheets with support from the county showing less of a budget shortage.

Bartke expressed concern for a shortage in revenue in childcare and Dodge discussed the closure of some programs that have an offsetting reduction in expenditures and that childcare usually covers all of their costs. Dodge said that other programs like the swim center and senior center are normally subsidized and Bartke agreed.

Caftel said the projections show a surplus, smaller than budgeted but still over expenditures, and since the reserve is just under 10% it is too close to call. Caftel said we will have to see when the budget comes back in May. Caftel said he was disappointed that even with the \$1.5M from Measure R we are still struggling to maintain the reserve and Dodge discussed the focus on maintenance of services and the State other takeaways like the VLF revenues contributing to the struggle.

A motion was made by the FAB recommending the City defer expenses or take such other measures as is necessary to maintain the reserve to as close to 10% as possible. M/S - Caftel/Bartke Passed Unanimously.

7. Adjournment

Bartke asked if there could be an update regarding the Redevelopment Agency at a future meeting and Dodge said someone qualified would attend the next meeting since there are many legal aspects that she felt uncertain to report on.

Dodge also discussed her reasoning for not moving forward with the Pension Obligation Bonds that had been discussed prior with the group. Her concerns were the higher interest rates due to the taxability of the bonds and the variability of the amount and timing in regards to the PERS side fund balance depending on actuarial valuations. The FAB concurred that we would not pursue the bonds. The next regular meeting is scheduled for March 13, 2012.