



# SUMMARY MINUTES

## REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD

**Tuesday, August 11, 2009 7:00 p.m.**  
**El Cerrito City Hall**  
Hillside Conference Room  
10890 San Pablo Avenue

### **Roll Call**

**Members Present- Bartke, Caftel, Jackson, Hill**

**Members Absent – Kronenberg**

**Council Liaison Present - Lyman**

**Staff Liaison Present - Dodge**

### **1. Council / Staff Liaison Report**

Councilmember Lyman reported on five Council meetings since the FAB's last meeting. The dates were June 1, June 15, June 29, July 7 and August 5, 2009. The primary actions were regarding approval of the FY09-10 Budget, selection of Rialto Theaters as the new company to run the Cerrito Theater, marketing the Target property through the consultant Jones, Lang, La Salle and rescinding the offer to WCCSD to purchase the property under the Senior Center due to budget constraints from State takeaways.

Staff Liaison Dodge reported on the two main impacts of the revised State budget. They are \$668K of property tax borrowing and \$1.7M of an ERAF takeaway. For the \$668K an option is emerging for this loan to be securitized and the city would receive 100% of the loan. Dodge reported on the mailing and cash receipts of the supplemental UUT bills pertaining to the July 1 – December 31, 2008 period. The total billing was for \$178K and we have collected \$120K to date. Two more six month bills are scheduled to be sent out before we are suppose to go on the EBMUD bills in January 2010.

Dodge commented on concerns related to the wholesale reductions in assessed valuations without their being homeowner requests. Dodge also mentioned the uncertainty of the final sales tax numbers but that it appeared to date that the ½ cent Street Tax will be higher than budgeted but that the overall City receipts may be less than budgeted.

### **2. Comments from the Public – None.**

### **3. Approval of Minutes**

Approve the minutes of May 5, 2009 M/S Caftel/Jackson –Passed unanimously and May 19, 2009 M/S Caftel/Hill - Passed unanimously.

#### **4. Review of Council Report proposing migration to .Net version of New World Systems (NWS)**

Bartke commenced this item with the following caveats: 1) The Board is not comprised of computer experts, 2) Many of the Board are not attorneys and 3) No independent investigation was done by the Board. Dodge discussed the low functionality of the current system, the out of date hardware platform, the desire to migrate the data to the SQL server version of our software with NWS staff, and their offer of the software for free to promote the new product as the primary reason for initiating the change at this time. The FAB discussed the components of the contract with a focus on the increased maintenance fees and the calculation of the travel fees and a cap. Jackson asked for Dodge's recommendation on NWS and Dodge commented on the firm's growth in the public sector software and increased commitment in California customers.

The one-time early termination clause was discussed where the City would have to pay \$150K if we discontinue to use the software. Hill expressed concern the clause did not discuss early termination if NWS has financial or other organizational issues, or the software becomes unsatisfactory. Dodge commented on her belief in the ability of the software and the desire to stay with NWS for the change in platforms, and that after the effort to migrate and implement there is little chance of us leaving the company within the six years. Bartke felt the contract had more protections for NWS than for the City. Dodge said that the City Attorney is reviewing the contract.

A motion was made that the city attorney and staff review the agreement to verify and expand protections to the Cit, mitigating compound maintenance cost increments, fixing the costs of the contact including caps on travel expense, and protection regarding NWS software or company changes that should provide early termination to the City. M/S Caftel/Bartke – Passed Unanimously.

#### **5. Discussion on how FAB can best help the Council**

Bartke expressed his desire to determine how the FAB's messages should be conveyed to the Council. Lyman responded that the FAB is an independent review board and if the FAB approves a motion that consolidates its message it will be much easier for recommendations and concerns to be conveyed to the Council. The FAB discussed the need to finalize discussions with motions for all items and Caftel said there should be a motion for each item on the agenda to wrap up each item. Caftel also felt the current agenda item was broadly written and could include other direction on what the purpose and scope is of the FAB. A discussion of the scope of the FAB was carried over to the September meeting in anticipation of all members being in attendance. Lyman requested that the absent member, Kronenberg, be notified of this topic and Jackson said he would contact him. Bartke requested updated contact information including Council Liaison and Dodge said it was updated on the website but would confirm.

#### **6. Reserve Fund policy review**

A discussion was held regarding concerns with the current policy of 10% of operating expenditures reserve, with an informal 15% goal. A memo from Councilmember Bill Jones was distributed that shows his desire to increase the reserve with increasing percentages. Dodge commented that she agrees with the need to increase the reserve, especially since we are a smaller city, but felt that with the current economy it did not seem feasible. Lyman reported on Councilmember Abelson's comments that this is the time the reserve should be made available to continue services. Bartke discussed the need to have reserves that could handle significant events such as a major police case.

Dodge recommended that the final decision regarding future reserve policies be continued to the December meeting in order to be incorporated to the annual review of the Comprehensive Financial Policies and used in the annual budget process that will begin in January.

Caftel requested information be provided on reserve structures from comparable sized cities, sample reserve policies and comparison of service levels in El Cerrito for the last few years. Dodge mentioned that the data was available in the budget but could be consolidated for this purpose. Hill requested trend data on revenues to review if service levels increased proportionately. Dodge commented that increased programs would follow increased revenues and sited the inclusion of a Code Enforcement officer in the last few years as an example of increased programs but to revenue increases. Caftel mentioned the difficulty of reducing services after they have been increased.

Lyman referenced the Comprehensive Financial Policy section on reserves and felt it should be revised. Caftel discussed the potential loss of service due to increased reserves. Hill mentioned the expansion and contraction of revenues and determining the timing on when funds should be placed in reserves. Dodge said she would get the data she could to present to the FAB with a goal of completing the wording revisions after review of the in the December meeting.

#### **7. Review of Retirement Plan Options**

Caftel said he thinks the city should consider other options to defined benefit pensions plans. He feels that most private business has already eliminated them and only government has kept them. Bartke asked what information Caftel would like to review regarding the plan. Caftel asked for what other cities have done. Lyman asked for staff to find information that is readily available. Bartke asked if the Board wanted to proceed with further study and Hill and Jackson agreed. Dodge said she would request a CSMFO survey on different plans.

#### **8. Adjournment**

Bartke asked if the next meeting date of September 8th, the day after Labor Day, presented a problem for anyone and no one had objections. Dodge summarized the items for the next meeting to be a review of the scope of the FAB, review of survey results from both the Pension and Reserve Requirements for smaller cities. Meeting was adjourned at 9:30.