



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

**Tuesday, October 13, 2009 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue**

Roll Call

Members Present- Bartke, Caftel, Jackson, Kronenberg

Members Absent- Hill

Council Liaison Present - Lyman

Staff Liaison Present - Dodge

1. Council / Staff Liaison Report

Councilmember Lyman reported on Council meetings since the FAB's last meeting including the increase of the School Resource Officers to three and the new contract, the change in the City Managers ability to deny claims and approve transactions up to \$25,000 and the new agreement with Safeway and Target. Also discussed were the acceptance of a FEMA grant for the Fire Department training trailer and extension of the Kensington Fire agreement with an amendment to include increased clerical staff for El Cerrito. Lyman discussed El Cerrito volunteering to be a plaintiff in the suit against the State regarding RDA takeaways and his report-out to the Council regarding the FAB's recommendation for a City retirement program review.

Dodge reported that the software implementation had begun as well as preparation for the audit that will commence on October 26th. Dodge also discussed the efforts being made in regards to the two department members that retired in Employee Services. One of the positions, the account clerk, will not be filled but the Employees Services Manager position will be filled with interviews starting on October 27th. Dodge also reported on the participation in the Prop 1A Securitization program and the submission of the forms to the Council at the next meeting in order to meet the timeline.

Dodge discussed the progress regarding the follow up with the public records act with the County Assessors office regarding changes in assessed valuation. Information has been received that did not shed much light and a further request for the entire database has been made and will be done annually for the City to be able to compile a database that can be used for specific analysis. No further action is anticipated.

2. Comments from the Public

None present

3. Approval of Minutes

Approve the minutes of September 8, 2009. M/S Caftel/Jackson. Passed unanimously.

4. Reserve Fund policy review

Dodge reviewed the history of the two financial policies in the past, one regarding the 10% reserve policy and one where the equipment replacement fund was introduced. The purpose of the Comprehensive Financial Policies was to update and expand financial direction to staff and provide greater assurance to the City Council on the processes and procedures taken to assure financial responsibility of the City. It had been reviewed by the FAB in March and presented to Council in April 2009. The focus of the discussion at this meeting was in response to Councilmember Jones' concern regarding the level of reserves necessary and Councilmember Abelson's concern regarding definition of when use of reserves is appropriate.

Dodge presented the submission of recommended changes requested from the group at the previous meeting and the only one received was from Kronenberg. Caftel questioned the placement of the Equipment Replacement Fund (ERF) component that far removed in the document from the General Fund reserve and Dodge said it was required to be separate fund. Caftel asked if the fund balance of the ERF has been included in the calculation of the 10% reserve for the General Fund and Dodge said it had not been.

Bartke asked for feedback from the FAB in regards to including the ERF fund balance as part of the GF reserve. Dodge commented that all of the money in the ERF is from the General Fund and could be used for any purpose the Council designates in its policy and budget. Dodge expressed concern that including the ERF at this time could be construed as an effort to have the percentage appear higher than it has been in the past. A discussion was held on the potential for use of the ERF funds as a component of the GF and it was suggested by Lyman that the ERF section become a subsection of the GF section. Bartke recommended leaving the ERF as its own section and referencing in the GF section 3 the potential for use of the ERF if necessary. Caftel suggested an approach of identifying what the required components of a reserve are so the amount has more substance as to what is its purpose other than a percentage. Bartke felt the simplicity of a percentage would allow for fluctuation within the growth/decline of an organization. A discussion was held on the benefits and shortcomings of utilizing a percentage for the reserve.

Lyman discussed the Menlo Park study where they went to great lengths and cost to review what amount and what uses there may be for a reserve and then they went with 15%. Jackson said it would be good to have a basis and Bartke said it is hard to have a crystal ball. Kronenberg said it may not be the time to red line the policy but just to provide direction to staff. Bartke said the one item of consensus so far was to put wording in section 3 regarding the availability of ERF in case of fiscal emergencies. Dodge commented that all other funds besides the GF and ERF already had restrictions on their fund balance which is why they are in separate funds. It was agreed that the Capital Improvements Fund (CIP) had funds that had been placed in it from the GF that could be defunded if the Council so decided but that the fund balance in total was comprised of individual committed projects and so was already reserved.

Bartke said he thought they were not ready to red line the report. Dodge commented that we have been directed to come back to Council in December. Caftel said we could review some items now and requested wording changes in Section 2.4 regarding Budgeting that were more specific in the time required to bring the reserve back to the policy level. Bartke said the policy should be more flexible and not have a requirement in the years. Jackson said he felt that the

time restriction was necessary. Lyman discussed the memo from Council Member Jones regarding the five year plan to build the reserve up to 20% and Lyman's recommendation of having the reserve presented as a hybrid of a flat amount and a percentage. Dodge discussed information previously distributed from other surveys and professionals that showed an overwhelming amount with percentages, most ranging from 10% to 30%.

Discussion was held by the Board regarding overall concepts and Bartke summarized the issues still raised as 1) How much should the reserve be 2) When should it be used and 3) What should the plan be to return the reserve if it needs to be used. Bartke requested Board members send directly to Dodge their recommendations regarding these questions within two weeks. Kronenberg asked if this should be done by the FAB or should staff recommend. Dodge said she would bring a red lined version of the policy and a schedule regarding the components of the reserve at different levels.

5. Review of FAB Ordinance

Dodge presented a draft of wording revisions of item 2.04.300 of the El Cerrito Municipal Code section pertaining to the Financial Advisory Board and the Board made revisions to the draft. A motion was made to approve the draft with the FAB revisions and for it to be taken to the City Council for their approval by Dodge. M/S Castel/Bartke Passed unanimously

6. Adjournment – 9:30

Due to a time constraint of Castel's the FAB agreed to meet at 6:00 p.m. instead of 7:00 for the next meeting on the regularly scheduled day of Tuesday, November 10, 2009.