



MINUTES

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD

Tuesday, November 12th, 2019

Staff Liaison
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El Cerrito City Hall
Council Chambers
10890 San Pablo Avenue
El Cerrito, CA 94530

This Meeting Place is Wheelchair Accessible

7:00 p.m. CONVENED REGULAR MEETING

1. **ROLL CALL – Present** Chair Dick Patterson; Vice-Chair Farhad Farahmand; Members Peter Vranich, Marlene Keller. **Absent:** Tenzin Rangdol. Public: Denny Christner, ChristianThiel, Robin Mitchell, Pierson Miller, Charles Taylor, Speaker 1.
2. **ORAL COMMUNICATIONS FROM THE PUBLIC** None.
3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS** None.
4. **APPROVAL OF THE MINUTES**
Moved/Second: Members Farahmand/Keller **Action:** Passed a motion adopting the minutes of the FAB meeting on October 8, 2019. **Ayes:** Members Keller, Farahmand, Vranich and Patterson. **Noes:** none.
5. **REVIEW CA STATE AUDTOR’S REPORT ON FISCAL HEALTH OF CITIES**
https://www.auditor.ca.gov/bsa/cities_risk_index

The FAB Chair opened the discussion of the State Auditor’s Report and asked Mark Rasiah to comment on the report. Mark Rasiah stated that the first thing he wanted to note was that the website lacked enough detail about the methodology or underlying data used to arrive at the rankings. He outlined the City’s historical position in the areas covered by the report, basing his comments on the publicly available CAFRs, Adopted Budgets and policy documents. Marlene Keller pointed out that the danger to cities in putting out inadequately supported reports was not just reputational but also impactful of their capacity to issue debt. She said it would be helpful if the City could respond with a one-page letter stating its financial condition so that the Auditor agency would realize that it had erred on the facts. Chair Patterson inquired if the Credit Rating Agencies would be influenced by the report. Mark Rasiah responded that none of the rating agencies, lenders, or issuers had contacted him regarding the report. Farhad Farahmand said that the rating agencies would be a better judge of the City’s financial position than the Auditor’s report. The Chair inquired if the FAB should be concerned about the report. Vranich, Keller and Patterson concurred that the FAB’s revisions to the City’s Comprehensive Financial Policy creating a new reserve fund reflected the position

of the FAB that the City needed to save more, and was not different from the FAB's previous positions that the City needed to put aside for more reserves. Keller said that there was a danger in forecasting liberally when the City had little control over revenues. She echoed Vranich who stated that more pressure needs to be exerted on the expense side of the forecast in order to top up the General Fund reserves. Farahmand said that he wished there was a way to project more accurate forecasts that could absorb variability in the actual results. The Chair then invited public comment.

Denny Christner - how will the city fund expenses if property taxes were to go down? Marlene Keller responded that the City had a diverse housing stock which should add to property taxes and sales taxes. She said that she didn't think there would be a significant downturn in the economy. Chair Patterson outlined the City's policy on reserves.

Pierson Miller – Who decides how the Real Property Transfer Tax is spent? Chair Patterson outlined the budget process and said that it was up to the Council to decide how it should be spent. Pete Vranich explained how the FAB made recommendations to Council.

Robin Mitchel – How much was the reserve in 2008? Those reserves helped the City weather the 2008 recession. How do we get there? What reserve percentage is the 3-month cash reserve policy? Wasn't all the transfer tax supposed to be placed in reserve? Chair Patterson explained how the 15% reserve tied in with the EDRF and that a recommendation was different from what the Council approves by trading off services against reserves. Robin also stated that there was no way that the current median house price could be sustained, and that estimates should not be based on that. She said that the budget should be balanced without taking the RPTT into consideration, to build up reserves and be fiscally conservative. Marlene Keller said that she appreciated that the midyear budget adjustments for the RPTT had been \$650,000.

Speaker 1 – When are the budget public hearings held for FY 2022?

Charles Taylor – Inquired about the nature of the unfunded liability. Mark Rasiah outlined the City's monthly retirement cost and the nature of the unfunded liability. Robin Mitchell said that pension reform had reduced retirement costs to which Marlene Keller responded that public safety retirement costs were still high, due to high salaries.

Christian Thiel – Said that the FAB could be less defensive and more forceful in recommending to City Council that expenses be cut as much as possible, and that new projects such as the public safety building should be deferred for five years until the financial health could be restored.

6. EL CERRITO CITY COUNCIL MEMBER COMPENSATION

This item was tabled for the regular meeting of the FAB in December.

7. ADJOURNMENT: 8:45 PM

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Staff Liaison, (510) 215-4312. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title I).

Any writings or documents provided to a majority of the members regarding any item on this agenda will be made available for public inspection at the Finance Department, 2nd floor El Cerrito City Hall during normal business hours.