7:03 p.m. CONVENE REGULAR MEETING

1. ROLL CALL: Chair Farahmand called the meeting to order at 7:03 p.m.
   Present: Chair Farhad Farahmand; Members Ruth Cazden, Dick Patterson, Kimberly White, Member
   Absent: William Ktsanes, Vice Chair (approved)

2. ORAL COMMUNICATIONS FROM THE PUBLIC:
   Remarks are typically limited to three minutes per person and may be on anything within the subject matter jurisdiction of the body. Remarks on non-agenda items will be heard first, as well as introduction by individuals interested in serving on the advisory body. Remarks on agenda items will be heard at the time the item is discussed.
   No public comments.

3. COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS
   Staff and/or Councilmembers may report on Council policies, priorities and significant actions taken by City Council, and/or on matters of general interest to the FAB.
   A. Council Liaison Announcements and Reports
      Carolyn Wysinger, Councilmember, as the new City Council Liaison to FAB looks forward to learning the FAB priorities and FAB 5-year work plan.
   B. Accept and file Staff Liaison Reports
      Sandra Dalida, Finance Director/City Treasurer provided the following updates:
      1. **FY 2023 Second Quarterly Investment Report and Update**
         Reviewed FY 2023 Second Quarter Investment Report through 12/31/2022 including the City’s Local Agency Investment Fund (LAIF) investment trend for the period 07/01/2020 through 01/01/202. The LAIF account balance on 07/01/2020 was less than $15,000,000 and the LAIF account balance on 01/01/2023 was $24,045,727.22. The LAIF ending balance includes interest earnings of $99,826.79 for the quarter ending 12/31/2022.
Total cash in both the LAIF account and Mechanics Bank account totals $28,052,440.76.

During my 10 month tenure with the City, the cash balance in the Mechanics Bank account has fluctuated from $3,000,000 to $6,000,000 depending on timing of deposits, major debt payments, special one-time payments (i.e., longevity payouts, vacation payouts, etc.). FDIC coverage limits have been confirmed for both LAIF (110% up to $75 million) and Mechanics Bank (110% based on the City’s current agreement). Options for short-term investments for idle cash in the Mechanics operating account will be brought to FAB for consideration at a future meeting.

2. **External Audit and Compliance Update**
   The external auditors have requested a significant number of documents for review. There likely will be internal control deficiencies as a number of documents could not be located for the period July 1, 2021 through March 31, 2022.

   Also, I have identified State compliance issues that I am working to resolve related to compliance filings and reporting and fee payments for 2021 and 2022 and sales tax payments for 2019, 2020, 2021, 2022.

3. **FY 2022-23 Budget Mid-Year Planning**
   The City is planning to submit the FY 2022-23 Budget Mid-Year Request to City Council at the March 7, 2023 Meeting. I am currently working with Departments to identify potential mid-year requests for City Manager consideration.

4. **Finance Department Staff Recruitment Update**
   Accountant I, Alan Chiu, has joined the City. Currently, the Finance Department has 3 of 6 positions filled to manage City-wide finance and budget operations.

   No public comments.

4. **WORK GROUP UPDATES**
   A. **Receive update from FAB Comprehensive Financial Policies/State Audit Subcommittee: Members Patterson and White**

   City agreed with majority of the State Auditor’s Recommendations, but the status of the City’s follow up actions for each State Recommendation is unknown.

   FAB Subcommittee is reviewing the recommendations listed in the State Auditor’s Report and will identify possible need to change/update the Comprehensive Financial Policies. Examples:

   - City is currently #13 on State Auditor’s list of “High Risk Cities.” What is El Cerrito’s ranking goal on the list of “High Risk Cities” and what policy changes
are needed to effect that change? Requires more than draconian cuts and federal ARPA windfall to resolve.

- Adopt GFOA best budget practices and culture of responsible budgeting. FAB subcommittee recommends City Council adopt GFOA best practices. What would be the specifics of the practice and culture change.

- FAB recommends that departments with revenue generating functions have sufficient staff to support the revenue generating activities. Recommendation to City Council as part of the budgeting processes to ensure sufficient staff to support revenue generating activities, and reducing staff costs could result in revenue loss (i.e., staff cost increase of $100,000 could result in revenue gain of $300,000).

- Zero Based Budgeting. Recommendation would be for each department to conduct a needs assessment to evaluate community needs for services based on current demands and the department resources required to support those activities. Build budgets based on cost of effective operations, targeted cost reductions in specific areas, and targeted resource increases for specific areas vs “current proforma roll forward budget.” Evaluate the City’s current positions and the mix of positions, and identify the current and future work and the positions and mix of positions needed for those activities.

**ACTION ITEM:** FAB requesting that all City responses to State Auditor’s Recommendations be posted in same location on City website as the Audit Report.

Public comments: Cordell Hindler

**B. Receive update from FAB/Council Communications Plan Work Group (Vice Chair Ktsanes and Member Cazden)**

Subcommittee paused activities until the new City Council Liaison to FAB was identified. Ktsanes and Cazden will coordinate with Councilmember Wysinger to discuss options to establish a FAB line of communication and feedback to/from City Council.

No public comments.

**C. Receive update from the FAB General Fund Reserve Work Group (Chair Farahmand and Member Patterson)**

Chair Farahmand reviewed prior discussions and waterfall approach as funding allocation option for GF Reserve, EDRF, and Section 115 Trust to pay down pension liabilities.

- **Waterfall Pools (flow down allocation priority)**
  - **Pool 1:** General Fund (policy specifies 10% minimum)
• Pool 2: Emergency Disaster Relief Fund (policy specifies $6,000,000 or 3 months operating cash reserve; separate from the General Fund)
• Pool 3: Pension Trust
• Pool 4: Capital Improvement Projects
• Pool 5: Special Projects

Other Cities have various waterfall pools - except General Fund Unrestricted Reserve and EDRF - specific to their city’s priorities and needs.

Further discussion after FY 2021-22 closeout and final cumulative fund balance is known.

No public comments.

D. Receive update from FAB Work Plan Subcommittee and Work Plan Calendar (Members Ktsanes and Cazden)

As soon as City Council presentation date is received, they will update the FAB work plan. Date requested for FAB presentation to City Council. City Clerk indicated that FAB should stay tune a date will be provided.

No public comments.

E. Receive update from FAB City Council Compensation Review Subcommittee (Members Patterson and White)

**ACTION ITEM:** Liaison Dalida to provide other city council/mayor compensation information to Subcommittee, and possible date to present the FAB recommendation to City Council.

**ACTION ITEM:** Class and Comp contract does not include comparative analysis of City Council compensation. Liaison Dalida will provide information regarding the comparable cities to be used for the Class and Comp study for FAB Subcommittee consideration to use as comparable cities for City Council compensation analysis.

No public comments.

5. Next FAB Meeting: February 28, 2023
   a. Chair Farahmand and Vice Chair Ktsanes are not available to attend the scheduled February 28, 2023, FAB Meeting.

   b. Regular FAB Meeting scheduled for February 28, 2023, will be cancelled.

   c. Unanimous vote: Special FAB Meeting will be calendared for February 27, 2023, at 7:30 p.m.
6. FUTURE AGENDA ITEMS
   - 5 Year Forecast
   - FAB Work Group/Subcommittee Updates
     - Comprehensive Financial Policies Work Group
     - FAB/Council Communications Plan Work Group
     - General Fund Reserve Work Group
     - FAB Work Plan (tentative January 2023 presentation to City Council)
     - City Council Compensation Review Subcommittee
   - Real Property Transfer Tax Updates
   - FY 2022-23 Mid-Year Budget Update and FY 2022-23 Second Quarter Financial Report

7. ADJOURNMENT: 8:58 p.m.