



Minutes

**REGULAR MEETING
OF THE
FINANCIAL ADVISORY BOARD
Tuesday,
May 8, 2018 7:00 p.m.
El Cerrito City Hall
Hillside Conference Room
10890 San Pablo Avenue
El Cerrito, CA 94530**

Chairman Patterson convened the Financial Advisory Board (FAB) meeting at 7:00 p.m.

Roll Call: Present: Board members: Patterson (Chair), Farahmand (Vice-Chair), Keller, Vranich and Rangdol
Council Liaison: Paul Fadelli
Public: None
Staff Liaison: Mark Rasiah, Finance Director.

1. Reviewed and approved meeting minutes from April 10, 2018 meeting.
By motion made to approve (Vranich) and seconded (Keller) the meeting minutes were approved unanimously.
2. Board/Staff Communications/Announcements.
New FAB member Tenzin Rangdol introduced himself and was welcomed by the other members of the FAB.
Mark Rasiah advised the Board that the City will be meeting its annual cash flow needs by issuing a Tax Receipts Anticipatory Note (TRAN) in June for \$6 million, as in years past.
3. Council Liaison Announcements and Reports.
Paul Fadelli communicated recent Council action on the following items:
 - Charter City Public Hearing
 - Affordable Housing and Inclusionary Zone
 - Master Fee Schedule
4. Oral Communications from the Public on Items Not on the Agenda.
None.
5. New Business Items
 - 1) Third Quarter Investment Report

Mark Rasiah presented the Third Quarter Investment Report for the Quarter Ending March 31, 2018. He stated that the Report shows that: The City's investments had a par value of \$3,246,811 as of March 31, 2018. The City continues to have minimal investments that are not required for debt service reserves and to have limited, if any, interest earnings on restricted funds. Of the total amount invested, \$3,042,468 is invested in the pooled funds with the State Treasurer's Local Agency Investment Funds (LAIF) and \$204,343 is held in money market funds. Cash with Mechanics Bank was \$2,110,972. Total cash and investments were \$5,357,783. He said that of this

amount, \$5,153,440 was available to the City to meet operating expenses for the next six months.

By motion made to approve (Keller) and seconded (Farahmand), the Board unanimously recommended that City Council receive and file the report.

2) Review FY 2018-19 Preliminary Draft General fund Budget

Mark Rasiah outlined the City's budget process and introduced the Draft General Fund Budget using OpenGov. He said that the City had used OpenGov Budget builder and had followed a zero-based budgeting approach whereby major expense items had been clearly identified by departments and each budget line item had been reviewed and revised based on prior spending patterns.

Using the annual report from OpenGov, Mark Rasiah drilled down to each of the General Fund Revenue and Expenditure categories and showed the FAB the draft budgets under each category for FY 2018-19, along with historical actuals for the preceding three years. He stated that the biggest item of expenditure was Personnel costs. These were to a large extent driven by a substantial increase in workers compensation premium costs and retirement costs (PERS). He said that the City was continuing to keep vacancies in Fire and Police open, with salary savings of approximately \$1.3 million to balance the budget. Pete inquired about the CalPERS funding ratio and rates of return. Marlene wanted to know how the labor contract timeline impacted the biennial budget. She inquired where the lease payments for the senior center were shown and if there were any FTE increases. She also asked if the school district funding for SROs was at risk. She noted the increase in Debt service payments. Dick wanted to know what the revenue growth rate was.

Mark stated that General Fund revenues are projected to increase from \$32 million in FY 2015-16 to almost \$40 million by FY 2019-20 an average annual increase of nearly 5.3%. He said that the \$120,000 annual senior center lease cost was provided in the Recreation department budget. Pete wanted to see details within the Personnel cost category and reviewed increases in the different line items – PERS contributions and COLA increases. Mark stated that Medical HMO cost had increase at nearly 10%. He said that the PERS unfunded liability had been factored in, starting with this budget and it was expected to total \$1 million during the FY 2018-2020-time frame. He pointed out that the rapid escalation in Workers Comp premiums. Dick inquired if the insurance was provided by a private insurer. Marlene inquired if there could be a sizable vacation payout at retirement for employees.

Mark provided a departmental overview of the General Fund budget. He said that Police and Fire combined were about 58% of the budget. Thereafter he showed budget details for the Fire Department. He said that the department overtime was about \$1 million whereas in previous years the budget had only provided \$600,000 based on salary savings. He said that this budget was more reflective of the true cost of the department, which was about \$10 million. Paul Fadelli inquired if the City was not going to fill the 3 Fire vacancies. Pete wanted to know how many unfilled positions were there in the budget and at what point the City would stop calling it salary savings and

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accept the actual headcount as what was appropriate for the City. Mark stated that there were 10 vacancies. Dick said that the City should identify staffing levels by conducting a study to find out the real need. Paul Fadelli wanted to know if there were funds for resolving the homeless problem in the budget. He stated that he would be bringing this up at the budget public hearing.

In response to a question from Farhad, Mark stated that the detailed budget document would be available for review online by the next meeting of the FAB. Farhad inquired if there was a way to organize the budget by strategic initiatives to which Dick responded that the budget was guided by the Strategic Plan. Dick wanted to know if there was something that could be done to review the progression of Workers Compensation costs, both at a qualitative and a quantitative level. Marlene said that she would be travelling in June and regretted having to miss the June meeting. Mark outlined the Council meeting schedule for June and said that the regular FAB meeting will be held on June 12th.

3) Review City of El Cerrito Financial Policies

Due to time constraints, the FAB agreed to review Financial Policies at the next meeting. Dick suggested that FAB members come prepared.

6. Discuss Agenda Items for the Next Meeting

- Next Meeting: TBD
- Review the City of El Cerrito Financial Policies

7. Meeting adjourned at 8:45 p.m.

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