



**Staff Liaison**  
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## MINUTES

### REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD

Tuesday, February 11<sup>th</sup>, 2020

El Cerrito City Hall  
Hillside Conference Room  
10890 San Pablo Avenue  
El Cerrito, CA 94530

**This Meeting Place is Wheelchair Accessible**

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#### 7:00 p.m. CONVENE REGULAR MEETING

1. **ROLL CALL – Present:** Chair Dick Patterson; Vice-Chair Farhad Farahmand; Members Marlene Keller, Tenzin Rangdol, Ajay Friesen. **Public:** Nick Zamorano, Marlene George.
2. **ORAL COMMUNICATIONS FROM THE PUBLIC.**  
Marlene George urged the FAB to ensure that Public Safety priorities and services will remain in place in the event of budget cuts and that non-essential services be cut first.
3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS**  
None.
4. **APPROVAL OF THE MINUTES**  
**Moved/Second:** Rangdol/Farahmand. **Action:** Passed a motion adopting the minutes of the FAB meeting on January 14, 2020. **Ayes:** Members Rangdol, Keller, Farahmand, and Patterson. **Noes:** none.
5. **FY 2019 CAFR REVIEW**  
Mark Rasiah presented the FY2019 Comprehensive Annual Financial Report (CAFR) and responded to questions from the FAB. He said he would be presenting the CAFR to Council on February 18<sup>th</sup>, 2020. **Moved/Second:** Keller/Friesen. **Action:** Passed a motion recommending that City Council receive and file the CAFR. **Ayes:** Members Rangdol, Keller, Farahmand, Friesen and Patterson. **Noes:** none.
  - ❖ At the close of the fiscal year (FY19), City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16.53 million in FY18. The City's net position decreased by \$9.56 million from \$26.09 million to \$16.53 million (Table A-1). Of the \$16.53 million in net position, \$57.2 million was invested in capital assets net of related debt.
  - ❖ Program revenues for Governmental Activities increased by \$3.73 million and program revenues for Business-type Activities increased by \$0.06 million, contributing a total increase of \$3.79 million to the FY19 City net position (Table A-2). General Revenues, mainly from property taxes, real property transfer taxes and sales taxes, contributed \$2.3 million to the increase in the total City net position in FY19.

- ❖ Expenses in FY19 in general increased by about \$3.28 million more than in the prior fiscal year. Public safety expenses increased by almost \$1.96 million, which represents nearly 60% of the total increase in expenses in FY19. (Table A-2)
- ❖ Total General Fund revenues of \$39.3 million exceeded budget by nearly \$0.9 million. Revenues also exceeded prior year's revenues of \$35.8, million by nearly \$3.6 million, due to increased property taxes, sales taxes, charges for services and revenue from a new real property transfer tax from the voter approved Measure V that was passed in November 2018. The transfer tax came into effect in January of 2019 and for the six-month period from January to June 2019, the City received \$1.1 million in property transfer taxes.
- ❖ Total General Fund expenditures were \$40.2 million, an increase of nearly \$4.0 million over the prior year. About \$2.2 million of this increase was due to increases in public safety costs which increased from \$21.3 million in FY18 to \$23.5 million in FY19. This increase was partly due to an increase in public safety overtime costs, increased safety retirement plan costs and higher vehicle and equipment repair and maintenance costs. Public Safety overtime was \$1.7 million, up nearly \$0.3 million from the prior year; retirement contributions were \$4.2 million, up nearly \$0.5 million over FY18; and repairs and maintenance costs increased by almost \$0.3 million over FY18.
- ❖ Despite the increase in revenues, the General fund ended the year with a negative total fund balance of \$56,692. This represents a decrease of \$144,262 over the ending total fund balance in the prior fiscal year of \$87,570. This decrease was mainly due to fund expenditures and financing uses exceeding fund revenues by \$945,017. The excess was largely offset by revenues from the City's share of Redevelopment Agency (RDA) property sales proceeds resulting in a net change in fund balance of \$144,262. It needs to be mentioned here that during FY19, the City wrote off \$722,585 that was collectively owed to the General Fund by the City Housing Trust Fund and Capital Improvement Project Fund. Additionally, the City recorded a portion of sales taxes from sales at the Home Depot store located on the border with the City of Richmond amounting to \$116,319 as deferred revenue rather than current revenue, in accordance with accounting standards. The combined effect of these two items if added to the General Fund, would have yielded a positive total General Fund balance of \$782,212.
- ❖ In FY19 the Unassigned General Fund balance reduced from a negative \$2.2 million in FY18 to a negative \$1.7 million, an improvement of \$525,000. The non spendable fund balance consists of \$317,967 owed to the General Fund from the City's Integrated Waste Management Fund (IWM) and an advance of \$1.3 million that was made to the RDA to settle with the California Department of Finance. The City has filed an appeal seeking redress. The IWM advance will be repaid in full in FY20 through the increased Recyclables and Waste Management fee revenue that went into effect in January 2020. It is expected that once both these non-spendable amounts are recovered, the negative unassigned General Fund balance will be substantially reduced.

## 6. MID-YEAR FY 2020 GENERAL FUND BUDGET AMENDMENTS & 5-YEAR GENERAL FUND FORECAST

Mark Rasiah presented the proposed budget amendments and 5-Year General Fund Forecast per the attached statements for review and said that he would be presenting it to City Council on February 18th, 2020.

**Moved/Second:** Farahmand/Keller. **Action:** Passed a motion recommending that City Council approve the budget amendments and that Council direct staff to make further reductions if Council saw that it was necessary/prudent to do so. **Ayes:** Members Rangdol, Keller, Farahmand, Friesen and Patterson. **Noes:** none.

Public comments: Marlene George and Nick Zamarano – Increase budget reductions by more than 5% in case there is a recession. Why has the city Manager's budget increased between FY15 and FY 19? Why does the City need consultants? Parks & Recreation should be a lower priority than Public Safety. Charge a fee for emergency calls to the Fire Department.

- **Property Taxes and Sales Taxes: Net change - \$800,000 decrease**  
Reduce tax revenues based on annual trends through FY2019. Property Tax revenues are being lowered to \$10,440,000; and Sales Tax revenues to \$7,100,000 due to Cannabis tax collections not materializing as expected.
- **Real Property Transfer Tax (RPTT): Net change - \$1,150,000 increase**  
Increase RPTT revenue. The FY2019-20 Adopted Budget projected \$850,000 in RPTT revenues for the fiscal year. Based on actual revenues to date, and in the first six months of 2019, staff is proposing that the budget be increased to \$ 2.0 million for FY20.
- **Utility User Taxes (UUTs), Franchise Fees & Business License Taxes: Net Change - \$100,000 decrease.** Based on recent trends, staff is proposing reducing UUTs and Franchise fees by \$100,000 each and increasing Business License Taxes by \$100,000.
- **Fines and Forfeitures: Net change - \$50,000 decrease**  
Reduce the Police Department citations and fines budget which has been impacted by Officer vacancies.
- **Intergovernmental Revenues: Net change - \$100,000 increase.**  
Reduce Police Department School Resource Officer (SRO) reimbursement by \$50,000 to \$300,000 in line with the revised contract with the WCCUSD.  
Increase reimbursement of Kensington Fire Department expense by \$150,000 to \$2,978,000 based on reimbursement trends in recent fiscal years.

### ***EXPENDITURES (Net change - \$262,000 decrease)***

With 50% of the year complete as of December 31, 2019, expenses are trending at 49% of budget. Based on actual expenses to date and estimates for the remaining six months of the fiscal year, staff is proposing the following changes to the General Fund expenditure budget.

- **Personnel: Net change - \$150,000 increase.**  
Increase Fire Department overtime budget by \$300,000, from \$900,000 to \$1,200,000 to bring it in line with the trend over the last three-years. Reduce Police Department personnel budget by \$150,000 for unfilled positions.
- **Supplies: Net Change - \$145,000 decrease**

Reduce various supply line items in the Recreation Department budget.

- **Professional Services: Net change - \$35,000 increase.**  
Reduce Technical Services budget for Human Resources (HR) - \$20,000.  
Reduce Technical Services budget for City Administration - \$20,000.  
Defer Information Technology upgrades - \$50,000.  
Increase legal service budget for HR - \$25,000.  
Provide for Council approved extended library hours - \$100,000.
- **Purchased Property Services: Net change - \$273,000 decrease.**  
Defer Fire Department vehicle replacement and equipment maintenance - \$160,000.  
Provide for Fire Department Council approved forced weed abatement program - \$103,000.  
Defer Public Works Department repair and maintenance projects - \$125,000.  
Defer Police Department vehicle equipment purchase - \$60,000.  
Reduce Police Department property services budget due to services already paid for last year - \$31,000.
- **Property and Capital: Net Change - \$11,000 increase**  
Provide for information technology upgrades in the Fire Department
- **Other Financing Uses: Net Change - \$40,000 decrease**  
Reduce retiree pension budget to match FY2019 costs.

#### **7. FUTURE AGENDA ITEMS**

- Invite community Development Director to talk about Economic Development in the City and potential new revenue sources.
- Continue to review Council member compensation.

#### **8. ADJOURNMENT: 9:00 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, 2<sup>nd</sup> floor El Cerrito City Hall during normal business hours.