



DRAFT MINUTES

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD (FAB)

Tuesday, March 22, 2022 at 7:30 PM

Staff Liaison
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7:30 p.m. CONVENE REGULAR MEETING

1. **ROLL CALL** – Chair Patterson called the meeting to order at 7:36 PM.
Present: Chair Dick Patterson; Vice-Chair Farhad Farahmand; Members Ruth Cazden, William Ktsanes, Kimberly White **Absent:** None
2. **ORAL COMMUNICATIONS FROM THE PUBLIC** (5 min.)
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.
(Heard out of Order) Cordell Hindler – announced event at Richmond rotary club, requested meeting return to in-person.
3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS** (5 min.)
Staff and/or Councilmembers may report Council policies, priorities and significant actions taken by the City Council, and/or on matters of general interest to the FAB.
Councilmember Tessa Rudnick – shared efforts to raise funds for the Fourth of July event rather than using general funds.

City Manager Karen Pinkos – update on Council Ad-Hoc work and recent update submitted to the State Auditor.
4. **APPROVAL OF MINUTES** (5 min.)
Consider a motion adopting the minutes of the FAB meeting on February 22, 2022.
Motion/Second: Vice-Chair Farahmand/Member Cazden **Action:** Approved minutes with the following revisions: modify item number 3 to add the word “and” following Dalida and modify item number 7 to read be “included” on the second line. **Ayes:** Chair Dick Patterson; Vice-Chair Farhad Farahmand; Member Ruth Cazden, William Ktsanas, Kimberly White **Noes:** None
5. **[ANNUAL COMPREHENSIVE FINANCIAL REPORT \(ACFR\)](#)** (15 min.)
Review and discuss contents of the Fiscal Year 2020-2021 Annual Comprehensive Financial Report.
No action taken.

6. **FAB WORKPLAN AND COUNCIL COMMUNICATION PLAN** (15 min.)
Update from Ad-Hoc committee on status of draft FAB workplan for FY 2021-2022 and options for increasing communication with the City Council.
Cazden reported progress in reviewing and drafting content for accomplishments section.

No action taken.

7. **COMPREHENSIVE FINANCIAL POLICY REPORTING SECTION** (15 min.)
Discuss and possible action on inclusion of a reporting section and any other potential modifications requested by members to the policy.
Discussion: Reporting by department and fund, staff shared first draft language of “The city will prepare and issue timely interim reports on the city’s fiscal status to the city council on at least a quarterly basis. This includes notification of revenue and expenditures and will at the minimum at mid-year and midterm budget review and status report during the budget review process. Reports will be broken out by department as well as by category.” Written draft language to be provided by city staff and included in the packet for the next meeting for further discussion.

No action taken.

8. **INVESTMENT POLICY REVIEW AND DISCUSSION** (15 min.)
Discussion and possible action on modifications to the Investment Policy.
Discussion: Members discussed process of delivering recommendation to City Council, holistic language for a socially responsible policy, concern regarding prohibiting investments and precluding firms that may significantly contribute to decarbonizing the economy, concern on conflict with state policies, and clarification of impact on Local Agency Investment Fund (LAIF) with proposed language.

Public Comments:

Cordell Hindler – welcomed the new Finance Director and spoke in favor of the proposed policy modifications.

Howdy Goudey – spoke in support of the item and recommended inclusion of climate related financial risk.

Motion/Second: Member William Ktsanes/Vice Chair Farhad Farahmand

Action: Passed a motion to recommend a new section (3.6) on Responsible Investing be added to the El Cerrito Investment Policy and rescind the Financial Advisory Board’s previous recommendation. Section 3.6 to read as follows:

3.6 Responsible Investing: The City of El Cerrito recognizes that it has a shared responsibility to protect the lives and livelihoods of its inhabitants from the catastrophic threat and societal costs of climate change. The City believes that its financial investments should support a future where all its residents can live healthy lives without the negative environmental, economic and/or health impacts of global warming.

- Investments are encouraged in entities that are involved in the production of renewable, sustainable energy and have demonstrated a commitment to transparent, accountable corporate governance.
- No direct investments are to be made in publicly-traded companies or private entities that engage in the direct exploration, drilling, production, refining, or marketing of fossil fuels.
- All investments in the State of California's Local Agency Investment Fund ("LAIF") are exempt from section 3.6.

Ayes: Vice-Chair Farhad Farahmand; Member Ruth Cazden, William Ktsanas, Kimberley White **Noes:** Chair Dick Patterson

9. FUTURE AGENDA ITEMS (5 min.)

- 5 Year Forecast (when available)
- Reporting Section for Comprehensive Financial Policy (April)
- ~~Any other policy revisions (general suggestions by members)~~
- Council Compensation Discussion
- Budget Update
- Long-term plans and allocation of surplus funds
- Fund for facilities maintenance
- Asset management plan

10. ADJOURNMENT

The meeting adjourned at 8:50PM

Dick Patterson, Chair

This is to certify that the foregoing is a true and correct copy of the minutes of the regular Financial Advisory Board meeting of March 22, 2022 as approved by the Financial Advisory Board.

Sandra Dalida, Staff Liaison



Date: April 26, 2022
To: Financial Advisory Board
From: Karen Pinkos, City Manager
Subject: Proposed Language for Comprehensive Financial Policy Reporting Section

ACTION REQUESTED

Adopt a motion recommending a revision to the City of El Cerrito Comprehensive Financial Policy with language that outlines financial reporting requirements.

BACKGROUND

The City of El Cerrito's Comprehensive Financial Policy serves as a guideline for operational and strategic decision making related to financial matters for use by the City Council and staff. The goal is to maintain the City's financial stability in order to be able to continually adapt to local, regional, and national economic changes. Such policies will allow the City to maintain and enhance a sound fiscal condition.

This financial policy is reviewed annually by the Financial Advisory Board (FAB) and any proposed substantive revisions are submitted to the City Council for approval. The City's comprehensive financial policies are utilized when preparing the Annual Operating Budget and are in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

In March 2021, the California State Auditor issued a report on the City of El Cerrito that outlined several recommendations for improvement of its fiscal condition within five high risk areas, including addressing financial reserves, budget development and monitoring, developing a fiscal recovery plan, addressing ongoing costs, and increasing revenues. In May 2021, the City submitted a Corrective Action Plan to address the high risk areas and in September 2021 and March 2022, the City submitted updates to the Corrective Action Plan. The City reported how it has addressed and completed several recommendations, with some recommendations still pending.

Recommendations within the high risk area of budget development and monitoring focused on establishing procedures for best practices in budgeting, improving reporting, and providing more details on department budgets. The City agreed and completed most of the recommendations, with one still pending as follows:

- 3. To ensure accountability in monitoring the budget, city management should present monthly updates to the city council on the current status of departmental budgets and comparisons to prior year budgeted and actual amounts. City management should promptly seek approval of proposed budget adjustments by department when warranted. City management should also prepare and provide supporting documentation to justify any budget increases.*

City staff reported to the State Auditor that for this recommendation, staff would consult with the FAB to review the City's Comprehensive Financial Policy, which calls for budgeting by Fund, to consider the impacts of budgeting by Department. City staff took action to begin reporting on a monthly basis to the City Council in FY 2020-21. City staff further discussed this recommendation with the City Council, with the appointed City Council subcommittee of Councilmembers Motoyama and Rudnick, and with the FAB. Based on these discussions, City staff modified the reports to include department information beginning in FY 2021-22. Because of staffing limitations and the Council's desire for comprehensive information in these reports, City staff has begun to provide these reports quarterly. In discussions with the Subcommittee and the FAB, staff believes that the main issue isn't whether the City budgets by fund or by department, but that there was a lack of information on departments provided to the City Council and to the public, and that there was a need for greater transparency with respect to department revenues and expenditures. As a result, the reports were updated to reflect the department information. However, to ensure that this practice is formalized and followed, the FAB discussed revising the Comprehensive Financial Policy to include budget reporting that includes department information as a requirement.

ANALYSIS

City staff researched several city financial policies, including cities within Contra Costa County and other local cities, as well as from other states. The overwhelming majority of cities that are similar in size to El Cerrito budget by fund, as El Cerrito does. Considering this, along with the current staffing challenges in the City and the Finance Department in particular, City staff does not recommend changing the policy to budget by department rather than fund.

However, to address the monitoring and reporting issue, City staff does recommend revising the Comprehensive Financial Policy to include budget reporting by department as a requirement. The policies reviewed by staff indeed had requirements for regular reporting to the City Council. To that end, staff recommends adding language to Chapter 5, "Financial Reporting Policies", that would include a new section 5.2 that would address this requirement. The proposed language is as follows:

5.2 The City shall prepare and issue timely interim budget reports on the City's fiscal status to the City Council on at least a quarterly basis. Quarterly reports will be prepared and presented to the City Council that explain key economic and fiscal developments, note significant deviations from the budget, include information on revenue and expenditures by operating department and by revenue/expenditure category, and when required, outline any corrective actions necessary to maintain the City's financial position. Reports will be provided to the public on the City's website.

Staff requests that the FAB review and discuss this proposed new section and, upon agreement of the language, adopt a motion to recommend to the City Council that the Comprehensive Financial Policy be revised to include the new language. FAB's recommendation would then be forwarded to the City Council for their consideration and inclusion on a future Council agenda.



SUPPLEMENTAL AGENDA MATERIALS

**REGULAR FINANCIAL ADVISORY BOARD MEETING
April 26, 2022**

Agenda Item 5 – FY 2021-2022 3rd QUARTER GENERAL FUND FINANCIAL UPDATE

1. 3rd Quarter Financial Update Report



General Fund Budget Update

Quarter 3 FY 2021-22

07/01/21 - 03/31/22

INTRODUCTION

The City of El Cerrito is pleased to submit the Quarter 3 FY 2021-22 General Fund Budget Update, for the period 07/01/21 through 03/31/22. The report provides a high-level overview of the City's status on the budget, with expenditures by department.

SUMMARY

The City of El Cerrito is currently on track to meet its budget goals for FY 2021-22, and

- Revenues are trending slightly higher year-to-date, primarily due to property tax receipts, property transfer tax, business licenses and permits. In addition, relaxing of COVID-19 restrictions has contributed to revenues from program services trending slightly higher than budget.
- Expenditures associated with salaries and benefits are trending at/or slightly below budget due to vacancies, with the exception for overtime costs for public safety departments. Year-to-date expenditures for services and supplies are within budget. Overall, the departments have maintained fiscal prudence and are operating within budget.

GENERAL FUND REVENUES

On March 1, 2022, City Council approved the FY 2021-22 General Fund Amended Budget, increasing revenues by \$2,489,000 for an amended total of \$42,881,247.

Revenues (\$000s)	FY 2018-19 Audited	FY 2019-20 Audited	FY20-21 Audited	FY 2021-2022 Adopted Budget	FY 2021-2022 Amended Budget	March 2022 Actuals	Year To Date (YTD)	YTD % of Amended Budget
Taxes								
Property Taxes	\$11,284	\$13,309	\$14,936	\$13,446	\$14,246	\$343	\$9,336	69.43%
Sales Taxes	7,545	6,975	7,827	7,184	7,184	524	4,366	60.77%
Utility Tax	3,208	3,166	3,444	3,100	3,100	343	2,334	75.29%
Franchise Taxes	1,244	1,587	1,327	1,200	1,200	-	537	44.77%
Business License Tax	910	919	924	900	900	34	974	108.24%
Other Tax	149	173	164	202	202	-	85	41.97%
Total Taxes	\$24,340	\$26,127	\$28,623	\$26,032	\$26,832	1,244	\$17,632	67.73%
Licenses & Permits	776	785	657	636	1,136	129	1,074	168.91%
Fines and Forfeitures	219	227	178	140	140	15	124	88.81%
Use of Money and Property	157	465	334	354	354	41	306	86.37%
Intergovernmental Revenues	6,744	6,729	8,165	7,313	7,809	342	5,039	68.91%
Charges for Services	6,934	4,748	4,181	4,800	5,483	606	4,398	91.63%
Other Revenues	182	118	239	175	175	0	142	81.05%
Interfund Transfers	2,036	1,024	3,990	953	953	237	715	75.10%
Total	\$41,388	\$40,223	\$46,366	\$40,402	\$42,881	\$2,614	\$29,431	72.85%

GENERAL FUND EXPENDITURES

The FY 2021-22 General Fund Amended Budget, increased expenditure budgets by \$2,489,000 for a total amended expenditure budget of \$42,300,378. Personnel costs are the largest component of General Fund expenditures at approximately 72%. Departments with multiple vacancies have maintained services through increased professional services and/or overtime budgets, with these costs offset by salary savings. Expenditures will be monitored to remain within approved budgets.

Expenditures (\$000s)	FY 2018-19 Audited	FY 2019-20 Audited	FY20-21 Audited	FY 2021-2022 Adopted Budget	FY 2021-2022 Amended Budget	March 2022 Actuals	Year To Date (YTD)	YTD % of Amended Budget
Personnel	29,862	30,383	29,728	30,009	30,406	2,149	21,762	72.52%
Professional Services	4,487	3,702	2,906	3,579	4,636	577	2,366	66.11%
Purchased Property Services	2,300	2,152	1,600	1,840	2,177	174	1,040	56.52%
Other Services	1,840	1,806	1,641	2,348	2,935	101	2,074	88.33%
Supplies	726	606	409	632	629	56	238	37.65%
Property & Capital	422	413	252	323	323	216	340	105.02%
Financing Costs	478	536	586	528	528	0	319	60.38%
Other Financing Uses	1,416	697	1,991	666	666	-	666	100.00%
Total	\$41,531	\$40,294	\$39,112	\$39,925	\$42,300	\$3,274	\$28,803	72.14%

GENERAL FUND - DEPARTMENTS

The Departments’ expenditures have remained within budget throughout the fiscal year, with expenditures as percent of budget ranging from 63.49% to 72.64% for the period ending March 31, 2022.

The following chart reflects actual expenditures by departments through Quarter 3, March 31, 2022, and provides baseline expenditure information for the period ending FY 2020-21 Quarter 3.

Expenditures	FY 2021- 2022 Amended Budget	Year To Date Actual (thru Qtr 3)	Year To Date % of Amended Budget	Comparison Qtr 3 FY 2021 YTD Actual
Administration	6,193,569	4,436,902	71.64%	3,863,658
Police	12,250,818	8,417,861	68.71%	8,644,464
Fire	12,948,202	8,789,189	67.88%	9,020,930
Public Works	2,017,485	1,362,257	67.52%	1,016,585
Community Development	3,273,257	2,078,211	63.49%	1,682,339
Recreation	4,507,719	2,958,437	65.63%	2,833,985
Non-departmental	1,109,328	760,358	68.54%	927,658
Total	\$42,300,378	\$28,803,215	68.09%	\$27,989,619

CONCLUSION

The City of El Cerrito is on track to end FY 2021-22 within budget, with an estimated fund balance of approximately \$500,000.

Staff are committed to fiscal responsibility and ensuring that each department's expenditures remain within budget. Staff are in the process of reviewing all Department budgets in preparation for the FY 2022-23 Recommended Budget process.