



MINUTES

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD (FAB)

Staff Liaison
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Thursday, June 16, 2022 at 7:00 PM

JOIN VIA ZOOM:

7:02 p.m. CONVENE REGULAR MEETING

- ROLL CALL** – Chair Patterson called the meeting to order at 7:02 PM.
Present: Chair Dick Patterson; Vice-Chair Farhad Farahmand; Members Ruth Cazden, William Ktsanes, Kimberly White **Absent:** None
- 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.
No public comments.
- COUNCIL LIAISON ANNOUNCEMENTS AND REPORTS** (5 min.) Council Liaison's report related to policies, priorities and significant actions taken by the City Council, and/or on matters of general interest to the FAB.

Councilmember Tessa Rudnick provided an update from the City Council Meeting held on June 7, 2022 as follows:

- City Manager presented the FY 2022-23 Proposed Budget.
- Councilmember Abelson's asked if FAB could review the City's accounting practices and best accounting practices. Councilmember Motoyama suggested that FAB would be the appropriate group to look at the City's accounting practices, categorization of spending within City Departments, and best practices.
- At 06/21/22 City Council Meeting, the Council will be celebrating and thanking the community and organizations who generously donated for the July 4th Festival and prevented the need to use General Funds for the event.
- At the 06/21/22 City Council Meeting, the FY 2022-23 Proposed Budget will be discussed again, and feedback and insight from FAB is important to the Council.

- Budget cycle needs to start earlier to provide sufficient time for robust community involvement component.

4. FY 2022-2023 DRAFT PROPOSED BUDGET (60 min.)

Review the draft proposed budget document presented to City Council. All prior budget meeting records and presentations are available online at <https://www.elcerrito.org/492/Annual-Budget-Process>. Make recommendation(s) to City Council as needed.

Objective is to provide recommendations to Council. Questions and discussion followed.

Member Cazden

- Requested background related to budget assumptions related to Real Property Transfer Tax. Staff provided additional information regarding assumptions and current budget of \$3.8 million and projected current year actuals of approximately \$5.0 million; and conservative projection in collaboration with financial consultant HdL the City proposed \$4.3 million.
- How was 3.0% CPI selected for 'Operating Expense Non-Person?' Staff provided additional information regarding the City's market and relevant basket of goods/products which is different from the basket of goods for a family, foster care facilities, hospitals/medical centers, detention facilities, etc. The overall Bay Area CPI exceeds 5% and in May was 8.6%. The City will continue to monitor expenses and cost increases and input will continue to be followed by the City and will adjust as needed.

Member White

- Was the City's budget modified to include all one-time requests and the Cannabis Revenue from the two cannabis dispensaries approved by Council? Staff indicated that one cannabis entity has not opened, and the other cannabis entity has not been operational for a full year and the City is awaiting one full operational quarter of receipts to use as revenue projection.
- Is the City budget double counting full funding for vacant positions and overtime and was revenue increased? Staff indicated the projected expenditure budget associated with vacant positions was reduced and the corresponding amount was added to the Projected Fund Balance (originally approximately \$560,000 and increased to \$812,003).

Chair Patterson

- What is the status of the grant the City Manager discussed to fund the Climate Action Plan?. Staff reported that the City added \$50,000 in the budget for grant writing services and detailed information on the status of the grant will need to be obtained from the Public Works Director Ortiz and Community Development Director and brought back to FAB.
- What is the process for recognizing grant funding and when, for example the Del Norte Capital Project? Staff provided information regarding the City

Manager's plan to bring Capital Projects and associated budgets to City Council in the future, and provided information on process for recognizing grant revenue, expenditure authority, and any possible matching fund requirements. If funding from the Reserve is used, is the funding moved to General Fund as revenue. Staff provided information regarding Transfer In process from reserve and a corresponding increase in expenditure authority in the current fiscal year's operating budget.

Vice Chair Farahmand

- What are the assumptions related to the CalPERS Unfunded Liability (\$6 million) and Normal Liability? The FY 2032-33 projection in the budget slide from 06/07/22 reflects Revenue that is predictable, but the expenditures continue to increase. What are factors that impact the Unfunded Liability and how is it calculated. Staff provided information regarding the CalPERS Actuarial Report and the City's Actuarial Report as a point-in-time and is conducted every four years (which will occur next year for both CalPERS and the City). Various factors were explained (i.e., retirement plans and tiers within each plan, life expectancy, composition percentage within each tier, etc.).

Chair Patterson

- Pension 115 Trust questions and discussions.
- In FY 2018-19 the City had 179 staff, which was reduced to 161 and will be increasing to 165 staff. With property taxes increasing, can the City fund the 179 staff? What happened structurally in the City to not afford the 10-11 employees? Staff provided information regarding the overall increase in costs for non-personnel categories and personnel non-salary related categories.

Member White

- Recommends that Salary Savings and analysis and calculation related to vacant positions and the associated funding be called out in future budgets.

Motion/Second: Chair Richard Patterson; Member Ruth Cazden

Action: FAB recommends City Council approve the FY 2022-23 Proposed Budget subject to the following conditions:

1. Obtain more input and feedback from the community before City Council approves the FY 2022-23 Budget.
2. Achieve the goal of increasing the General Fund Reserve by the \$812,003 projected fund balance included in the FY 2022-23 Proposed Budget.

The Financial Advisory Board approved the following recommendation for submission to at the June 21, 2022 City Council Meeting.

Ayes: Chair, Dick Patterson; Member Ruth Cazden; Member Farhad Farahmand

Nays: Member William Ktsanas; Member Kimberley White

Member William Ktsanas informed the Board that his no is not a reflection on the budget but a reflection on the process that did not include sufficient public involvement and not to reduce public comment time from 3 minutes to 1 minute. Also, requesting increased transparency and detail for budget line items and salaries and salary savings; and need for review of level of service and analysis of service needs.

Member Kimberly White informed the Board that her no is related to the lack of detail for salaries and salary savings despite requests for such information during prior budget cycles. Requests transparency about funding allocated to vacant positions because 75% of budget is staffing, and calculations about number of positions filled and for what period of time. Requests additional information about reserves in future budgets. Start process earlier for greater public participation.

Chair Patterson clarified that City Council delegates that level of budget development and analysis to the City Manager. Chair Patterson likes the budget as proposed but does not like one-time proposals because it would reduce either the General Fund Reserve or the FY 2022-23 Fund Balance, and because the future is uncertain and the proposed General Fund Reserve of either 10% or 17% is understated and should be 20% because of EDRF. The FY 2022-23 projected fund balance of \$812,003 should be higher, at least \$1 million.

5. 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

6. ADJOURNMENT

The meeting adjourned at 9:20 PM

This is to certify that the foregoing is a true and correct copy of the minutes of the regular Financial Advisory Board meeting of June 16, 2022, as approved by the Financial Advisory Board.



Dick Patterson, Chair



Sandra Dalida, Staff Liaison