



FINANCE DEPARTMENT

Staff Liaison

Sandra Dalida 510-215-4312

sdalida@ci.el-cerrito.ca.us

AGENDA

REGULAR MEETING OF THE FINANCIAL ADVISORY BOARD (FAB)

Tuesday, January 24, 2023 at 7:00 p.m.

JOIN VIA ZOOM

<https://us06web.zoom.us/j/83389289159?pwd=bVFnbndHOE5aZ3VYMmk5T0Q3OWdqdz09>

Meeting ID: 833 8928 9159

Passcode: 400566

or

Telephone: US: +1 408 638 0968 or +1 213 338 8477

This advisory body is currently meeting by teleconference, consistent with the Brown Act as amended by AB 361 (2021). Under the amended rules, teleconference restrictions of the Brown Act are suspended, and the City will not provide a physical location for members of the public to participate in the teleconference meeting.

Any person wishing to speak to the Finance Advisory Board on any of these matters is invited to participate via teleconference as described above.

The City encourages submission of written comments in advance to the Finance Advisory Board via email to sdalida@ci.el-cerrito.ca.us prior to the meeting or by contacting the staff liaison listed above.

7:00 p.m. CONVENE REGULAR MEETING

1. **ROLL CALL:** Chair Farhad Farahmand; Vice-Chair William Ktsanes;
Members Ruth Cazden, Dick Patterson, Kimberly White

2. **ORAL COMMUNICATIONS FROM THE PUBLIC** (5 min.)

Remarks are typically limited to three (3) 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 board. Remarks on agenda items will be heard at the time the item is discussed.

3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS** (15 min.)

Staff and/or Council Members may report on Council policies, priorities and significant actions taken by the City Council, and/or on matters of general interest to the FAB.

A. Council Liaison Announcements and Reports: Carolyn Wysinger, Councilmember

B. Staff Liaison Report: Sandra Dalida

- 1) FY 2023 Quarterly Investment Report and Update
- 2) Audit and Compliance Update
- 3) FY 2022-23 Budget Mid-Year Planning
- 4) Finance Department Staff Recruitment Update

4. WORK GROUP UPDATES (60 min.)

- A. Receive update from FAB Comprehensive Financial Policies/State Audit Subcommittee –
(Member Patterson and Member White)
Attachment A: Potential Modifications to Comprehensive Financial Policies
- B. Receive update from FAB/Council Communications Plan Work Group
(Vice Chair Ktsanes, Member Cazden)
- C. Receive update from the FAB General Fund Reserve Work Group
(Chair Farahmand, Member Patterson)
- D. Receive update from FAB Work Plan Subcommittee and Work Plan Calendar
(Vice Chair Ktsanes and Member Cazden)
- E. Receive update from FAB City Council Compensation Review Subcommittee
(Member Patterson and Member White)

5. FUTURE AGENDA ITEMS (10 mins.)

- 5 Year Forecast (when available)
- 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

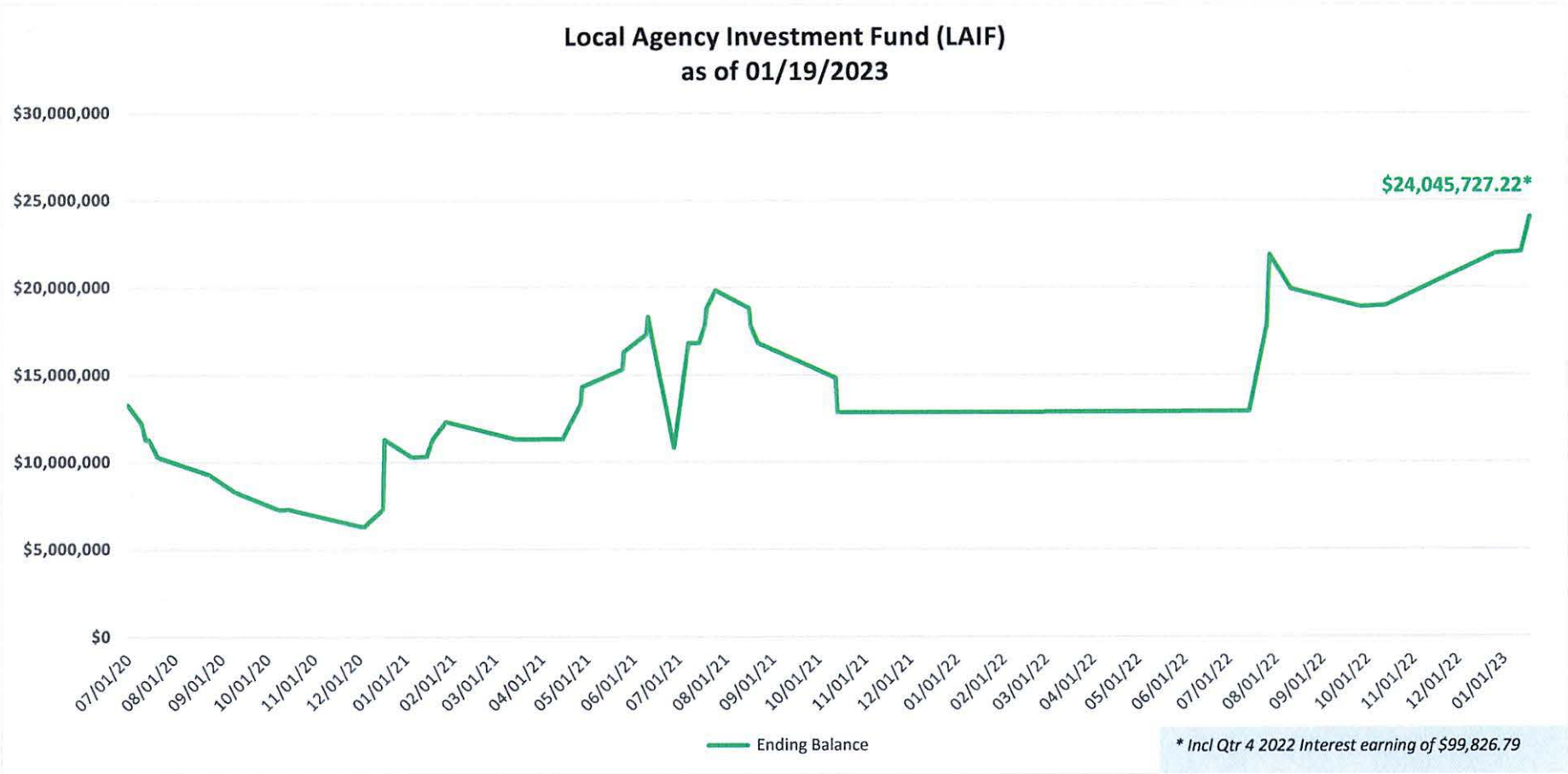
6. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Staff Liaison at 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 <http://www.el-cerrito.org/Archive.aspx?AMID=93>.

2023 CITY COUNCIL LIAISON ASSIGNMENTS			
LEGISLATIVE BODY	Meeting Schedule Meeting Location	2022 Appointee Alternate	2023 Appointee Alternate
Association of Bay Area Governments (ABAG), General Assembly	June (Annually) Bay Area Metro Center Board Room, SF	Quinto Rudnick	Motoyama
League of California Cities East Bay Division (Delegate) <i>(Includes League Annual Conf.)</i>	4th Thurs at 7:00 pm (most months) Various East Bay Cities	Motoyama Rudnick	Rudnick Wysinger
Contra Costa Mayors' Conference (Delegate)	1st Thursday at 6:30 p.m. (Monthly) Various Contra Costa County Cities	Mayor Mayor Pro Tem	Mayor Mayor Pro Tem
West County Mayors' & Supervisors' Assosiation	4th Thursday at 8:30 a.m. (Monthly) Richmond (Jan - Jun) San Pablo (July - Dec)	Mayor Mayor Pro Tem	Mayor Mayor Pro Tem
Marin Clean Energy Board (Delegate)	3rd Thursday at 7:00 p.m. (Monthly) San Rafael	Quinto Motoyama	Quinto Motoyama
West Contra Costa Transportation Advisory Committee (Delegate) <i>(Makes appointment to CCTA)</i>	4th Friday at 8:00 a.m. (Monthly) Council Chambers	Fadelli Quinto	Fadelli Quinto
Tom Bates Regional Sports Field JPA	As Needed Albany	Motoyama Rudnick	Motoyamaa Rudnick
West County Integrated Waste Management Authority (Delegate) <i>RecycleMore</i>	2nd Thursday at 6:15 p.m. (Monthly) San Pablo	Rudnick Abelson	Rudnick Wysinger
Arts & Culture Commission	4th Monday at 7:00 p.m. (Monthly) Council Chambers	Abelson	Motoyama
Committee on Aging	3rd Wednesday at 3:00 p.m. (Monthly) Council Chambers	Abelson Quinto	Fadelli
Crime Prevention Committee	1st Monday at 7:00 p.m. (Monthly) Council Chambers	Quinto	Quinto
Design Review Board	1st Wednesday at 7:30 p.m. (Monthly) Council Chambers	Rudnick	Wysinger
Economic Development Committee	3rd Monday at 7:00 p.m. (Monthly) Council Chambers	Quinto	Wysinger
Environmental Quality Committee	2nd Tuesday at 7:00 p.m. (Monthly) Council Chambers	Motoyama	Motoyama
Financial Advisory Board	4th Tuesday at 7:00 p.m. (Monthly) Council Chambers	Rudnick	Wysinger
Human Relations Commission	2nd Wednesday at 7:00 p.m. (Monthly) Council Chambers	Fadelli	Rudnick
Park and Recreation Commission	4th Wednesday at 7:00 p.m. (Monthly) Council Chambers	Motoyama	Rudnick
Planning Commission	3rd Wednesday at 7:30 p.m. (Monthly) Council Chambers	Abelson	Quinto
Urban Forest Committee	2nd Monday at 7:00 p.m. (Monthly) Council Chambers	Fadelli	Fadelli
Municipal Services Corporation Chair/Vice Chair <i>(Per bylaws)</i>	As needed Council Chambers	Mayor Mayor Pro Tem	Mayor Mayor Pro Tem
Pension Board Chair <i>(Meets same as Council)</i>	As needed Council Chambers	Mayor Mayor Pro Tem	Mayor Mayor Pro Tem

(Physical locations noted for when meeting are no longer held virtually)





AGENDA BILL

Agenda Item No. 6.B.

Date: January 17, 2023
To: El Cerrito City Council
From: Sandra Dalida, Finance Director/City Treasurer, Finance Department
Subject: FY 2022-23 Second Quarter Cash and Investment Report

ACTION PROPOSED

Receive and file the City's second quarterly cash and investment report covering the period of October 1, 2022 - December 31, 2022.

BACKGROUND

It is the policy of the City of El Cerrito ("City") to invest public funds in a manner which provides for the safety of principal while providing enough liquidity to cover the City's short and long-term needs while generating the appropriate yield. All investment activity will conform to the California Government Code, Sections 53601 through 53659.

ANALYSIS

The Quarterly Cash and Investment Report for October 1, 2022 through December 31, 2022 shows that the City's total cash and investments as of December 31, 2022, had a par value of \$28,052,440.76. These funds are available to meet operating expenses for the next six months.

- \$21,945,900.43 of the total cash and investment funds were invested in the pooled funds with the State Treasurer's Local Agency Investment Fund (LAIF). Interest earnings are not posted to LAIF accounts until the month following the close of the quarter. Accordingly, the total cash and investment funds include interest earnings of \$61,672.20 for the quarter ending September 30, 2022, which was posted to the City's account on October 15, 2022. Interest earnings for the quarter ending December 31, 2022, will be reflected in the subsequent report.
- \$6,104,190.33 of the total funds includes cash in accounts with Mechanics Bank. Monthly interest earnings posted to the City account, and included in the total funds with Mechanics Bank, for the quarter totaled \$124.11 as follows:
 - \$44.02 October 31, 2022
 - \$35.65 November 30, 2022
 - \$44.44 December 30, 2022
- \$2,350.00 is the total balance in Petty Cash Funds.

STRATEGIC PLAN CONSIDERATIONS

The City's Investment Policy, Comprehensive Financial Policy, and Strategic Plan sets form guidelines for the investment of City funds and aligns with California Government code, Section 53646 and Section 53600-53609. The purpose of the City's Investment Policy is to provide guidelines for prudent investment of the City's idle funds and ensure policies, procedures, systems, and best practices in fiscal management (Goal B).

ENVIRONMENTAL CONSIDERATIONS

This section is not applicable to this agenda item.

FINANCIAL CONSIDERATIONS

The Quarterly Cash and Investment Report is in compliance with the City of El Cerrito Investment Policy and California Government Code Section 53646. The City will have sufficient cash flow to meet the next six months of estimated expenditures as required by Code 53646.

LEGAL CONSIDERATIONS

The City's investments comply with standards reflected in the City of El Cerrito Investment Policy.

Reviewed by:

A handwritten signature in blue ink, appearing to read "Karen Pinkos".

Karen Pinkos, City Manager

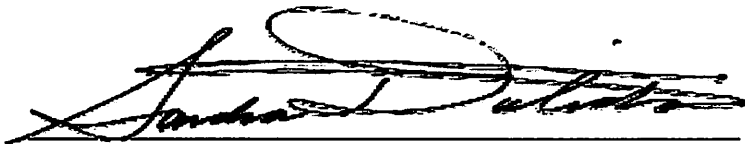
Attachments:

1. Qtr 2 FY 2022-23 Cash and Investment Report

City of El Cerrito
Quarterly Cash and Investment Report
for the Quarter Ending December 31, 2022

Category	Trustee/Broker	Month Ending	PAR Value (Actual Value)	Quarter End Interest Rate	Market Value
Pooled Investments	California State Treasurer	December 31, 2022	\$ 21,945,900.43	2.173%	\$ 21,945,900.43
Cash with Bank	Mechanics Bank	December 31, 2022	\$ 6,104,190.33	0.01%	\$ 6,104,190.33
Petty Cash Funds	City Management	December 31, 2022	\$ 2,350.00	N/A	\$ 2,350.00
Total Cash and Investments			\$ 28,052,440.76		\$ 28,052,440.76

I certify that this report is in compliance with the City of El Cerrito Investment Policy and the California Government Code Section 53646.
The City has sufficient cash to meet the next six months of estimated expenditures as required by the Code.



Sandra Dalida, Finance Director/City Treasurer

Draft – January 2, 2023

Potential Modifications to Comprehensive Financial Policies

FAB Subcommittee on Financial Policies

Introduction

The FAB subcommittee on financial policies was formed with the goal for the subcommittee to identify potential improvements to the city's Comprehensive Financial Policies (CFP). In particular, the subcommittee reviewed the recommendations in the state auditor report to determine which of those might lead to changes in the CFP. The subcommittee has reviewed several of the state auditor recommendations and plans to review more. Below are the state auditor recommendations reviewed to date for which the subcommittee identified potential recommendations that the FAB might make to the city council, and in some cases potential changes to the CFP. The subcommittee recommendations below are intended to facilitate a broader discussion and action with the full FAB membership. Additional subcommittee recommendations will be brought to the full FAB as they are developed.

State Recommendation #4. El Cerrito should adopt GFOA budgeting best practices that specifically include the following:

- o Using historical trends and analysis as the basis for financial projections.
- o Expanding its monthly revenue and expenditure budget updates to include comparisons to actual results to minimize overspending
- o Establishing procedures to prevent, detect, and correct deviations from adopted budgets during the fiscal year to ensure that departments do not significantly overspend.

Potential FAB Recommendations

1. Establish a culture of responsible budgeting and adopting GFOA best practices. Determine the best course of action toward developing standards of adequate reporting and monitoring; achieve the objective of a monthly dashboard showing KPIs
 2. For revenue-generating activities (e.g., recreation, recycling), ensure adequate staff so that revenue is not lost due to inadequate staffing
 3. Structural changes to the budget: For each department, commission or conduct a needs assessment from the ground up to evaluate, similar to zero-based budgeting (may be implicitly provided for in CFP 2.5)
- Pro: These activities were recommended to begin in 2021. Furthering this effort would help progress the City's efforts toward financial health.
 - Con: The longer the City waits to implement recommendations, the more difficult it will become.

Potential Modifications to Comprehensive Financial Policies
FAB Subcommittee on Financial Policies

Potential CFP Modifications

1. It is the City's policy to maintain staff levels adequate to provide the level of service and financial performance found reasonable by the council.
2. It is the City's policy to maintain information systems adequate to monitor the financial and operating performance of the City's activities.

State Recommendation #6: 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 the prior year's budgeted and actual amounts. City management should promptly seek a) agreement from FAB and b) approval from the City Council of proposed budget adjustments by department when warranted. City management should also prepare and provide supporting documentation to justify budget increases.

Potential FAB Recommendations

FAB generally agrees with the recommendation, but has not reached a consensus that full monthly reporting of budget vs. actual performance should be a requirement rather than an option at the discretion of the City Council. The City Council prefers quarterly reporting, with the option to revert to monthly reporting if necessary. Irrespective of the periodicity, the City Council should compare budget vs. actual spending in categories - labor, overtime and nonlabor expenditures. The City Council should also provide comparisons to prior year spending by categories. The City Manager should seek approval of any proposed changes to departmental budgets and provide the City Council with a justification for such changes.

- Pro: This should result in an early warning of excessive spending, or revenue shortfalls, and provide opportunities for prompt course correction.
- Con: Leaders may believe this process cannot be performed with existing staff.

FAB recommends the City Manager and Finance Director evaluate the cost of providing full monthly budget reports.

Potential CFP Modification

None – The City Council adopted a change to the CFP requiring at least monthly budget reporting while retaining the option of monthly reporting if needed.

Potential Modifications to Comprehensive Financial Policies
FAB Subcommittee on Financial Policies

State Recommendation #10: To identify potential savings and efficiencies, El Cerrito should perform the following tasks:

1. By September 2021, analyze the organizational structure of the City and assess the functions it needs to achieve its goals
2. Based on the organizational structure study results, analyze the duties and responsibilities assigned to each City's current staff position to identify any overlapping areas of responsibility and inefficiencies.
3. Using the results of its organizational structure study and its analysis of duties and responsibilities, conduct a compensation study by comparing total compensation for its staff positions with compensation paid by other cities. Based on the results of this study, implement personnel and salary changes that would result in ongoing cost reductions

Potential FAB Recommendations: FAB agrees with the States' recommendations, to which the City also agrees. Exiting CFP implicitly provides policies for state recommendations.

Potential CFP Modification

No specific policy recommendations.

State Recommendation #11: To better control its salary costs, El Cerrito should end its practice of providing city management authority to pay certain employees over the threshold established in its salary ranges.

Potential FAB Recommendations

FAB agrees with the State's recommendation. The City should not allow management to circumvent a Human Resources or Labor Relations process. Salary changes should be conducted in a Central location through a standardized and comprehensive process. The City should look to the Salary study for recommendations on achieving this goal. The City should immediately cease the practice except where prohibited.

- Pro: This could result in a significantly improved financial and operational outcome; it could reduce costs over time if expenditures are contained.
- Con: Leaders may believe that this process prohibits them from hiring top talent. FAB recommends looking to the salary survey to determine all major causes of any

**Potential Modifications to Comprehensive Financial Policies
FAB Subcommittee on Financial Policies**

inability to hire top talent because there may be other significant barriers to hiring top talent.

Potential CFP Modification

None – The City has ended this practice, and this issue does not require a CFP

State Recommendation #12: Based on the results of its comprehensive analysis, El Cerrito should do the following:

1. Freeze salary increases for management with wages above those of comparable cities until they are in line with those salaries. For positions with wages above those of comparable cities that are represented by bargaining units, the City should not agree to additional salary increases until those positions' salaries are in line with salaries in comparable cities
2. Seek to eliminate or consolidate positions

Potential FAB Recommendations

Negotiate terms in union contracts that provide the city control over the number of employees employed under the contract and the flexibility to lay off employees as needed, and modify union agreements to give City more flexibility to address issues with union employees

Pro: Provides more flexibility to the City during times of financial distress so that staff reductions, layoffs and other mechanisms to reduce the City's personnel costs are not limited to the non-bargaining unit employees; may make the City a more attractive place to work

Con: Risks more contention with unions and the possibility of union employee strikes

Potential CFP Modification

None – this recommendation doesn't rise to the level of a policy

State Recommendation #14: To reduce its police department's costs, El Cerrito should perform the following by December 2021:

- Assess the services provided by the police department to identify opportunities to adjust staffing levels (redundant with other similar recs)

Potential Modifications to Comprehensive Financial Policies
FAB Subcommittee on Financial Policies

- Negotiate with its police union to increase the overtime threshold for sworn officers to 86 hours over 14 days to 80 hours over 14 days.

Potential FAB Recommendations

1. The City should commission a cultural study to ascertain if there are any systemic cultural issues, such as sexual or racial bias.
 - Pro: Discovering and correcting a cultural problem may save the city resources required to deal with and settle claims related to harassment;
 - Con: If the study finds there are and have been no issues, then the costs of the study, including time spent by city employees, will have been wasted
2. The City should commission a study on the staffing and functions of the police department
 - Pro: May result in cost savings if current functions could be provided with fewer staff while still providing the level of safety desired by the community
 - Con: A thorough study could be costly, consuming valuable time and resources of city and police staff, and may not result in any material benefit
3. For any position in the police budget (could be any department) for which there is no reasonable expectation of filling, reallocate that budget to other functions or the GF reserve
 - Pro: Provides greater transparency of where expenses are being incurred, possibly resulting in improved operational and financial performance and better use of the GF reserve
 - Con: None identified
3. Evaluate the span of control in the police department, and flatten where possible (similar to staffing studies)
 - Pro: Could result in LT efficiencies and improved operational performance
 - Con: There may be little or no benefit given the relatively small size of the police department
4. Starting with the next police chief, make the chief position non-union (could do with Fire as well, presumably)
 - Pro: It may remove a conflict of interest when City is negotiating with the police union if the chief represents the City rather than the union
 - Con: May create a conflict with the local union and complicate contract negotiations

Potential Modifications to Comprehensive Financial Policies
FAB Subcommittee on Financial Policies

Potential CFP Modification

None. These are suggestions of practice, not policies per se, but could be recommendations to the City Council that the Council request the administration to implement these suggestions.

DRAFT