Item No. 4

THE CITY OF EL CERRITO
**FINANCE DEPARTMENT**

**Staff Liaison**
Crystal Reams | 510-215-4312
creams@ci.el-cerrito.ca.us

# MINUTES

## REGULAR MEETING OF THE **FINANCIAL ADVISORY BOARD (FAB)**

**Tuesday, January 23, 2024 at 6:30 p.m.**
City hall, council Chambers
10890 San Pablo Avenue
El Cerrito, CA 94530

**This Meeting Place is Wheelchair Accessible**

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**6:30 p.m. CONVENNE REGULAR MEETING**

1. **ROLL CALL –** Chair Farhad Farahmand called the meeting to order at 6:33 p.m.
   Present: Chair Farhad Farahmand; Members Dick Patterson, Kimberly White
   Absent: Nate Schaffran.
   .
2. **ORAL COMMUNICATIONS FROM THE PUBLIC**
   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 body. Remarks on agenda items will be heard at the time the item is discussed.
   Public Comments: None

3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS** *(10 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.
   - Crystal Reams, Finance Director –
     - FYE 2023 Audit Update
     - Section 115 Investment Policy Update
     - Budget kickoff with Council/Public
   - Fadelli – welcome as new council liaison
     - Strategic plan
     - Budget kickoff
     - Deferred maintenance
     - Any questions – willing to help with any questions/comments

4. **APPROVAL OF THE MINUTES** (*5 min.) (*Attachment)
   Consider a motion adopting the minutes for the FAB meeting held on December 14, 2023.
   Moved/Second: Chair Farahmand/Member Patterson. Action passed a motion adopting the minutes of the FAB meeting on December 14, 2023.
   Ayes: Chair Farhad Farahmand, Members; Dick Patterson, Kimberly White.
   Absent: Member Schaffran.

5. **SECTION 115 INVESTMENT POLICY DRAFT** (*20 min.)*
   Want to know the cost (crystal to follow up)
   Moved/Second: Chair Farahmand/Member White. Action passed a motion to propose section 115 investment policy to council with the addition of section 3.6 of the City's current investment policy.
   Ayes: Chair Farahmand and Member White.
   Nos: Member Patterson
   Absent: Member Schaffran

6. **GENERAL FUND RESERVE BALANCE** *(10 min.)*
   Moved/Second: Chair Farahmand/Member Patterson. Action passed a motion to propose the edits to the general fund reserve policy, with the edit of 4.2 fund and maintain the EDRF at 13% of General Fund Operating. Second by Patterson.
   Ayes: Chair Farahmand, Members White and Patterson
   Absent: Member Schaffran

7. **UAL DISCUSSION** *(20 min.)*
   Members looked at other cities to see strategies for addressing UAL.

8. **BUDGET TIMELINE** *(10 min.)*
   Not updating the timeline that the FAB recommended.

9. **WORKPLAN DISCUSSION** *(10 min.)*
   No items to discuss.

10. **FUTURE AGENDA ITEMS** (*5 min.)*
    Add work plan to next meeting.

11. **ADJOURNMENT**
    The meeting adjourned at 8:51 p.m.

____________________________
Farhad Farahmand, 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 January 23, 2024, as approved by the Financial Advisory Board.

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Crystal Reams, Staff Liaison

Item No. 5

# City of El Cerrito

JUNE 30, 2023

AUDIT RESULTS

Chavan and Associates, llp

Certified Public Accountants

# Audit Process

1. Audit Planning & Preparation
2. Audit Execution
3. Audit Reporting
4. Follow-up

# Audit Standards and Auditor Responsibilities

## GAAS

## GAGAS

## Objective

- Express an Opinion on the Financial Statements

## Responsibilities

- Reasonable Assurance
- Risk Based
- Materiality
- Internal Controls

# Annual Comprehensive Financial Report (ACFR)

## Section 1 Introductory

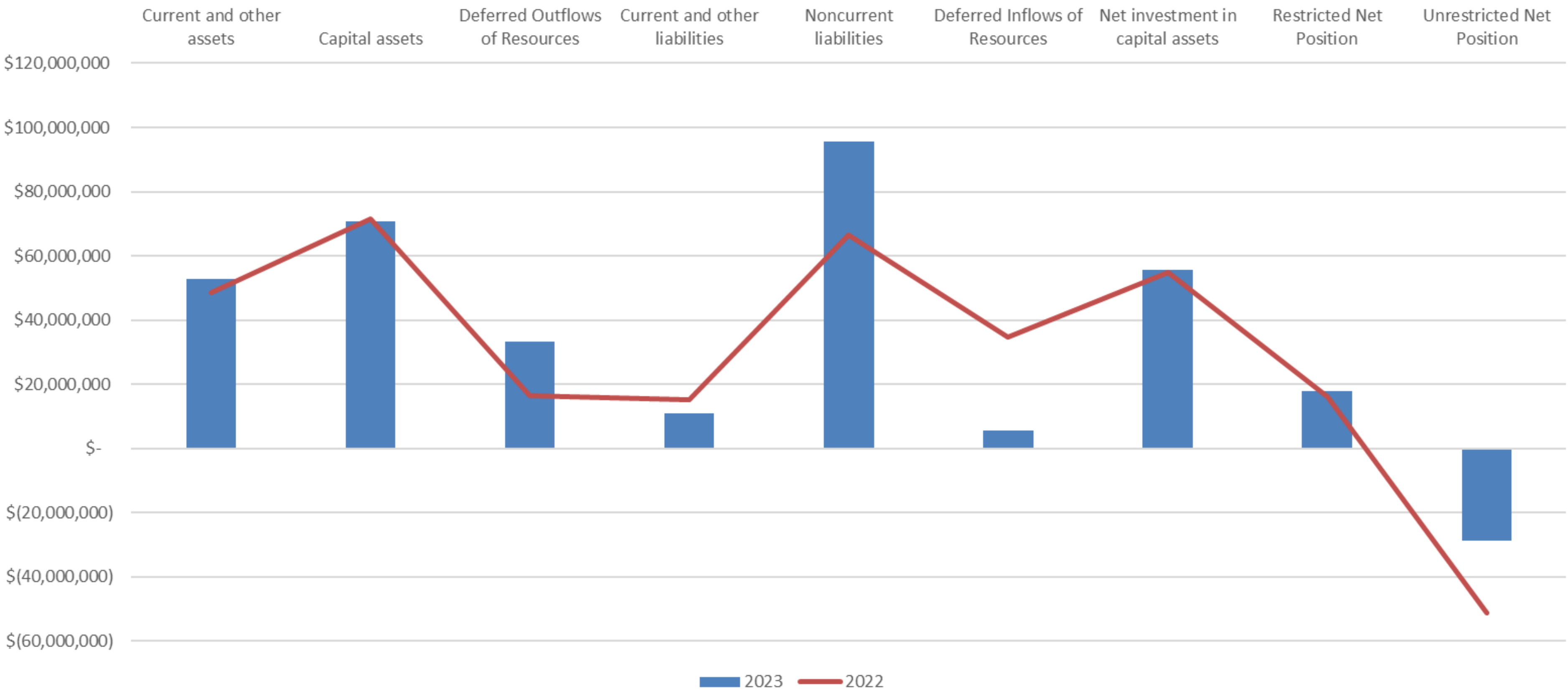
- Letter of Transmittal
- Elected Officials
- Organizational Chart

## Section 2 Financial

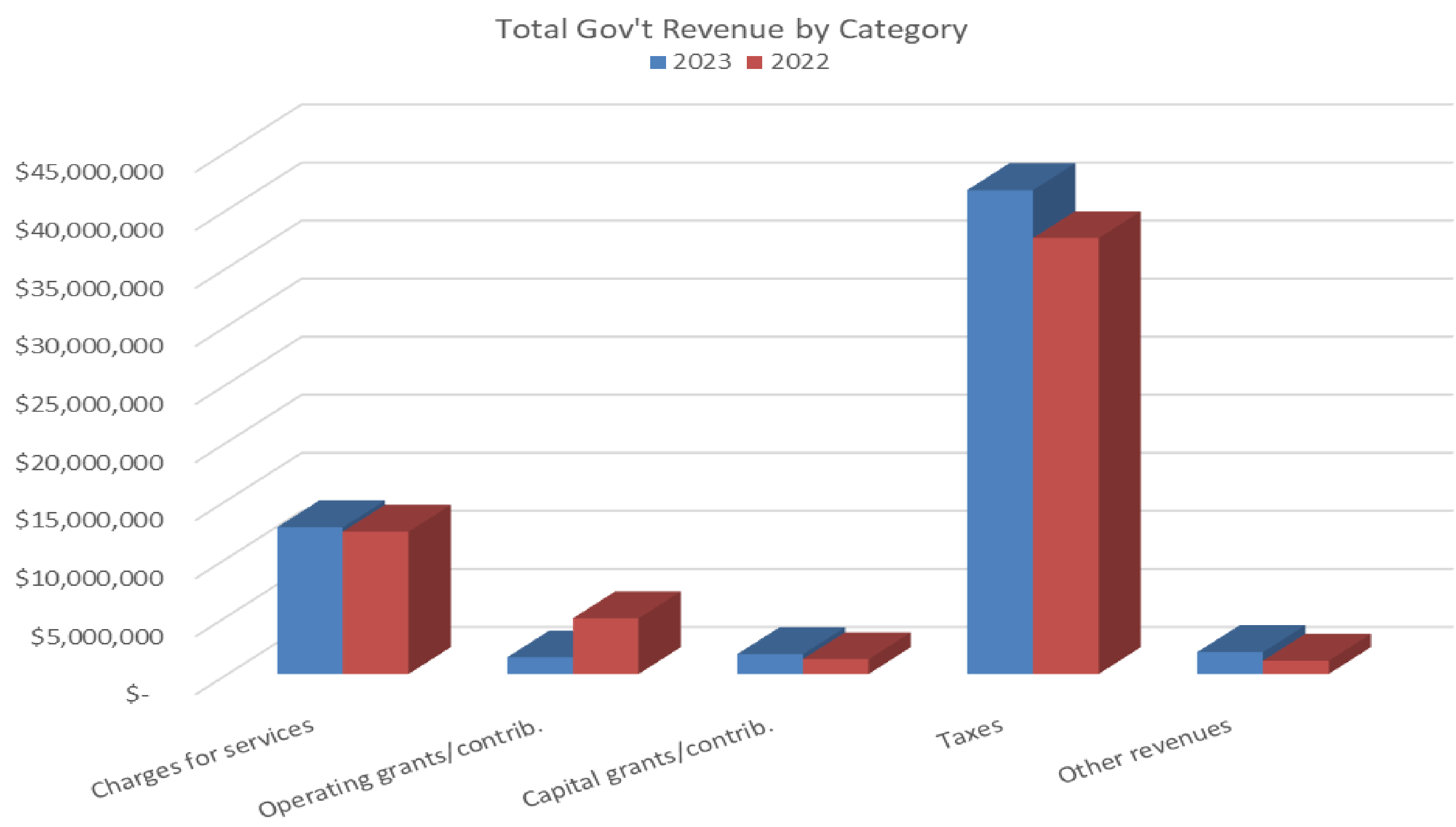
- Auditor's Opinion
- MD&A
- Financial Statements and Notes
- Required Supplementary Information
- Supplementary Information

## Section 3 Statistical

- Fiscal
- Historical
- Demographic Information




# Statement of Net Position




# Governmental Activities - Revenues

# Governmental Expenses by Function

# Business-Type Activities


# Audit Results

No Exceptions in Audit Opinions

No Material Weaknesses

No Disagreements with Management

No Significant Passed on Adjustments

Control Deficiencies

Item No. 6

# City of El Cerrito
# Mid-Year Budget Update

**March 5, 2024**

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# FY 2022-23

- Audit complete, presentation to Council on March 19
- Estimated surplus of $6.93M due to:
  - Higher-than-anticipated revenues (incl. property tax, sales tax, and business licenses)
  - Staffing vacancies
- Policy on surplus use ("waterfall" process):
  1. Fund GF Reserve to 100% of target rate (10% of GF expenditures)
  2. Fund EDRF to 100% of target balance (3 months of payroll)
  3. 33% of remaining surplus towards pension liability
  4. CM will recommend one-time expenditures, including capital improvements, maintenance, and equipment

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# Purchase Order Roll Forward

- Large number of purchase orders incomplete by end of FY 2022-23
  - Planned, budgeted expenditures
  - Incomplete due to staffing shortages (internal and external) and supply chain disruptions
- Staff recommend rolling forward $1M from the General Fund surplus for FY 2022-23 POs
  - $1.6M total across all funds
- New process for rolling any future POs
  - Will be brought to Council annually in late summer

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# Mid-Year Review

# FY 2023-24

Summary:

- Lower than budgeted revenues due to current economic conditions
- Higher than budgeted expenditures from unexpected costs
- One-time uses of unrestricted General Fund Balance for critical infrastructure needs
- Strong reserves, both restricted (EDRF) and unrestricted

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# Summary of General Fund Adjustments

- General Government
  - Decrease of $1M in forecasted Property Transfer Tax revenues due to slow property markets
  - One-time transfer of $350K to CIP Fund to fulfil terms of MSC Loan
- Administration
  - Measure R public information support - $125K
  - Increase in Insurance Premiums - $300K
  - Salary increase of 4% for SEIU employees (approved by Council XXX) - $76,484
  - Cyber attack deductible and related IT costs - $90K
- Community Development
  - Increased permit activity - revenue increase $360K
  - Related expenditure increase - $466K
- Fire
  - Higher-than budgeted overtime costs - $287K
  - Emergency fire engine repairs - $50K
- Police
  - Parking citation revenue expected above budget - $25K
- Public Works
  - Increased permit activity - revenue increase $139K
  - Related expenditure increase - $186K
- Recreation
  - High participation and sign-up rates - revenue increase $630K
  - Related expenditure increase – $510K

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# Summary of General Fund Adjustments

| Department | One-time Revenue | Ongoing Revenue | Total Revenue | One-time Expense | Ongoing Expense | Total Expense | Net General Fund | Notes |
|---|---|---|---|---|---|---|---|---|
| **FY 2023-24** | | | | | | | | |
| City Council | | | | | 6,270 | 6,270 | (6,270) | City Council salary increase (1/2 year) |
| City Management - CM | | | | 125,000 | | 125,000 | (125,000) | Public Information - Measure R |
| City Management- HR | | | | 300,000 | 76,484 | 376,484 | (376,484) | Insurance Premium & SEIU increase |
| City Management - IT | | | | 90,000 | | 90,000 | (90,000) | Cyber-hack Deductible & related costs |
| Community Development | 360,000 | | 360,000 | 466,000 | | 466,000 | (106,000) | Staffing/consultant costs - increased permit activity |
| Fire | | | | 337,000 | | 337,000 | (337,000) | Fire OT increase and emergency fire engine repairs |
| Police | 25,000 | | 25,000 | | | - | 25,000 | Parking fines increase |
| Public Works | 139,200 | | 139,200 | 186,000 | | 186,000 | (46,800) | Wildcat inspection services, Emergency tree work, Filled vacancies |
| Recreation | 630,000 | | 630,000 | 510,000 | | 510,000 | 120,000 | Staffing/contractors - increased program activity |
| Non-Departmental | (1,000,000) | | (1,000,000) | 350,000 | | 350,000 | (1,350,000) | Decrease RPTT, Transfer $350K to CIP for MSC loan |
| **Total FY 2023-24** | **154,200** | | **154,200** | **2,364,000** | **82,754** | **2,446,754** | **(2,292,554)** | |

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# Council-Approved Uses of Unassigned Fund Balance

| | |
|---|---|
| ***Approved Prior to December 31, 2023*** | |
| Emergency Back-Up Generator for Fire Station 52 | 75,000 |
| Arlington Park Improvements Project | 75,000 |
| El Cerrito Safety Element | 184,269 |
| Establishment of Section 115 Trust | 1,000,000 |
| **Total Budget Amendments by Mid-Year** | **1,334,269** |
| | |
| ***Approved After December 31, 2023*** | |
| Purchase of Church Property | 1,604,631 |
| Landscape Maintenance Services Contract | 86,078 |
| Park & Facility Deferred Maintenance and Repair Projects | 1,084,800 |
| **Total Approved Budget Adjustments in FY 2023-24** | **4,109,778** |

- Approved uses total $4.1M
- Investments in City infrastructure including:
  - Park improvements
  - Deferred maintenance and repairs
  - Purchase of church property
- Includes investment of $1M for pension obligations
- Uses approved after Dec 31 not included in mid-year summaries but included in total General Fund Balance analysis



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# General Fund Balance

- Robust General Fund reserves remaining after all proposed adjustments
  - Emergency and Disaster Recovery Fund (EDRF) of $9M
  - General Fund Reserve of $4.4M, 10% of GF expenditures per policy
  - Surplus reserved for pension costs of $508K
  - Remaining Unassigned Fund Balance of $1.84M
- **Total reserves: $15.7M**
  - Additional $1M in Section 115 Trust

| | |
|---|---|
| Beginning Fund Balance | 16,214,375 |
| FY 2022-23 Surplus | 6,928,706 |
| PO Roll-Forward | (1,000,000) |
| Adjusted FY 2022-23 Surplus | 5,928,706 |
| | |
| Unassigned Fund Balance | 22,143,081 |
| Allocation to General Fund Reserve | (4,389,018) |
| Allocation to EDRF | (9,000,000) |
| Allocation to Section 115 Trust | (1,000,000) |
| 33% of Surplus reserved for UAL or Pension or OPEB | (508,097) |
| **Remaining Unassigned Fund Balance** | **7,245,966** |
| | |
| | |
| Approved adjustments during FY 2023-24 | (3,109,778)* |
| Recommended Adjustment for FY 2023-24 Operations | (2,292,554) |
| | |
| **Remaining Unassigned Fund Balance** | **1,843,634** |

*Includes commitments by Council made after December 31, 2023.
Recommended adjustments in blue

# General Fund Forecast

- Forecast based on current budget year and carefully developed assumptions
- Preliminary FY 24-25 estimates:
  - Revenue stagnant
  - Costs increasing from inflation and labor contracts
- Staff will incorporate forecast during FY 2024-25/FY 2025-26 budget adoption process

- Assumptions:
  - Moderate revenue growth based on historic and current trends
  - Expenditure growth includes existing employment agreements and conservative expenditure growth
  - Includes impact of dissolution of Successor Agency and current CalPERS actuarial estimates
  - Does not include use of funds held in Section 115 Trust



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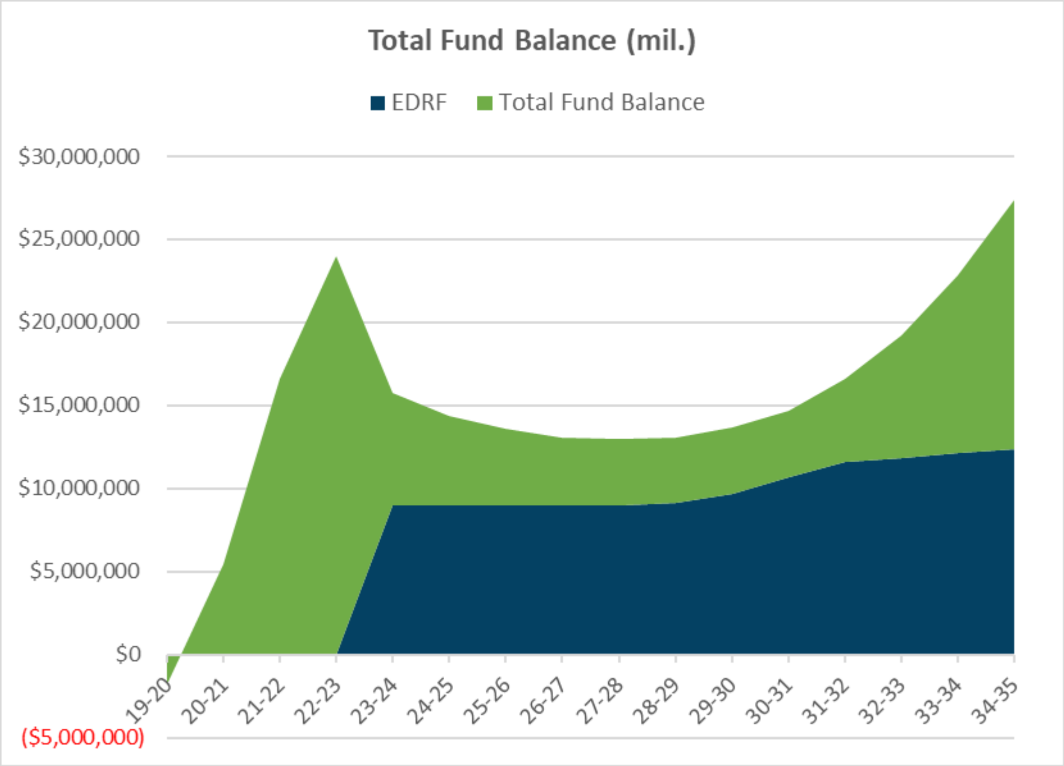
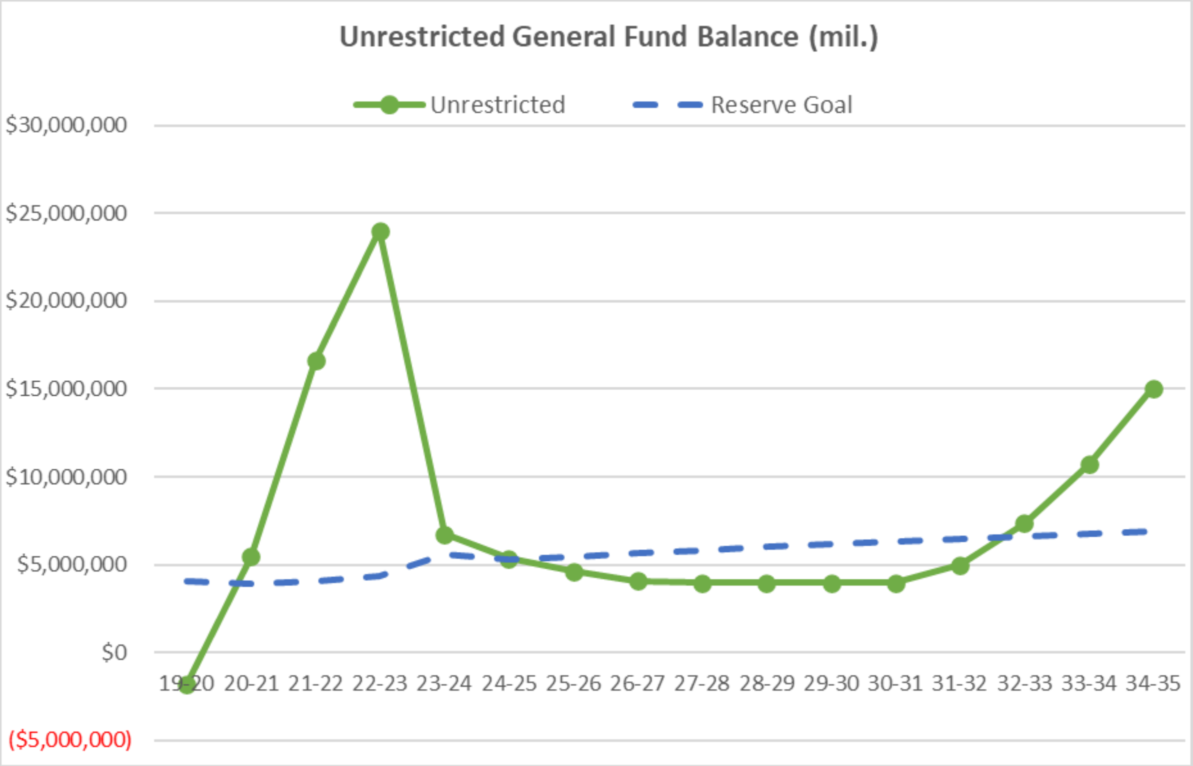
# General Fund Forecast – Current Projection




- Current budget year, including proposed mid-year adjustments
- Steep drop in FY 23-24 from use of one-time funds, including establishment of EDRF and Pension Trust
- Assumes no budget changes or corrections in future years



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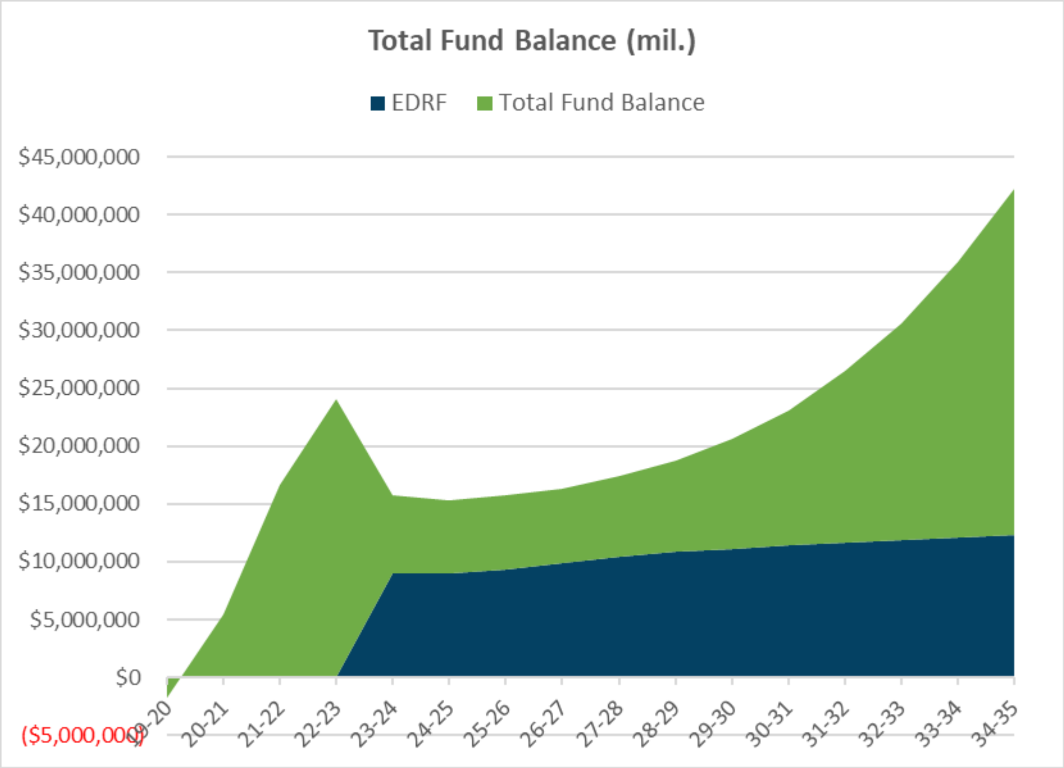
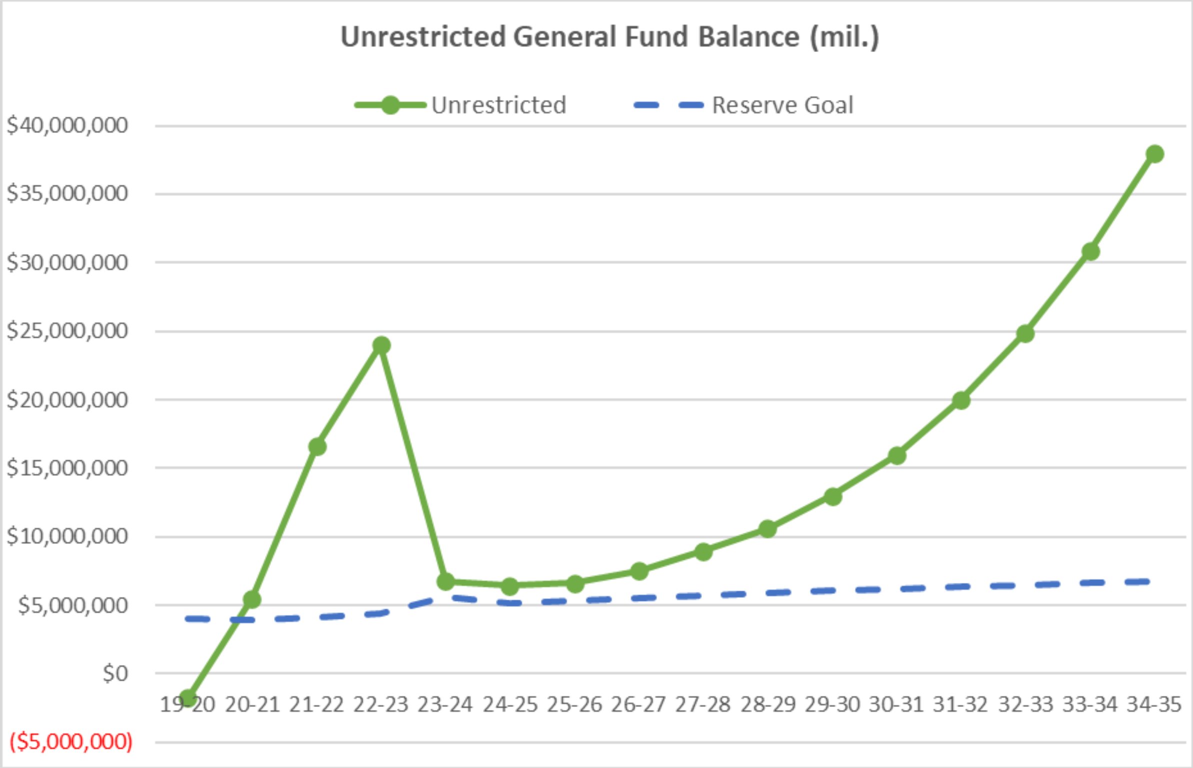
# General Fund Forecast – Scenario




- Ongoing budget adjustments of $1M beginning in FY 24-25
- Further discussions of budget adjustments during community outreach and future Council meetings

# Questions