



**City of Emeryville  
Finance Advisory Committee**

William C Reuter, Chairperson & Resident  
Nora Davis, Council Member  
Jac Asher, Mayor  
Fran Quittel, Resident

Benay Curtis-Bauer, Business Rep  
Stephen Cutty, Labor Rep  
Vacant, Business Rep

**AGENDA**

Special Meeting of the Finance Advisory Committee  
GARDEN ROOM, OLD TOWN HALL  
1333 Park Avenue, Emeryville, CA 94608

**Monday, December 16, 2013, 5:30 p.m.**

All Advisory Committee meetings are noticed as Special City Council Meetings so that any or all of the City Council may attend and participate in the Advisory Committee's deliberations. However, actions taken by Advisory Committees are not official actions of the City Council but must be ratified at a regular City Council. All writings that are public records and relate to an agenda item below which are distributed to a majority of the Finance Committee (including writings distributed to a majority of the Finance Committee less than 72 hours prior to the meeting noticed below) will be available at the Information Counter, 1333 Park Avenue, Emeryville, California during normal business hours (9am to 5pm, Monday through Friday, excluding legal holidays).

In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid or service to participate in this program should contact the sponsoring department or the City Clerk at (510) 596-7800, as far in advance as possible, but no later than 72 hours before the scheduled event. The best effort to fulfill the request will be made.

No dogs, cats, birds or any other animal or fowl shall be allowed at or brought in to a public meeting by any person except (i) as to members of the public or City staff utilizing the assistance of a service animal, which is defined as a guide dog, signal dog, or other animal individually trained to provide assistance to an individual with a disability, or (ii) as to police officers utilizing the assistance of a dog(s) in law enforcement duties.

The **AGENDA** for this meeting is as follows:

- I. **CALL TO ORDER**
- II. **PUBLIC COMMENTS**
- III. **APPROVE MINUTES FROM SEPTEMBER 23, 2013 AND NOVEMBER 18, 2013 MEETINGS**
- IV. **AGENDA ITEMS**
  - A. Review of Audited Financial Statements for the Year Ended June 30, 2013 and Transfer of Fund Balances
- V. **STAFF COMMENTS**
- VI. **COMMITTEE MEMBER COMMENTS**
- VII. **ADJOURNMENT**

**FURTHER INFORMATION** may be obtained by contacting Debra Auker, Director of Administrative Services, at (510) 596-4352. The next scheduled special meeting is **February 24, 2014 at 5:30 p.m.**

**DATED: December 12, 2013**

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Karen Hemphill, City Clerk

Post on: Dec 12, 2013  
Post until: Dec 17, 2013

**City of Emeryville**  
**Finance Advisory Committee Meeting Minutes**  
**September 23, 2013, 5:30pm**

**Members Present:**

William C Reuter, Chairperson  
Nora Davis, Council Member  
Jac Asher, Council Member  
Stephen Cutty, SEIU 1021  
Fran Quittel, Resident

**Staff Present:**

Sabrina Landreth, City Manager  
Debra Auker, Director of Administrative Services  
Michelle Strawson O'Hara, Accounting Supervisor

**Excused:**

Benay Curtis-Bauer, Business Rep

- I. **Call to Order:** The meeting was called to order at 5:30 p.m.
- II. **Public Comments:** Resident Ken Bukowski confirmed that Finance Committee member Elizabeth Altieri passed away and suggested closing the meeting in her honor.
- III. **Minutes from August 19, 2013 Meeting:** Approved
- IV. **Agenda Items:**
  - A. **Refinancing Outstanding Civic Center Bonds** – James Fabian of Fieldman, Rolapp & Associates and Bond Council Brian Quint (from Quint & Thimmig, LLP) presented their recommendation to refinance the City of Emeryville Public Financing Authority Lease Revenue Bonds, 1998 Series A through a process of requesting proposals/bids from direct purchase investors. They explained that refinancing would save the City an estimated \$1.1 million total over the next 15 years.
    - Member Fran Quittel asked about the payment savings/year through 2028. Mr. Fabian estimated the savings to be approximately \$75k/year. Member Quittel questioned the debt balance and whether it is \$5.6 million or \$7 million. Mr. Fabian explained that the \$7 million represented the original bond issuance in 1998 and with the principal repayments to date; this balance is now \$5.6 million. Member Quittel also asked about any refinancing fees. Mr. Fabian estimated the fees for a private placement loan to be approximately \$80k. These costs have already been deducted to arrive at the \$75k savings/year. The net present value of these savings is approximately \$395k. The savings with making a public placement would be significantly less at about \$160k.
    - Member Jac Asher questioned whether there would be an impact on the City's credit rating. Mr. Quint explained that there would be no impact and furthermore, the City would be reducing its debt service would be seen as a positive (i.e. no new debt).
    - Member Quittel questioned whether there would be any downside to moving forward with the refinancing. Both Mr. Fabian and Mr. Quint confirmed that there would not be.
    - Mr. Quint confirmed that staff would have a firm interest rate from the proposing bank before going to Council for approval.
    - Member Nora Davis requested that we be sure to include local banks from the Bay Area when requesting proposals/bids.
    - Member Quittel asked whether we would owe anything to the presenters (Fieldman, Rolapp, & Associates and/or Quint & Thimmig, LLP) if the City chose not to move forward. Mr. Quint explained that we would not since they work on a contingent basis.

- The committee approved proceeding with the process of requesting proposals/bids from direct purchase investors to be brought forward for Council approval.

**B. Discussion of Emeryville Center of Community Life (ECCL)** – Director Debra Auker provided an update of the ECCL Project as described in the September 3, 2013 City Council staff report. Ms. Auker confirmed the City received a Finding of Completion letter from the State and that is it unlikely that the Department of Finance won't approve it.

- Member Fran Quittel requested that security expenses be shown as a separate line item, specifically for evening events or those outside of school hours. Ms. Auker mentioned that she spoke with Chief Ken James and he explained that the Police Department would respond as it currently does to any security issues. She also explained that there would be a separate security office and that the renters of the space would be responsible for additional security costs. Member Davis suggested adding this topic to the next Public Safety Committee meeting and have Chief James speak to it.
- Member Asher reiterated her concerns over the costs the City is proposing to invest in this project.
- Member William Reuter asked about the status of the bike path. Ms. Auker and Ms. Landreth responded that the extra costs would be approximately \$750k and that this would be a Phase II project as approved by the Planning Commission.
- Ms. Auker confirmed that the ECCL is scheduled to be approved in November 2013.

**C. Update on Redevelopment Dissolution Actions** – Director Auker provided a verbal report on the current activities related to redevelopment dissolution:

- The January through June 2013 ROPS was completed and would be presented to the Oversight Board for approval on Thursday, September 26.
- The City received the Notice of Completion from the Department of Finance.
- There is currently \$16.4 million held in escrow.
- Member Reuter requested a hard copy of the ROPS be left at the front desk for him to pick up.

V. **Staff Comments:** None.

VI. **Committee Member Comments:** Member Quittel requested that simple documents and or tables/charts be used as a tool for assessing any financial decisions moving forward. Member Reuter requested a regular report on the City's debt/interest. Quarterly or annual reports would be fine.

VII. **Adjournment:** The meeting was adjourned at 6:30 p.m.

**City of Emeryville**  
**Finance Advisory Committee Meeting Minutes**  
**November 18, 2013, 5:30pm**

**Members Present:**

William C Reuter, Chairperson  
Nora Davis, Council Member  
Jac Asher, Council Member  
Benay Curtis-Bauer, Business Rep

**Staff Present:**

Sabrina Landreth, City Manager  
Debra Auker, Director of Administrative Services  
Michelle Strawson O'Hara, Accounting Supervisor

**Excused:**

Fran Quittel, Resident  
Stephen Cutty, SEIU 1021

- I. **Call to Order:** The meeting was called to order at 5:32 p.m.
- II. **Public Comments:** None.
- III. **Minutes from September 23, 2013 Meeting:** No quorum; moved approval to next meeting December 16, 2013.
- IV. **Agenda Items:**
  - A. **Quarterly Financial Update** – Director Debra Auker presented the first quarter 2013-14 financial update noting that the City is seeing steady improvements in sales tax revenues.
    - Member Nora Davis suggested staff consider how increases in solar energy would impact the City's utility users' tax (UUT) revenues. She also reminded the committee that card room taxes may need to be replaced with alternate revenue sources given potential competition with the opening of a new Bay Area casino.
    - Member William Reuter requested that debt reporting be included as a regular part of the Finance Committee reporting packet in the future. Ms. Auker explained that she is currently working on creating this.
    - Member Benay Curtis-Bauer inquired about unfilled employment positions within the City. Ms. Auker explained the current status of job postings and noted that there are currently no frozen positions.
    - Member Jac Asher asked why year to date education & training expenses are below budget. Ms. Auker explained that many of the trainings are cyclical and are only offered during specific times of the year (i.e. spring). The education & training budget will be revisited during the next budget cycle.
  - B. **Discussion regarding the Capital Improvement Program** – Director Debra Auker presented the CIP information that was provided to Council. She explained that City staff will bring forward the proposal to the community in the spring to invite feedback on priorities and potential projects, with a goal of bringing the final CIP proposal to Council for approval in June 2014.
    - Member Asher requested that all subcommittees participating in the CIP process receive a full listing of the possible projects as well as a refined listing ("want list").
    - Member Reuter emphasized the need to simplify what we bring to the public; it needs to be a tight and clear proposal. Member Davis concurred.
    - City Manager Sabrina Landreth noted that staff will also bring forward a set of CIP policies (i.e. all new projects must include estimates for ongoing maintenance costs) which will be rolled into the two year budget as applicable.

- Member Davis noted that the specific CIP proposals should also describe who or what region has the potential to benefit from the implementation of a project (i.e. benefit to entire City or a specific region). She also questioned the criteria for being considered CIP and whether some items could just be handled in the City's operational budget. Ms. Auker explained that historically it was a dollar threshold that determined whether a project was classified as CIP and if under a threshold it would be considered part of operational budget.
- Ms. Landreth recommended the City use the Major Maintenance fund to pay for smaller, maintenance type jobs.
- Member Asher emphasized that staff should retain the ability to take care of smaller jobs such as sidewalk repair even if they are considered part of a larger project.
- Member Davis noted that the City should consider having homeowners bear some of the burden of maintenance such as sidewalk repair.
- Ms. Auker concluded by saying she would bring this item back for further consideration at the February 24, 2014 Finance Committee meeting.

**C. Discussion regarding Investment Advisory Services** – Ms. Auker summarized the City's current investment portfolio and explained the benefit of utilizing external investment advisory services.

- Member Davis is supportive of sending out a request for proposal however advised staff to be very cautious.
- Member Curtis-Bauer encouraged staff to look closely at compliance and how the investment companies are getting their returns. She also encouraged staff to consider FDIC insurance CD's and other new types of investments.

**D. Status of Alameda County Fire Services Contract** – Ms. Auker presented the latest expenditures report from Alameda County.

- Ms. Landreth explained the current status of the fire contract negotiations and that a vote is expected on December 5<sup>th</sup>. The new contract would expire in 2015.
- Member Davis noted that the fire services have continued to be very good since the transition.

**E. Update on Redevelopment Dissolution Actions** – Ms. Auker noted that the latest ROPS was just accepted by the Department of Finance (DOF) without adjustments. The DOF will however be following to review the Successor Agency fund balances.

V. **Staff Comments:** Ms. Auker proposed a special meeting be held on December 16, 2013 for a presentation by auditors of LSL of the City of Emeryville's FY2012-13 CAFR. Ms. Auker also reminded members about upcoming committee vacancies and the need to reappoint for new terms for Council approval.

VI. **Committee Member Comments:** None

VII. **Adjournment:** The meeting was adjourned at 6:31 p.m.

# CITY OF EMERYVILLE



## MEMORANDUM

**DATE:** December 16, 2013

**TO:** Finance Advisory Committee

**FROM:** Debra C. Auker, Director of Administrative Services  
Finance Division, Administrative Services Division

**SUBJECT:** Audited Financial Statements for the Year Ending June 30, 2013 and Transfer of Fund Balances

### Audited Financial Statements for the Year Ending June 30, 2013

Each year, the City of Emeryville (City) completes a financial audit, in which independent outside auditors provide an opinion on the City's financial statements. Emeryville has engaged the firm of Lance, Soll & Lunghard (LSL) as the City's outside auditor. The auditor's opinion is unqualified and indicates that the City's financial statements represent fairly and in all material respects the financial position of the City of Emeryville as of June 30, 2013. The Draft City of Emeryville Basic Financial Statements are attached for your reference.

General Fund Results for the year ended June 30, 2013 – The chart below summarizes the results to the audited revenues and expenditures as compared to the estimates reflected in the FY 2012-13 Budget projections.

<b>GENERAL FUND as of June 30, 2013</b>	audited <u>6/30/2012</u>	budgeted <u>6/30/2013</u>	audited <u>6/30/2013</u>
Revenues	\$ 32,443,840	\$ 30,185,267	\$ 31,156,507
Expenditures	27,808,616	27,858,816	26,743,742
Net of Rev over Exp	4,635,224	2,326,451	4,412,765
Transfers In	12,408,142	343,500	343,500
Less Transfers In - Land Held for Resale	(10,498,027)		-
Transfers Out	(3,580,188)	(3,946,070)	(3,973,735)
Contribution from Successor Agency	1,032,880		-
Net change	3,998,031	(1,276,119)	782,530
Beginning Fund Balance, Unassigned	8,742,089	12,361,223	12,361,223
Net change to other restricted fund balance	(378,897)	(2,845,569)	(2,845,569)
Total Ending Fund Balance, Unassigned	<b>\$ 12,361,223</b>	<b>\$ 8,239,535</b>	<b>\$ 10,298,184</b>

As you recall, there is no separate Redevelopment Agency financial statement for the year ended June 30, 2013 due to the State's action to eliminate all redevelopment agencies as

of February 1, 2012. Similar to last year, the newly created Successor Agency to the Emeryville Redevelopment Agency is reported as a private-purpose trust fund in the City financial statements. This new entity is not part of the general government of the City of Emeryville. The notes to the financial statements (see notes 1, 17 and 18) provide the details of the dissolution of redevelopment. The City has also issued the following separate compliance audit reports that are included as attachments: General Child Development Program, Measure B Funds, and Vehicle License Fee Revenue.

### **Auditors' Communication with those Charged with Governance**

Professional auditing standards require the auditor to communicate, in writing, to management and those charged with governance, and that the auditors provide a *Report on Internal Control over Financial Reporting and Compliance and Other Matters*. The Auditors' Communication letter relates to all audit reports issued for the year ended June 30, 2013. The comments noted in the Report on Internal Control will be discussed at the December 16 meeting. The Audit Partner from Lance, Soll & Lunghard will be in attendance to discuss all audit related reports.

### **Transfer of Fund Balances**

The City Council has established a policy to identify and set aside available amounts for unfunded liabilities, capital replacement funds and capital projects. During the past several years, the City Council has taken action to fund unfunded liabilities when funds are available. Since fiscal year 1995-96 Unassigned General Fund balance has been transferred to the following funds: General Capital Improvement Fund, Major Maintenance Fund, Vehicle Replacement Fund, Economic Uncertainty Fund, Technology Fund, Pension Trust Fund, Accrued Benefit Internal Service Fund, Litigation Fund, PERS Liability Fund, Child Development Center, and Earthquake Insurance Fund.

The City's policy, as restated by Council in June 2010, is to maintain unassigned fund balance in an amount of at least 25% of budgeted operating expenditures with a goal of bringing the level of fund balance up to 50%, including the Economic Uncertainty Fund. Once an acceptable level is achieved, any current year excess revenues should continue to be set aside into long term reserves for unfunded liabilities and economic uncertainties.

Budgeted expenditures for the 2012-13 fiscal year are \$27,858,816. The unassigned fund balance of \$10,298,184 represents approximately 37% of budgeted expenditures for the 2012-13 fiscal year. As of June 30, 2013, the Economic Uncertainty fund has a committed fund balance of \$5,457,272 or 19.5 % of the fiscal year 2012-13 General Fund expenditure budget. Adding together the Economic Uncertainty fund and the unassigned fund balance equals a total of 56.5% as of June 30, 2013.

The audited General Fund balances are reflected in the chart below:

<b>GENERAL FUND</b>	Audited Balance at 6/30/11	Audited Balance at 6/30/12	Actual Balance at 6/30/13
<b>Fund Balances:</b>			
<b>Nonspendable</b>			
Prepaid costs	\$ 189,434	\$ 30,970	\$ 448,058
Land held for resale		10,498,027	8,354,747
Advance to other funds			3,302,270
<b>Restricted</b>			
Small Business incentives	100,000	100,000	100,000
<b>Committed</b>			
Economic Development			380,567
PERS Liability	1,945,339	2,600,164	5,124,791
Economic Uncertainty	5,367,334	5,423,439	5,457,272
<b>Assigned</b>			
Capital projects	1,921,000	1,921,000	
Unfunded liabilities	1,900,000	1,900,000	
Earthquake insurance	1,298,468	1,312,044	1,320,228
<b>Unassigned</b>			
	8,742,089	12,361,223	10,298,184
<b>Total Fund Balance</b>	<b>\$ 21,463,664</b>	<b>\$ 36,146,867</b>	<b>\$ 34,786,117</b>

In order to adhere to the Fund Balance Policy, staff recommends transferring no more than \$2,300,000 of the General Fund unassigned fund balance to provide funding for unfunded liabilities and capital projects, which would meet the policy to leave the unassigned fund balance at approximately 25% of budgeted expenditures for the fiscal year.

However, staff is recommending that the allocation to other funds should be in line with the City's capital needs and that recommendations should be presented with the Capital Improvement Program budget in the Spring.

There are however, two exceptions to this recommendation in which the transfer of funds are necessary to meet immediate needs:

1. The Child Development Center has experienced low enrollment over the past several months. Staff has projected a possible deficit of \$250,000; therefore staff is recommending a transfer of \$250,000 to the Child Development Fund.
2. The Self-Insured Dental Fund is experiencing higher than expected claims expense. The revenue allocated on a monthly basis is not sufficient to cover the service costs and therefore the fund currently has a negative balance of \$3,000. Staff is analyzing the fund activities and will propose a new funding formula with the FY 2014-15 operating budget. However, in order to mitigate the negative balance staff is recommending a transfer of \$50,000 to the Self-insured Dental Fund.

If the Committee supports the recommended assignment for these immediate needs, staff recommends making the following transfers:

Fund	Amount
Child Development – Fund 230	250,000
Self-Insured Dental – Fund	50,000
Total Transfers	\$ 300,000

## Recommendations

The following are staff recommendations relating to the financial statements for the City of Emeryville for the year ended June 30, 2013:

- Review the draft financial statements attached
- Recommend acceptance of the audits for the fiscal year ending June 30, 2013 by the full City Council
- Endorse the recommended transfer of General Fund Unassigned Fund Balance to fund immediate needs and defer the transfer for unfunded liabilities and capital projects until the Capital Improvement Program is presented.

### Attachments:

Basic Financial Statements for the City of Emeryville  
Compliance Audits: Child Development Program  
Measure B Funds  
Vehicle License Fee Funds  
Memos from Auditors (2)