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, August 22, 2023 at 6:30 p.m.
City hall, council Champers
10890 San Pablo Avenue
El Cerrito, CA 94530

This Meeting Place is Wheelchair Accessible

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1. **ROLL CALL –** Chair Farahmand called the meeting to order at 6:32 p.m.
Present: Chair Farhad Farahmand; Members Dick Patterson, Kimberly White.
Absent: None.

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.
   - Council Liaison Announcements and Reports: Carolyn Wysinger, Councilmember
     None.
   - Staff Liaison Report: Crystal Reams/Karen Pinkos
     City Manager Karen Pinkos provided a recap of the City Council meeting on August 15, 2023 where the Council decided to fund the section 115 trust at 1 million dollars, and to fully fund the EDRF at 9 million dollars. City staff will be meeting with NHA and PARS to establish the section 115 trust.

     City Manager Karen Pinkos also provided an update on the state auditors, City staff will be meeting with the state auditors on August 23, to review the progress.

     City Manager Karen Pinkos also noted that City Staff will be working with S & P the rating review.

4. **APPROVAL OF THE MINUTES**
Consider a motion adopting the minutes for the FAB meeting held on July 25, 2023.
Moved/Second: Members Patterson/White. **Action**: Passed a motion adopting the minutes of the FAB meeting on July 25, 2023**. Ayes**: Chair Farhad Farahmand, Dick Patterson, Kimberly White. **Noes**: none.

Public Comments: None

5. **CITY COUNCIL COMPENSATION REVIIEW**
Discussion and possible action regarding a recommendation to the City Council regarding an increase in City Council compensation.
Moved/Second: Members Patterson/White. Action: passed a motion for the recommendation that an ordinance is adopted by council to increase council compensation to $650 per month. Ayes: Chair Farhad Farahmand, Dick Patterson, Kimberly White. Noes: none.

Public Comments: None

6. **WORKGROUP UPDATES (*15 min.*)**
No workgroup updates.

7. **FUTURE AGENDA ITEMS (*10 min.)***
- FAB/Council Communications Plan
- Comprehensive Financial Policies
- City Council Compensation Review
- Section 115 Trust

Members stated that they wish to delete the Section 115 Trust item. Members would like to add the 5 Year forecast back to the agenda.

8. **ADJOURNMENT**
The meeting adjourned at 7:50PM

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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 August 22, 2023 as approved by the Financial Advisory Board.

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Crystal Ream, Staff Liaison

THE CITY OF EL CERRITO

2024 Regular Meeting Schedule

City Holiday/Closed
Regular Meeting

Location:

Council Chambers (10890 San Pablo Ave)

Meeting Time:

4th Tuesday, 6:30 p.m.

FINANCIAL ADVISORY BOARD

JANUARY 2024

Sun	Mon	Tue	Wed	Thur	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

FEBRUARY 2024

Sun	Mon	Tue	Wed	Thur	Fri	Sat
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MARCH 2024

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31						

APRIL 2024

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MAY 2024

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JUNE 2024

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JULY 2024

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28	29	30	31			

AUGUST 2024

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18	19	20	21	22	23	24
25	26	27	28	29	30	31

SEPTEMBER 2024

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15	16	17	18	19	20	21
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29	30					

OCTOBER 2024

Sun	Mon	Tue	Wed	Thur	Fri	Sat
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NOVEMBER 2024

Sun	Mon	Tue	Wed	Thur	Fri	Sat
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DECEMBER 2024

Sun	Mon	Tue	Wed	Thur	Fri	Sat
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Adopted by the Advisory body on MM/DD/YYYY

AGENDA BILL

THE CITY OF EL CERRITO

Agenda Item No. 9.A.

Date: October 17, 2023
To: El Cerrito City Council
From: Crystal Reams, Finance Director/City Treasurer, Finance Department
Subject: FY 2022-23 General Fund Budget Quarterly Update through June 2023

ACTION PROPOSED

Receive and file the FY 2022-23 General Fund Budget Quarterly Update through June 2023.

BACKGROUND

The El Cerrito City Council adopted an annual Budget for FY 2022-23 on June 21, 2022. The Council has closely monitored the City's budget and financial position and directed City staff to submit quarterly General Fund financial update reports. The attached FY 2022-23 Fourth Quarter General Fund Financial Update and Income Statement reflects the "unaudited" year-end projections and includes estimated final expense accruals.

ANALYSIS

The reports reflect the unaudited General Fund revenues at $49,230,014.07 or $2,200,608.07 above budget (105% of budget), and expenditures including estimated year-end accruals at a total of $43,558,968.11 or $3,951,967.89 below budget (92% of budget with estimated accrued expenses). The projected unaudited year-end fund balance is estimated to be $5,671,045.96.

Staff has calculated these numbers based on the most current information as of the date of this report, but it is important to note that these numbers are unaudited. During the annual independent audit, which is underway, there will be adjustments to both revenues and expenses with the verified year-end totals to be included in the Annual Comprehensive Financial Report (ACFR) once it is completed.

Organization	Organization Description	Annual Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget
Fund 101 - General Fund						
REVENUE						
00	Non-Departmental Revenue	33,633,203.00	4,514,894.57	35,614,303.18	(1,981,100.18)	106
10	Administration	137,900.00	.00	35,868.90	102,031.10	26
20	Police	214,000.00	40,004.85	241,039.19	(27,039.19)	113
25	Fire	5,639,269.00	858,430.22	5,051,700.43	587,568.57	90
30	Public Works	467,400.00	160,493.09	560,141.86	(92,741.86)	120
40	Community Development	2,374,214.00	612,983.61	2,884,455.52	(510,241.52)	121
50	Recreation	4,563,420.00	555,520.84	4,842,504.99	(279,084.99)	106
	REVENUE TOTALS	$47,029,406.00	$6,742,327.18	$49,230,014.07	($2,200,608.07)	105%

Organization	Organization Description	Annual Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget
EXPENSE						
00	Non-Departmental Revenue	.00	(64,729.19)	38,661.30	(38,661.30)	+++
10	Administration	7,105,849.00	754,410.27	6,876,777.48	229,071.52	97
20	Police	12,987,536.00	1,299,850.20	11,891,556.51	1,095,979.49	92
25	Fire	14,329,658.00	1,763,603.30	13,118,269.34	1,211,388.66	92
30	Public Works	2,622,994.00	323,548.29	2,269,917.35	353,076.65	87
40	Community Development	3,739,747.00	572,010.34	3,229,832.80	509,914.20	86
50	Recreation	5,559,574.00	967,394.93	5,265,365.32	294,208.68	95
90	Non-Departmental	1,165,578.00	145,716.35	868,588.01	296,989.99	75
	EXPENSE TOTALS	$47,510,936.00	$5,761,804.49	$43,558,968.11	$3,951,967.89	92%

STRATEGIC PLAN CONSIDERATIONS

The report is consistent with the City's Strategic Plan Goal B to achieve long-term financial stability and provides essential information to develop plans to ensure the Citywide revenue meets the cost of providing Citywide services, including adequate reserves in the face of significant unanticipated revenue shortfalls. In addition, providing financial information represents best practices in fiscal management.

ENVIRONMENTAL CONSIDERATIONS

This section is not applicable to this agenda item.

FINANCIAL CONSIDERATIONS

The unaudited FY 2022-23 General Fund Fourth Quarter Financial Update reflects revenues totaling $49,230,014.07 or $2,200,608.07 greater than the Amended Budget (105% of budget). Also, expenditures are projected at $43,558,968.11 or $3,951,967.89 less than budget (92% of budget including estimated accrued expenses). The projected unaudited FY 2022-23 General Fund balance is estimated to be $5,671,045.96.

LEGAL CONSIDERATIONS

This section is not applicable to this agenda item.

Reviewed by:

Karen Pinkos, City Manager

Attachments:

1. FY 2022-23 4th Quarter General Fund Update
2. FY 2022-23 4th Quarter General Fund Update - Income Statement (unaudited)

THE CITY OF EL CERRITO

General Fund Budget Update

Quarter 4 FY 2022-23

04/01/23 – 06/30/23

INTRODUCTION

The City of El Cerrito is pleased to submit the Quarter 4 FY 2022-23 General Fund Budget Update, for the period 04/01/23 through 06/30/23. The report provides a high-level overview of the City's status on the budget, with expenditures by department, showing unaudited actuals.

The City's annual independent audit is underway, which will result in the FY 2022-23 Annual Comprehensive Financial Report (ACFR). This process will audit the year-ending totals, which will verify all balances and may be subject to adjustments, so the audited actuals may be slightly different than what is presented in this update. However, these unaudited actuals are based on the current information at year-end.

SUMMARY

The City of El Cerrito's unaudited actuals show that the City has met its budget targets for FY 2022-23, and indeed has generated a significant surplus of approximately $5.6 million.

- Revenues continued to trend slightly higher year-to-date, primarily due to property tax receipts, property transfer tax, sales tax, and business licenses and permits. In addition, program services are trending slightly higher than budget.

- Expenditures associated with salaries and benefits trended below budget due to largely due to vacancies. Year-to-date expenditures for services and supplies are within budget. Overall, the departments have maintained fiscal prudence and have operated within budget.

GENERAL FUND REVENUES

On March 7, 2023, City Council approved the FY 2022-23 General Fund Amended Budget, increasing revenues by $1,352,290 for an amended total of $47,029,406. Table 1 shows the unaudited year-end revenue totals by category.

Table 1
General Fund Revenue Quarter 4

Classification	YTD Budget Amount	MTD Actual Amount	YTD Actual Amount	% of Budget	Prior Year Total Actual
Property Taxes	$11,213,200	886,938	10,497,334	94	11,207,199
Sales Taxes	7,430,117	2,187,927	9,172,019	123	7,306,925
Transient Occupancy Taxes	150,000	27,625	107,817	72	113,434
Franchise Taxes	1,400,000	193,200	1,604,218	114	1,181,508
Business License Taxes	1,100,000	9,635	1,069,964	97	1,040,618
Property Transfer Taxes	4,300,000	329,988	4,157,840	97	4,863,035
Utility Users' Taxes	3,300,000	292,175	3,776,489	114	3,403,777
Other Taxes	1,500	5,123	7,776	518	849
Taxes Totals	**$28,894,817**	**$3,932,611**	**$30,393,457**	**105**	**$29,117,345**
Licenses & Permits	893,864	241,895	1,173,898	131	1,440,973
Fines & Forfeitures	140,000	22,113	115,407	82	152,343
Use of Money and Property	434,456	235,969	795,622	183	432,309
Intergovernmental Revenues	8,830,938	849,548	8,319,475	94	8,007,683
Charges for Services Totals	6,469,881	1,056,664	6,748,340	104	6,427,398
Other Revenue Totals	261,000	160,500	708,034	271	497,710
Other Financing Sources Totals	1,104,450	243,028	975,781	88	4,203,601
Totals	**$47,029,406**	**$6,742,328**	**$49,230,014**	**104**	**$50,279,362**

GENERAL FUND - EXPENDITURES

The FY 2022-23 General Fund Amended Budget, increased expenditure budgets by $2,646,874 at midyear for a total amended expenditure budget of $47,510,936. Table 2 shows the unaudited expenditures by classification. Personnel costs are the largest component of General Fund expenditures at approximately 75%. Departments with multiple vacancies have maintained services through increased professional services and/or overtime budgets, with these costs offset by salary savings. Expenditures remained within approved budgets.

Table 2
General Fund Expenditures – Classification
Quarter 4

Classification	YTD Budget Amount	MTD Actual Amount	YTD -Q4 Actual Amount	% of Budget	Prior Year Total Actual
Personnel	$33,614,885	$3,822,222	$31,317,021	93	$30,045,067
Purchased Professional & Technical Services	5,887,352	1,111,104	5,205,480	90	4,216,283
Purchased Property Services	2,506,775	299,032	1,881,382	76	1,701,750
Other Purchased Services	2,975,203	313,843	2,863,774	96	2,688,132
Supplies	830,031	178,168	702,632	85	538,620
Property & Capital	466,647	61,677	521,525	97	369,527
Financing Costs	562,280	(24,240)	399,391	71	574,337
Other Financing Uses	667,763	0	667,763	100	665,612
Totals	**$47,510,936**	**$5,761,806**	**$43,558,968**	**92**	**$40,799,328**

GENERAL FUND - DEPARTMENTS

The Departments' expenditures have remained within budget throughout the fiscal year, with expenditures as percent of budget ranging from 87% to 97% for the period ending June 30, 2023. As previously noted, vacancies throughout the departments contributed to these to these expenditure results.

Table 3 reflects actual expenditures by departments through Quarter 4, June 30, 2023, and provides baseline expenditure information for the period ending FY 2021-22 Quarter 4.

Table 3
General Fund Expenditures – Department
Quarter 4

Expenditures	FY 2022- 2023 Amended Budget	Year To Date Actual (thru Qtr 4)	Year To Date % of Amended Budget	Comparison Qtr 4 FY 2022 YTD Actual
Administration	$7,105,849	$6,876,777	97	$5,915,479
Police	12,987,536	11,891,557	91	11,632,344
Fire	14,329,658	13,118,269	92	12,894,300
Public Works	2,622,994	2,269,917	88	1,903,618
Community Development	3,739,747	3,229,833	87	3,064,082
Recreation	5,559,574	5,265,365	95	4,342,199
Non-departmental	1,165,578	907,250	78	1,047,306
Total	**$47,510,936**	**$43,558,968**	**92**	**$40,799,328**

CONCLUSION

The City of El Cerrito has ended FY 2022-23 well within budget, with an estimated surplus of approximately $5.6 million. It will be important for the City Council to note going forward as the City fills its vacancies that expenditures in future years will increase accordingly, and City staff will continue to monitor these expenditures in relation to revenues in the current fiscal year. City staff will also closely monitor the economy and will continue to update the General Fund projections. Further, City staff will work with the City Council to determine any future use of surplus funds and General Fund reserve in order to meet the City Council's financial sustainability goals.

THE CITY OF EL CERRITO

FY 2022-23 Fourth Quarter
Income Statement *(unaudited)*

Organization	Organization Description	Annual Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget	Prior Year Total Actual
Fund 101 - General Fund							
REVENUE							
00	Non-Departmental Revenue	33,633,203.00	4,514,894.57	35,614,303.18	(1,981,100.18)	106	37,241,946.20
10	Administration	137,900.00	.00	35,868.90	102,031.10	26	41,763.74
20	Police	214,000.00	40,004.85	241,039.19	(27,039.19)	113	208,521.37
25	Fire	5,639,269.00	858,430.22	5,051,700.43	587,568.57	90	5,008,201.72
30	Public Works	467,400.00	160,493.09	560,141.86	(92,741.86)	120	615,234.70
40	Community Development	2,374,214.00	612,983.61	2,884,455.52	(510,241.52)	121	3,114,344.43
50	Recreation	4,563,420.00	555,520.84	4,842,504.99	(279,084.99)	106	4,049,349.52
	REVENUE TOTALS	$47,029,406.00	$6,742,327.18	$49,230,014.07	($2,200,608.07)	105%	$50,279,361.68
EXPENSE							
00	Non-Departmental Revenue	.00	(64,729.19)	38,661.30	(38,661.30)	+++	.19
10	Administration	7,105,849.00	754,410.27	6,876,777.48	229,071.52	97	5,915,478.92
20	Police	12,987,536.00	1,299,850.20	11,891,556.51	1,095,979.49	92	11,632,343.51
25	Fire	14,329,658.00	1,763,603.30	13,118,269.34	1,211,388.66	92	12,894,299.78
30	Public Works	2,622,994.00	323,548.29	2,269,917.35	353,076.65	87	1,903,618.11
40	Community Development	3,739,747.00	572,010.34	3,229,832.80	509,914.20	86	3,064,081.93
50	Recreation	5,559,574.00	967,394.93	5,265,365.32	294,208.68	95	4,342,199.45
90	Non-Departmental	1,165,578.00	145,716.35	868,588.01	296,989.99	75	1,047,305.64
	EXPENSE TOTALS	$47,510,936.00	$5,761,804.49	$43,558,968.11	$3,951,967.89	92%	$40,799,327.53
	Fund **101 - General Fund** Totals						
	REVENUE TOTALS	47,029,406.00	6,742,327.18	49,230,014.07	(2,200,608.07)	105%	50,279,361.68
	EXPENSE TOTALS	47,510,936.00	5,761,804.49	43,558,968.11	3,951,967.89	92%	40,799,327.53
	Fund **101 - General Fund** Net Gain (Loss)	($481,530.00)	$980,522.69	$5,671,045.96	$6,152,575.96	(1,178%)	$9,480,034.15
	Fund Type **General Fund** Totals						
	REVENUE TOTALS	47,029,406.00	6,742,327.18	49,230,014.07	(2,200,608.07)	105%	50,279,361.68
	EXPENSE TOTALS	47,510,936.00	5,761,804.49	43,558,968.11	3,951,967.89	92%	40,799,327.53
	Fund Type **General Fund** Net Gain (Loss)	($481,530.00)	$980,522.69	$5,671,045.96	$6,152,575.96	(1,178%)	$9,480,034.15

Organization	Organization Description	Annual Budget Amount	MTD Actual Amount	YTD Actual Amount	Budget Less YTD Actual	% of Budget	Prior Year Total Actual
	Fund Category **Governmental Funds** Totals						
	REVENUE TOTALS	47,029,406.00	6,742,327.18	49,230,014.07	(2,200,608.07)	105%	50,279,361.68
	EXPENSE TOTALS	47,510,936.00	5,761,804.49	43,558,968.11	3,951,967.89	92%	40,799,327.53
	Fund Category **Governmental Funds** Net Gain (Loss)	($481,530.00)	$980,522.69	$5,671,045.96	$6,152,575.96	(1,178%)	$9,480,034.15
	Grand Totals						
	REVENUE TOTALS	47,029,406.00	6,742,327.18	49,230,014.07	(2,200,608.07)	105%	50,279,361.68
	EXPENSE TOTALS	47,510,936.00	5,761,804.49	43,558,968.11	3,951,967.89	92%	40,799,327.53
	Grand Total Net Gain (Loss)	($481,530.00)	$980,522.69	$5,671,045.96	$6,152,575.96	(1,178%)	$9,480,034.15

General Fund

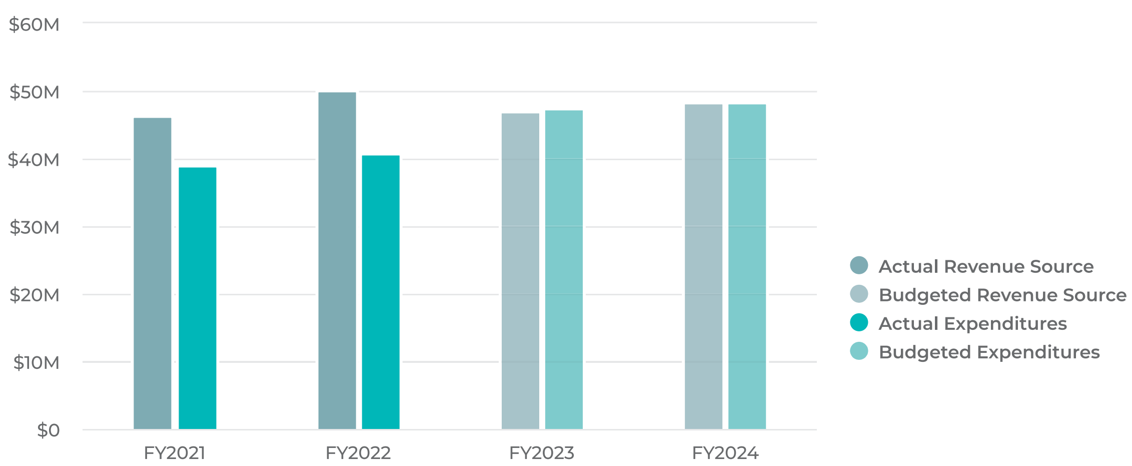
The General Fund is the City's primary operating fund and represents approximately 63% of the total citywide budget. The General Fund supports critical services such as public safety, community development, recreation and general city management. In addition to these services, due to the unrestricted nature of the fund, services not supported by special funds must be paid by the General Fund. Estimating the year-end fund balance provides the amount available for appropriation at the start of the new fiscal year. It is the City's goal to fund ongoing operations with ongoing revenue. In general, any fund balance should be used only for one-time expenditures when the annual costs exceed the revenue generated in a given fiscal year.

The City's ability to maintain City services relies heavily on tax revenue with property and sales taxes representing the largest percentage. Both had slowed during the economic downturn during the Great Recession beginning in 2008. Like many cities, since that time El Cerrito has struggled to balance increasing expenses due in large part to health care and pension costs with sluggish revenues that have not kept pace with the increase in expenditures. In addition, staff estimates that about $1 million annually was lost as a result of redevelopment dissolution in 2012. In FY 2013-14 the General Fund balance reserve ratio dipped to 4.2% from about 10% in the prior year, due to decisions by the City Council to reduce reserves rather than cut services or lay off staff following the Great Recession. Despite that, the fund balance did increase to 5.9% in FY 2015-16. However, due to audit adjustments and changes in payroll accrual methodology during the FY 2016-17 audit, the FY 2015-16 Fund Balance was restated resulting in the reserve ratio dropping to 0.2% in FY 2017-18. In FY 2018-19, budgeted revenues did not materialize and an increase in overtime in the Fire Department resulted in a negative balance.

The City took action to tackle the structural financial issues and lack of General Fund reserves while addressing the impacts of the COVID-19 global pandemic and in response to the March 2021 California State Auditor report. During fiscal years 2020-21 and 2021-22, revenue estimates were revised downward to factor in the economic impact of the pandemic on the economy and drastic budget reductions were enacted to address the negative General Fund balance. However, revenues did not decrease as forecasted and instead grew beginning in FY 2020-21. Additionally, the American Rescue Plan Act (ARPA) included $6.1 million to El Cerrito paid over two years to primarily address revenue loss and other needs due to the pandemic. The result was an amazing turnaround in the General Fund, with an audited General Fund balance of $16.6 million as of June 30, 2022. The City continues to follow its Fiscal Recovery and Sustainability Plan that was adopted in 2022 to maintain a healthy financial position. The following tables provide a summary of the General Fund and indicates the FY 2023-24 Adopted Budget is balanced. Staff have continued a concerted effort to contain costs and maintain a balanced budget.

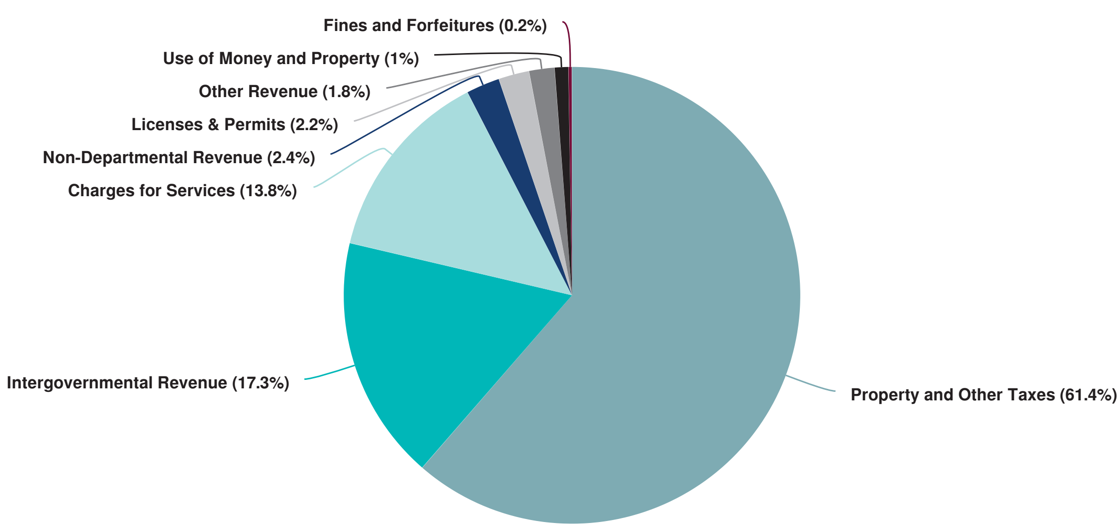
Summary

The City of El Cerrito is projecting $48.53M of revenue in FY2024, which represents a 3.2% increase over the prior year. Budgeted expenditures are projected to increase by 2.1% or $983.37K to $48.44M in FY2024.



General Fund Revenues by Source

Projected 2024 Revenues by Source



Discussion of Major Revenue Categories

Property Taxes are an ad valorem tax levied on real and personal property based on their assessed values as determined by the County Assessor. They are also levied on certain business properties that cross county boundaries (such as railroads), based on their assessed values as determined by the State Board of Equalization. They represent the single largest tax revenue to the City's General Fund, totaling approximately $10 million annually.

Proposition 13, passed by the voters in June 1978, significantly changed property tax revenues to local governments. It capped the property tax rate that can be imposed at 1% of the assessed value, unless a higher rate to pay for indebtedness is approved by the voters. To implement Proposition 13, county auditors adopted a system of allocating the 1% property taxes to local governments based on their share of county wide property taxes collected in the mid-1970s. State shifts of local property taxes in order to backfill its school funding cuts reduced the City's share of the 1% property taxes, which is currently about 22%. The City has no additional ad valorem property tax levies, although other agencies do levy additional ad valorem property taxes in El Cerrito.

Proposition 13 also changed the method of assessing property values for taxation. Specifically, it rolled back the assessed values for FY 1978-79 to 1975 levels and restricted annual increases over that base value to a specified inflation factor, not to exceed 2% per year. It allowed decreases in values when that inflation factor is negative. It also prohibited reassessment of a property to a higher base value except upon change in ownership or completion of new construction. In most years, this assessment process results in a property's market value being greater than its assessed value. Moreover, the market value of properties in the City as a whole is significantly greater than the City's overall assessed value, as a large number of properties in El Cerrito have not been reassessed to current market value since the passage of Proposition 13.

During the past several fiscal years increasing home prices have resulted in a gradual increase in property tax revenues to a little over $10 million. Future Property Tax estimates have been provided by the City's property tax consultants, HdL and Associates, and have been incorporated into the FY 2023-24 Adopted Budget.

In 2018, the City's voters passed Measure V, making El Cerrito a Charter City and allowing for a Real Property Transfer Tax (RPTT). The RPTT rate is $12 for each $1,000 of the value of consideration paid for a transfer of real property or fractional part of each $1,000 of the value of consideration. The RPTT was originally estimated to generate approximately $3 million annually; thanks to the real estate boom and increasing home prices, the RPTT has averaged close to $4.2 million in the last three fiscal years. In FY 2023-24 the RPTT is projected to remain flat from the previous fiscal year at $4.3 million.

Sales Taxes are imposed on the total retail price of tangible personal property purchased in the City. The total sales tax rate in El Cerrito is currently 10.25% and includes:

Rate	Purpose
3.94%	State General Fund
0.50%	Contra Costa County Transportation Authority (CCTA)
0.50%	Bay Area Rapid Transit District (BART) in Contra Costa County
1.81%	County health and social services, public safety, and transportation
1.00%	El Cerrito 2015 Transactions & Use Tax (Measure R)
0.50%	Public Safety (Prop 172)
0.50%	El Cerrito Measure A (Streets)
1.00%	El Cerrito General Fund (Bradley Burns)
0.50%	Contra Costa County Measure X

The City's General Fund receives about $7.8 million in sales tax revenues annually. Sales taxes are a significant revenue source to the City's General Fund, but are more cyclical and volatile than property tax revenues. Future Sales Tax estimates have been provided by the City's property tax consultants, HdL and Associates and have been incorporated into the FY 2023-24 Adopted Budget.

Utility Users Taxes (UUT) were initially approved by the voters in 1991 and revised with voter approval of the ordinance in 2004. The tax generates approximately $3.5 million in revenues annually for the General Fund. The ordinance calls for an 8% tax to be assessed by providers of gas, electricity, water, telephone and video services to all El Cerrito customers and then remitted to the City. These revenues are subject to changes in market conditions, weather, and/or pricing in the sectors subject to the utility users tax ordinance. Although use of these services is generally declining, prices and rates are generally increasing on these services. UUT is expected to continue to increase by 3% year over year from FY2022-23 to FY 2023-24.

Franchise Taxes are paid by utilities based on various methodologies and represent $1.35 million in General Fund revenue. They are projected to stay flat in the coming year.

Business License Taxes are imposed on certain types of businesses in El Cerrito and reflect about $1.1 - $1.2 million of General Fund revenue annually. The tax is based on factors such as a business's number of employees or vehicles, its annual gross receipts, or a property owner's number of residential rental units. This is being budgeted conservatively at $1.15 million and will potentially increase during the next few years as businesses return to normal operations with the rollback of pandemic restrictions.

Other Taxes includes the Transient Occupancy Tax, a 10% tax on room rates for hotels and motels, and other minor taxes. These are a minor General Fund revenue sources, projected to grow at 2% over the next few years.

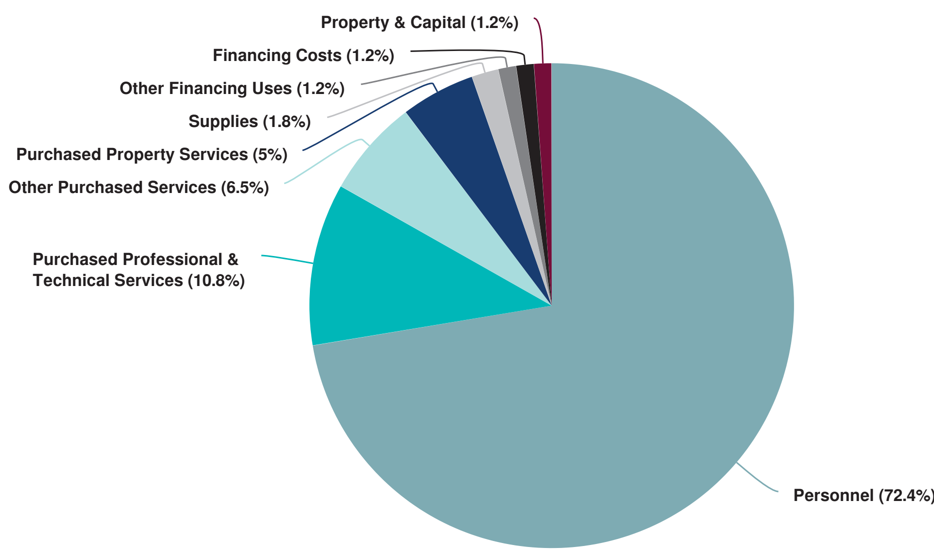
Name	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Amended	FY2024 Budgeted
Revenue Source					
Property and Other Taxes	$26,127,475	$28,623,366	$29,117,345	$28,894,817	$29,792,830
Licenses & Permits	$784,982	$656,881	$1,440,973	$893,864	$1,054,618
Fines and Forfeitures	$226,597	$177,525	$152,343	$140,000	$120,000
Non-Departmental Revenue	$1,191,739	$4,048,679	$4,256,961	$1,144,450	$1,150,382
Use of Money and Property	$297,492	$274,721	$378,949	$394,456	$473,373
Intergovernmental Revenue	$6,728,510	$8,164,612	$8,007,683	$8,830,938	$8,393,092
Charges for Services	$4,747,619	$4,181,218	$6,427,398	$6,469,881	$6,674,468
Other Revenue	$118,334	$238,712	$497,710	$261,000	$870,000
Total Revenue Source:	**$40,222,747**	**$46,365,714**	**$50,279,362**	**$47,029,406**	**$48,528,763**

General Fund Expenditures by Expense Type

Approximately 72% of the General Fund expenditures are related to personnel costs. Within Personnel, salaries and benefits have traditionally been governed by the City Council's policy to provide median compensation, which is intended to act as a ceiling for salaries and benefits as agreed upon in the memorandums of understanding with the various benefit groups. Currently, all employees are now contributing between 9-12% of their salary towards the total pension costs.

Of the remaining General Fund expenses, very few are discretionary and include costs related to contract services such as Public Safety dispatch, Animal Control services, legal services, independent audit services that the City could not provide as efficiently as other organizations can on its behalf. When other non-discretionary items are factored in such as insurance, medical supplies, utilities, vehicles, and a minimal level of supplies, nearly 95% of the General Fund is non-discretionary.

Budgeted Expenditures by Expense Type

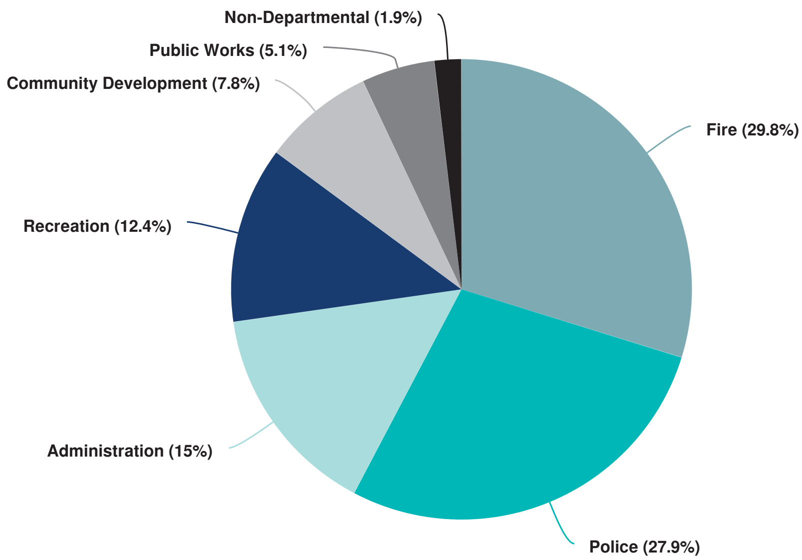


Budgeted and Historical Expenditures by Expense Type

Name	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Amended	FY2024 Budgeted
Expense Objects					
Personnel	$30,383,014	$29,727,625	$30,045,067	$33,614,885	$35,057,398
Purchased Professional & Technical Services	$3,695,612	$2,856,803	$4,208,905	$5,922,152	$5,242,192
Purchased Property Services	$2,151,924	$1,600,111	$1,701,750	$2,448,054	$2,401,325
Other Purchased Services	$1,811,579	$1,690,093	$2,695,510	$2,990,403	$3,149,401
Supplies	$605,956	$408,862	$538,620	$780,031	$869,692
Property & Capital	$413,328	$251,962	$369,527	$466,647	$562,428
Financing Costs	$535,665	$585,967	$574,337	$562,280	$570,386
Other Financing Uses	$696,727	$1,991,006	$665,612	$667,763	$582,763
Total Expense Objects:	**$40,293,805**	**$39,112,429**	**$40,799,328**	**$47,452,215**	**$48,435,585**

General Fund Expenditures by Department

Budgeted Expenditures



Name	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Amended	FY2024 Budgeted
Expenditures					
Non-Departmental Revenue	$0	$1,368,434	$0	$0	$0
Administration	$6,948,056	$5,096,821	$5,915,479	$7,105,849	$7,275,373
Public Works	$1,879,884	$1,467,656	$1,903,618	$2,622,994	$2,483,303
Police	$12,199,388	$11,638,566	$11,632,344	$12,987,536	$13,523,728
Fire	$11,209,275	$12,177,746	$12,894,300	$14,329,658	$14,432,355
Community Development	$2,505,481	$2,532,671	$3,064,082	$3,739,747	$3,799,601
Recreation	$5,357,319	$3,833,693	$4,342,199	$5,559,574	$6,005,416
Non-Departmental	$194,402	$996,842	$1,047,306	$1,106,857	$915,809
Total Expenditures:	**$40,293,805**	**$39,112,429**	**$40,799,328**	**$47,452,215**	**$48,435,585**

General Fund Financial Forecast

In FY 2020-21 the City Council implemented its Fiscal Response Plan that identified several long-term budget reductions to maintain solvency and address the structural issues due to the depletion of General Fund reserves and the impacts on the City's revenues from the pandemic. Beginning in April 2020, the City implemented $2.7 million in ongoing cost savings and nearly $1 million in one-time savings to be included in the preliminary FY 2020-21 budget. Management Partners, the City's consultant, assisted in preparing a recession forecast model to assess the fiscal impacts on the General Fund and determine the scale of reductions required for the City to maintain solvency and achieve fiscal sustainability, resulting in an additional $1.5 million in long-term strategies from the Fiscal Response Plan beyond the actions the City that were further included within the FY 2020-21 budget. These reductions helped to counteract the projected fiscal gap and aimed to rebuild reserves to weather future economic downturns or emergencies.

Subsequently, per the City Council's adopted Fiscal Recovery and Sustainability Plan, City staff has continued to work with Baker Tilly (formerly Management Partners) to assist in updating the General Fund Financial Forecast to continue to provide to the City Council and the public a model that can be monitored for the purposes of making adjustments when necessary. The City Council and staff references the Forecast as a high-level planning tool to help manage the City's financial resources over the long term. The Forecast establishes a framework to assist the City Council in making informed financial decisions. City staff's intent is to be prudent in its management of the City's finances and takes a conservative approach to financial forecasting.

Baseline Forecast

The General Fund ended FY 2021-22 with a $16.6 million total fund balance, or 40% of General Fund expenditures. This included department savings due to vacancy savings and prudent fiscal management, and the use of ARPA funding of $3.01 million for general government expenditures as allowed by the latest Treasury Guidance. While the City's General Fund revenue sources are fairly diverse, there is a reliance on elastic revenue sources to provide fiscal sustainability for the City. The Forecast is a dynamic tool that changes with any revisions in the underlying assumptions. The underlying assumptions form a key part of this tool and are presented below.

FY 2023-24 to FY 2027-28 General Fund Long Term Financial Forecast Assumptions

General Assumptions

1. FY 2022-23 Amended Budget, which included ongoing mid-year adjustments and excluded one-time adjustments , formed the baseline for the FY 2023-24 Adopted Budget.
2. Four and six-tenth (4.6) positions, including primarily roles which were previously eliminated, were added back at FY 2022-23 Mid-Year and are included in the FY 2023-24 Budget.
3. Three percent (3%) increase to the base salary ranges, effective the first full pay period in July 2022, for all Management and Confidential classifications is included in the FY 2023-24 Budget.
4. The City will meet all its debt obligations without default and without Tax Revenue Anticipation Notes (TRAN).
5. Service delivery has been restored to pre COVID-19 levels.

Revenue Assumptions

1. Sales tax and property tax projections are based on HdL forecast and current collection trends.
2. FY 2023-24 through FY 2026-27 estimates are based on no recession during FY 2023-24.
3. Projections include the increase in Property Tax after the RDA Bonds are completed in FY 2025-26.
4. Real Property Transfer Taxes are estimated at $4.3 million for FY 2023-24, which is based on the projected increase from known 2022 transfers. Projections through FY 2026-27 are based on value growth of prior year real property values (3% annually).
5. Other Taxes grow at 3.0% annually after FY 2022-23.
6. Department revenues for user fees/permits/licenses type category assumptions were provided by departments based on their utilization experience with a 3% increase after FY 2022-23.
7. Cannabis revenues conservatively projected at $600K based on actual collections of the existing store and the opening of a second store during FY 2023-24.

Operating Expense Assumptions

Personnel Costs

1. Wages are based on approved MOU changes, effective FY 2023-24.
2. Salaries assume a 3% wage growth based on Bay Area 10-Year Consumer Price Index (CPI) average.
3. Pension costs are budgeted pursuant to CalPERS July 2022 actuarial valuation, per NHA Advisors.
4. Medical/dental benefits are estimated to increase 11% in FY 2023-24 and 3% annually thereafter.
5. Workers Compensation is flat for FY 2023-24.
6. There is no pre-funding retirement or OPEB unfunded liability, "pay as you go" model budgeted.
7. All other benefits include a 3% growth factor based on Bay Area 10-Year CPI.
8. The Fire Department will be at full strength with regular overtime not to exceed $800,000.
9. Reimbursable fire department OES overtime is budgeted at $600,000 in FY 2023-24.
10. The Police Department will incur $525,000/year in regular overtime due to officer vacancies.

Non-Personnel Costs

1. General inflation is based on Bay Area 10-Year CPI (3%).
2. Expense growth: Utilities 3% in FY 2023-24 and thereafter; Repairs and Maintenance 3%; Professional Services and Other 3%.
3. Reserve targets comply with the existing City Council policy of 10% of operating expenditures.
4. Emergency Reserve potential funding will be reviewed after FY 2022-23 year-end close is completed and the fund balance confirmed.

FY 2023-24 Adopted Budget and Other Matters

1. There are no furloughs or COLA deferrals in FY 2023-24.
2. There are no future cost reductions in the long-term forecast.
3. The $1.3 million General Fund loan to RDA was written-off in FY 2020-21.
4. Funding for a Section 115 Trust and Emergency Disaster Recovery Fund to be determined by City Council.
5. The City's General Fund ending fund balance of $16.6 million, or 40% of FY 2022 expenditures, exceeds both the City's policy of a minimum fund balance reserve of 10% and the GFOA-recommended 17% of expenditures. A TRAN is not needed as fund balance reserves are sufficient for FY 2023-24 cash flow needs.

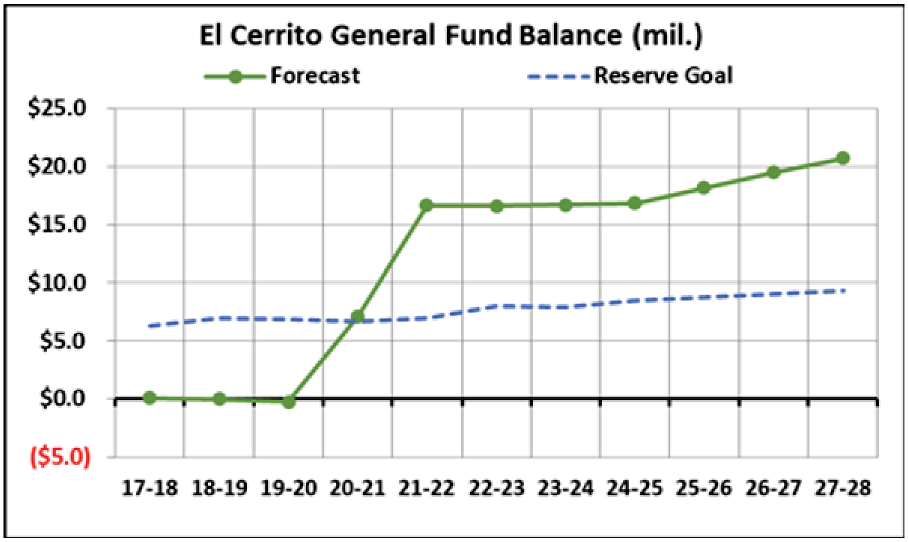
General Fund 5 Year Forecast (thousands)

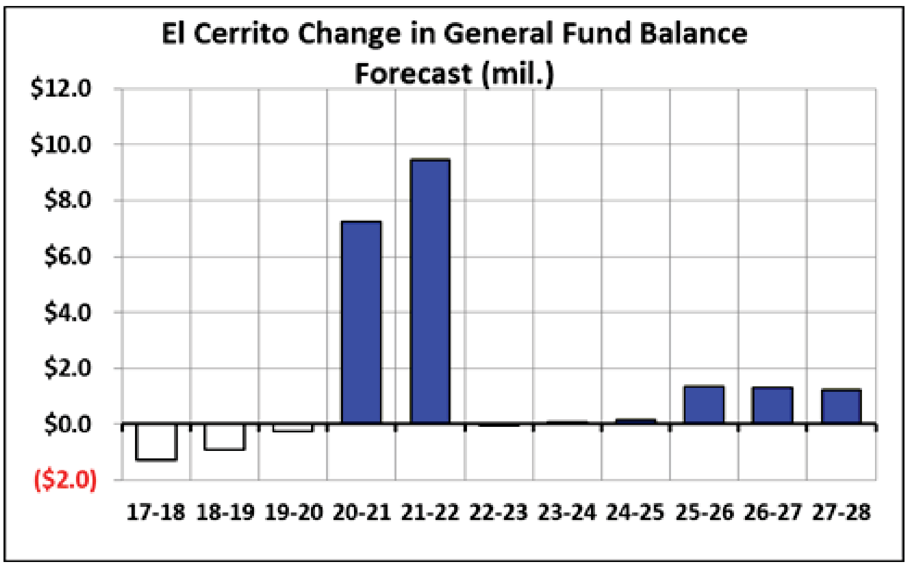
	Actual FY 2020-21	Actual FY 2021-22	Amended Budget FY 2022-23	Adopted Budget FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28	Inflation Factor
Tax Revenues									
Property Tax	$ 10,521	$ 11,207	$ 11,213	$ 11,417	$ 11,760	$ 13,395	$ 13,797	$ 14,211	3%
Sales & Use Tax	4,033	3,675	3,875	3,999	4,119	4,242	4,369	4,501	3%
Transactions & Use Tax	3,791	3,632	3,555	3,855	3,971	4,090	4,212	4,339	3%
Utility Users Tax	3,670	3,405	3,300	3,520	3,626	3,734	3,846	3,962	3%
Business License Tax	925	1,041	1,102	1,152	1,187	1,222	1,259	1,297	3%
Transient Occupancy Tax	126	113	150	150	155	159	164	169	3%
Property Transfer Tax	4,419	4,863	4,300	4,300	4,429	4,562	4,699	4,840	3%
Franchise Payments	1,138	1,182	1,400	1,400	1,442	1,485	1,530	1,576	3%
Total Taxes	$ 28,623	$ 29,117	$ 28,895	$ 29,793	$ 30,687	$ 32,890	$ 33,877	$ 34,893	
Other Taxes									
Vehicle License Tax in Lieu	$ 3,002	$ 3,147	$ 3,250	$ 3,250	$ 3,348	$ 3,448	$ 3,551	$ 3,658	3%
Intergovernmental	4,854	4,861	5,745	5,103	5,256	5,414	5,576	5,744	3%
Fines & Forfeitures	178	152	140	120	124	127	131	135	3%
Comm Develop/Planning Fees	1,341	3,065	2,392	2,381	2,452	2,526	2,601	2,679	3%
Park & Recreation Fees	3,151	4,786	4,555	5,334	5,481	5,632	5,787	5,947	3%
Other Fees/Charges/Rentals	175	396	647	528	544	561	577	595	3%
Interest Earnings	59	53	40	173	326	329	356	381	***
Other Revenue	993	498	261	870	870	870	870	870	0%
Transfers In	3,990	4,204	1,104	977	977	977	977	977	0%
Total Other Revenues	$ 17,742	$ 21,162	$ 18,135	$ 18,736	$ 19,377	$ 19,883	$ 20,428	$ 20,986	
Total Revenues	$ 46,366	$ 50,279	$ 47,029	$ 48,529	$ 50,064	$ 52,773	$ 54,305	$ 55,879	
Revenue Growth		8.4%	-6.5%	3.2%	3.2%	5.4%	2.9%	2.9%	
Personnel									
Salaries/Add-Pays/Incentives	$ 14,499	$ 13,675	$ 16,258	$ 17,996	$ 18,536	$ 19,092	$ 19,665	$ 20,255	3%
Overtime/Part-time	3,190	3,842	3,897	3,627	3,735	3,847	3,963	4,082	3%
Retirement (From CalPERS Site)	6,955	7,341	8,231	8,562	8,818	9,083	9,356	9,636	3%
Health	2,657	2,614	2,763	3,032	3,184	3,343	3,510	3,685	3%
Other Benefits	2,427	2,573	2,466	2,644	2,723	2,805	2,889	2,975	3%
Expense Credits/Savings	-	-	-	(802)	(827)	(851)	(877)	(903)	3%
Total Personnel	$ 29,728	$ 30,045	$ 33,615	$ 35,057	$ 36,170	$ 37,319	$ 38,505	$ 39,730	
Non-Personnel Operations									
Purchased Professional & Technical Services	$ 2,906	$ 4,216	$ 5,887	$ 5,257	$ 5,415	$ 5,578	$ 5,745	$ 5,917	3%
Purchased Property Services	1,600	1,702	2,448	2,401	2,473	2,548	2,624	2,703	3%
Other Purchased Services	1,641	2,688	2,975	3,134	3,228	3,325	3,425	3,528	3%
Supplies	409	539	830	870	896	923	950	979	3%
Property & Capital	252	370	467	562	579	597	615	633	3%
Financing Costs	586	574	562	570	570	570	570	570	0%
Other Financing Uses	1,991	666	668	583	583	583	583	583	0%
Total Non-Personnel Operations	$ 9,385	$ 10,754	$ 13,837	$ 13,378	$ 13,745	$ 14,123	$ 14,512	$ 14,913	
Total Expenditures	$ 39,112	$ 40,799	$ 47,452	$ 48,436	$ 49,915	$ 51,441	$ 53,017	$ 54,643	
Annual Net Revenue (Expense)	$ 7,253	$ 9,480	$ (423)	$ 93	$ 149	$ 1,332	$ 1,288	$ 1,237	
Beginning Fund Balance	$ (110)	$ 7,143	$ 16,623	$ 16,200	$ 16,294	$ 16,443	$ 17,775	$ 19,063	
Ending Fund Balance	**$ 7,143**	**$ 16,623**	**$ 16,200**	**$ 16,294**	**$ 16,443**	**$ 17,775**	**$ 19,063**	**$ 20,299**	
Balance as % of Total Expense	18.3%	40.7%	34.1%	33.6%	32.9%	34.6%	36.0%	37.1%	

*RDA payments end resulting in a $1.283 million increase is property tax is FY 2025-26.

**Interest income is 2% of projected fund balance annually.

The figures below display the current General Fund Balance Projections including the FY 2023-24 Adopted Budget:



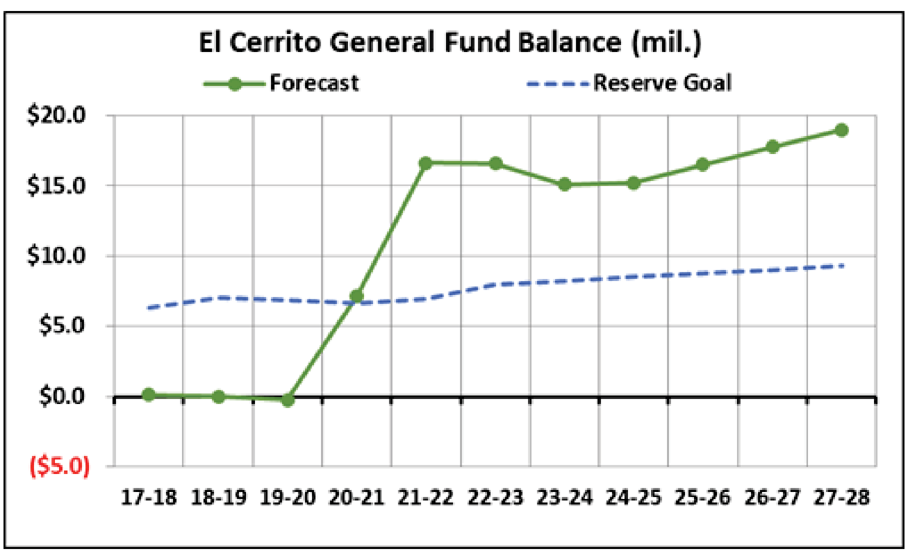


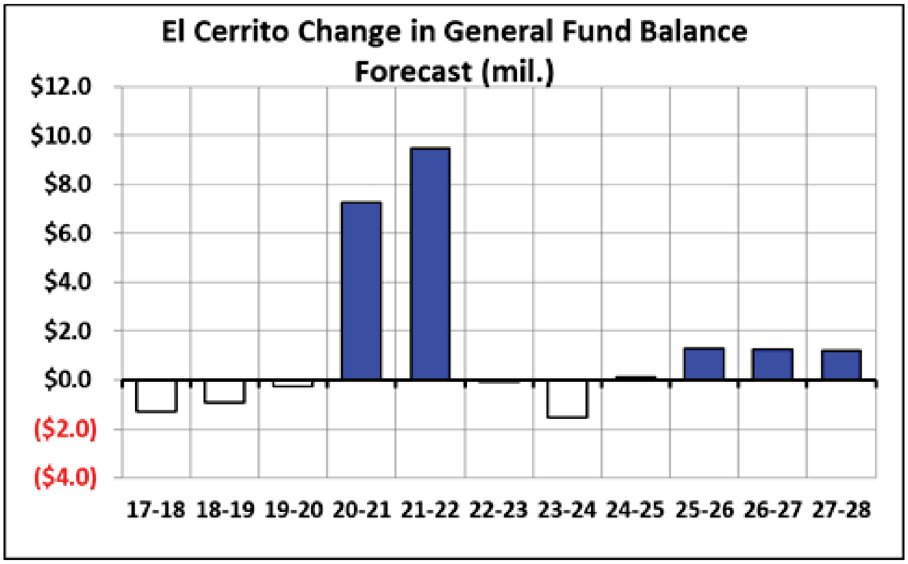
In FY 2023-24, staff is also planning to return to City Council with requests for appropriations of funding for one-time expenditures, as shown in the table below. These requests are proposed to be funded with the General Fund balance, which is a result of Department savings, ARPA funding, and staff vacancies during the previous two fiscal years. Even with a one-time use of General Fund Balance of $1.6 million, the Fund Balance is projected to be $14.6 million, or nearly 30% of total expenditures, which will exceed the Government Finance Officers Association target fund balance of 16.7% by almost 13%. Staff proposes that these projects will be considered separately and brought to the City Council for approval at the time that the cost estimate has been refined and the project requires a contract to be approved. The proposed Capital projects are also reflected in the Capital Improvement Program section of this document.

FY 2023-24 One-time Expenditure Requests

Account	Amount	Description
101-20-11 53230	$50,000	Public Safety Building Flooring and Painting Project
101-20-11-54240	$130,000	General Fund Contribution to Flock Project ($50k) and Analytics Software ($80k)
101-25-10 53290	$70,000	New EKG Monitors (7) and Lucas devices (3).
101-25-10 53290	$80,000	New Generator for Station 52 (Arlington)
101-40-30 52190	$145,000	Safety Element Consultant Expenses
Capital		
101-90-50-53810	$200,000	City Hall Boiler Replacement
101-90-50-53810	$200,000	Community Center Roof Replacement /other Other High Priority Roofs
101-90-50-53810	$100,000	City Hall Leak Repair
101-90-50-53810	$200,000	Swim Center ADA & EV Charger Parking Lot Modifications
101-90-50-53810	$250,000	Public Safety Building & Corp Yard Pavement Rehab
101-90-50-53810	$40,000	Castro Park Sewer Line Replacement
101-90-50-53810	$150,000	Arlington Park Playground Surfacing Replacement
Total	**$1,615,000**	

The figures below display the current General Fund Balance Projections including the FY 2023-24 Adopted Budget, and reflect a one-time use of $1.6 million in fund balance during the FY 2023-24 Budget Year.




El Cerrito Change in General Fund Balance
Forecast (mil.)
$12.0
$10.0
$8.0
$6.0
$4.0
$2.0
$0.0
($2.0)
($4.0)
17-18
18-19
19-20
20-21
21-22
22-23
23-24
24-25
25-26
26-27
27-28