

MINUTES

REGULAR MEETING OF THE
FINANCIAL ADVISORY BOARD (FAB)

Tuesday, August 26, 2025 at 6:30 p.m.
City hall, Council Chambers
10890 San Pablo Avenue
El Cerrito, CA 94530

This Meeting Place is Wheelchair Accessible



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

6:30 p.m. CONVENE REGULAR MEETING 6:32

1. **ROLL CALL** – Chair Kimberly White; Vice-Chair David Carvel.
Members Janos Szlatenyi and Michael McDougall. Youth Member Clive Watson-Lamprey Singer.
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.
Barbra Chan – Thanked the FAB for their important service to the City. Supports the FAB recommendation of setting aside funds for one-time expenditures.
Diane Dickel – Interested in joining the FAB.
3. **COUNCIL/STAFF LIAISONS ANNOUNCEMENTS AND REPORTS** (5 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 Member Motoyama – Thanked the FAB for the recommendations.
Council was not able to commit to anything this at this time.
 - [Monthly Disbursement and Check Register Report June and July 2025](#)
 - [FY 2024-25 Fourth Quarter Cash and Investment Report](#)
 - [Swim Center Lap Pool Renovation Study Session – Budget Options](#)
 - Service Delivery Study Update
4. **APPROVAL OF THE MINUTES** (5 min.) (Attachment)
Consider a motion adopting the minutes for the FAB meeting held on July 22, 2025.
Motion/Second: To approve the July minutes by Member McDougall second by Member Szlatenyi
Ayes: Chair White, Vice-Chair Carvel, Members McDougall, Szlatenyi, Youth Member Watson-Lamprey Singer
Noes: None **Absent:** None

- 5. COUNCIL LIAISON AND COUNCIL EXPECTATIONS OF FAB (15 min.)**
Discussion with Council Liaison on expectation of the FAB, and how the FAB can be more useful to Council.
- 6. FY25 ACCOMPLISHMENTS (15 min.) (Attachment)**
Proposed Action: Discuss and document accomplishments for the prior Fiscal year.
Motion/Second: To approve the FY25 Accomplishments with edits to item 6 “Recommended that the City develop and publish a clear annual budget cycle plan” to “Had discussion that the City develop and publish a clear annual budget cycle plan” added “No recommendation made”.
Ayes: Chair White, Vice-Chair Carvel, Members McDougall, Szlatenviy, Youth Member Watson-Lamprey Singer.
Noes: None **Absent:** none
- 7. FINANCIAL ADVISORY BOARD RECOMMENDATIONS (15 min)**
Discussion about previous FAB recommendations that were discussed at the August 19, 2025 Council meeting.
[Recommendations](#)
- Annually adopt a General Fund Budget that sets aside two percent of the (current) General Fund’s operating expenditures to cover mid-year expenses or one-time needs.
 - Section 115 recommendation to stay in the current investment portfolio, Moderately Conservative, knowing that the City expects to use the funds in the next several years to help smooth out the City’s CalPERS contributions.
- 8. FINANCIAL ADVISORY BOARD PROPOSED PURCHASING ORDINANCE EDITS (10 min.) (Attachment)**
Review and discuss edits to the Ad-Hoc Committee’s purchasing ordinance updates.
- 9. ELECTION OF OFFICERS – APPOINTMENT OF CHAIR AND VICE-CHAIR (15 min.) (Attachment)**
Receive nominations and consider approval of a one-year term of Chair and Vice Chair of the Financial Advisory Board (FAB).
Appointment will be a partial term September 2025 through April 2025 to align with all other advisory bodies. Chair and Vice-Chair partial terms will not count toward the two-term consecutive term limit.
Chair White introduced the Election of Officers agenda item.
- a. The call for nominations for the FAB Chair position:
 - a. Member Szlatenviy nominated Vice-Chair Carvel; Member McDougall nominated himself; no additional nominations were called. Vice-Chair Carvel’s nomination was seconded by Chair White. There was no second for Member McDougall.
 - b. The vote for Chair was conducted. Vice Chair Carvel was elected as FAB Chair.
- Motion/Second:** Member Szlatenviy/Vice-Chair Carvel.
Ayes: Chair White, Vice-Chair Carvel, Member Szlatenviy and Youth Member Watson-Lamprey Singer. **Noes** McDougall. Motion passes. **Absent:** None

- b. The call for nominations for the FAB Vice-Chair position:
 - a. Member Szlatenviy nominated Member McDougall; Vice-Chair Carvel nominated Member Szlatenviy, which was withdrawn. No additional nominations were called.
 - b. The vote for Vice-Chair was conducted: Member McDougall was elected unanimously as FAB Vice-Chair

Motion/Second: Vice-Chair Carvel/Member Szlatenviy

Ayes: Chair White, Vice-Chair Carvel, Member Szlatenviy and Youth Member Watson-Lamprey Singer. **Noes** McDougall. **Motion passes.** **Absent:** None

10. FUTURE AGENDA ITEMS (5 min.)

- Purchasing Ordinance, updates as available
- Service Delivery Study, updates as available
- Pool, updates as available
 - Special meeting when appropriate to discuss funding
- Fourth quarter fiscal year 24-25 General Fund budget update. (add to September agenda)
- Review comprehensive financial policy
- Review investment policy
- Review of upcoming finance work products for the next 6-8 weeks
- Make recommendations on clear annual budget plan calendar

11. ADJOURNMENT

The meeting adjourned at 8:16pm

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 for documents provided to a majority of the members regarding any item on this agenda will be made available for public inspection at <https://www.el-cerrito.org/Archive.aspx?AMID=93>.

AGENDA BILL

Agenda Item No. 9.B.



Date: September 16, 2025
To: El Cerrito City Council
From: Claire Coleman, Budget and Financial Services Manager; Crystal Reams, Finance Director/City Treasurer, Finance Department
Subject: FY 2024-25 Fourth Quarter General Fund Budget Quarterly Update through June 30, 2025

ACTION PROPOSED

Receive and file an update on City General Fund revenues and expenses for FY 2024-25 through June 30, 2025.

BACKGROUND AND ANALYSIS

The El Cerrito City Council adopted an annual Budget for FY 2024-25 on June 18, 2024, as part of the FY 2024-25 and 2025-26 Biennial Budget. 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 2024-25 Fourth Quarter General Fund Update reflects the unaudited year-end projections and includes estimated final expenditures.

The report shows the unaudited General Fund revenues at \$54,399,021 (105% of budget) and expenditures, including estimated year-end accruals, at a total of \$52,816,039 (98% of budget). The projected unaudited year-end total General Fund Balance is estimated to be \$24,476,320. This includes \$7.5 million designated for the Emergency Disaster Relief Fund (EDRF) and \$2.9 million in the Section 115 Trust, and represents 40% of expenditures (excluding the Section 115 Pension Trust) and 45.5% (including the Section 115 Pension Trust).

Staff have calculated these numbers based on the most current information as of the date of the report, but it is important to note that these numbers are unaudited and are subject to change. During the completion of the fiscal year-end close, which is underway, and during the annual independent audit, which is set to take place the first week in October, there may be adjustments to both revenue and expenditures with the verified year-end totals to be included in the Annual Comprehensive Financial Report (ACFR) once it is completed.

STRATEGIC PLAN CONSIDERATIONS

This action supports the [City's Strategic Plan Goal\(s\)](#) of:

- *High Performing Organization* by ensuring the City maintains a strong financial position – and will allow the City Manager to develop a plan to ensure that Citywide revenue meets the cost of providing Citywide services, including

adequate reserves in the face of significant unanticipated revenue shortfalls. It further ensures procedures that represent best practices in financial management.

ENVIRONMENTAL CONSIDERATIONS

This section is not applicable to this agenda item.

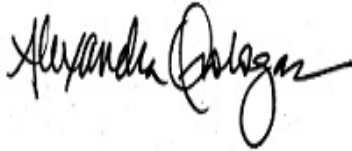
FINANCIAL CONSIDERATIONS

The unaudited FY 2024-25 General Fund Fourth Quarter Update reflects revenues totaling \$54.4 million (105% of budget), and expenditures of a total of \$52.8 million (98% of budget). The projected unaudited year-end total fund balance is estimated to be \$24.8 million; this includes \$7.5 million designated for the EDRF and \$2.9 million in the Section 115 Trust.

LEGAL CONSIDERATIONS

This section is not applicable to this agenda item.

Reviewed by:



Alexandra Orologas, Assistant City Manager

Attachments:

1. FY 2024-25 4th Quarter General Fund Update



General Fund Budget Update
 Quarter 4 FY 2024-25
 04/01/2025 – 06/30/2025

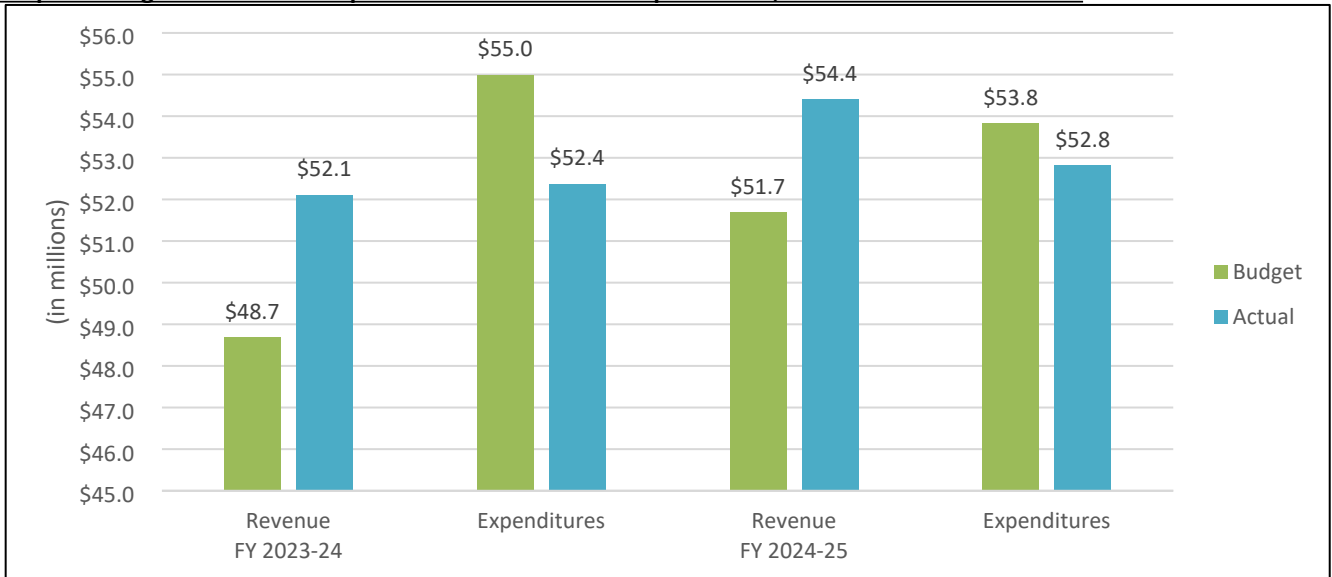
EXECUTIVE SUMMARY

The City of El Cerrito is pleased to submit the fiscal year (FY) 2024-25 Fourth Quarter General Fund Budget Update for the period of April 1 through June 30, 2025. This report provides a high-level overview of the City’s budget status, including how revenues and expenditures compared to the budget. All results are preliminary and will be finalized as part of the annual audit process.

The City ended the year with stronger-than-expected revenues and prudent spending, resulting in a healthy surplus. For the year, General Fund revenues totaled \$54.4 million, or 105% of budgeted values, while unaudited expenditures ended the year at \$52.8 million, or 98% of budgeted values, equating to a projected \$1.6 million surplus for Fiscal Year 2024-25. The projected ending General Fund balance as a result of the surplus is estimated at \$24.5 million, increasing the City’s General Fund reserve balance to 45.5% of expenditures.

Graph 1 shows the overall comparison of budget-to-actuals in FY 2023-24 and FY 2024-25.

Graph 1: Budget to Actuals Comparison of Revenues and Expenditures, FY 2023-24 and FY 2024-25



These results are preliminary, as staff are currently working to complete the annual year-close and audit process. Final audited results will be brought to the City Council and public for review in early 2026 after the annual audit is complete.

BUDGET-TO-ACTUALS RESULTS

During the budget development process, the Finance Department aims to develop revenue and expenditure projections that are as accurate as possible to ensure the City’s long-term financial sustainability. In each revenue and expenditure table, one column shows how actual results compared to the budget in FY 2023-24, and another

column reflects the same for FY 2024-25. These columns show the level of budget accuracy – how close the actuals were to the budgeted amounts. In FY 2023-24, actual revenues were 7% above budget and actual expenditures were 5% below budget. In FY 2024-25, preliminary actual revenues were 5% above budget and preliminary expenditures were 2% below budget.

During budget development for FY 2023-24, the City was still experiencing residual impacts from the COVID-19 pandemic, which created lingering economic uncertainty. At the same time, the Finance Department had significant vacancies, including both the Finance Director/City Treasurer and Budget/Financial Services Manager positions. Staff across different departments collaborated to develop a budget using the best information available at the time. However, many revenues ended up significantly outpacing budget for the fiscal year. During the biennial budget development process for FY 2024-25 and FY 2025-26, the now fully-staffed Finance Department, in collaboration with the City Manager’s Office and all departments, overhauled the revenue forecasting and budgeting process. This included incorporating custom expert forecasts in key areas where available at little or no additional cost to the City. As a result, the preliminary FY 2024-25 budget-to-actuals results show revenues that align much closer to budget than the prior fiscal year, reflecting a higher degree of budgeting accuracy.

The final column in each table shows the percent change in actuals year-over-year, which reflects the total amount that revenues changed from FY 2023-24 to FY 2024-25. While these numbers are preliminary for FY 2024-25 until the annual audit is complete, the results reflect increases in most major revenue types. Detail by revenue type is presented in the next section.

GENERAL FUND REVENUES

For FY 2024-25, General Fund revenues exceeded budget by approximately 5% across all revenue categories. Combined tax revenues were 4% above budget.

Table 1 shows General Fund revenues by classification for FY 2023-24 and FY 2024-25.

Table 1: Quarter 4 General Fund Revenue by Classification

Revenue Classification	FY 2023-24			FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Actuals	% of Budget	Amended Budget	Projected Actuals	% of Budget	
Property Taxes	\$11,417,064	\$12,557,243	110%	\$16,461,935	\$16,726,971	102%	33%
Sales Taxes	3,998,666	4,406,504	110%	4,517,790	4,832,407	107%	10%
Measure R Sales Tax	3,855,000	4,322,227	112%	4,459,000	4,324,360	97%	0%
Transient Occupancy Taxes	150,000	89,451	60%	100,000	115,058	115%	29%
Franchise Taxes	1,400,000	1,854,939	132%	1,380,000	1,587,267	115%	-14%
Business License Taxes	1,150,600	1,128,561	98%	1,182,817	1,176,343	99%	4%
Property Transfer Taxes	3,300,000	3,129,523	95%	3,000,000	3,207,242	107%	2%
Utility Users' Taxes	3,520,000	4,015,551	114%	3,694,260	4,206,762	114%	5%
Other Taxes	1,500	5,936	396%	1,500	57	4%	-99%
Taxes Totals	\$28,792,830	\$31,509,937	109%	\$34,797,302	\$36,176,468	104%	15%
Licenses & Permits	\$1,284,618	\$1,272,849	99%	1,007,000	1,414,521	140%	11%
Fines & Forfeitures	145,000	231,231	159%	130,000	198,861	153%	-14%
Use of Money and Property	584,073	1,003,514	172%	957,000	1,256,787	131%	25%
Intergovernmental Revenues	8,393,092	8,898,568	106%	5,334,401	6,180,922	116%	-31%
Charges for Services	7,594,420	7,423,701	98%	7,839,237	7,428,343	95%	0%
Other Revenue	911,748	791,244	87%	630,000	733,244	116%	-7%
Other Financing Sources	977,182	977,182	100%	1,002,039	1,009,876	101%	3%
Totals	\$48,682,963	\$52,108,226	107%	\$51,696,979	\$54,399,021	105%	4%

Taxes

Property Taxes exceeded budget by 2%. The large increase in property taxes from FY 2023-24 to FY 2024-25 is primarily due to a reclassification of Property Tax-in-Lieu-of-Vehicle License Fee (VLF) revenues, which had previously been classified as Intergovernmental revenues. This reclassification also explains the large decrease

in Intergovernmental revenues for the same period. Staff develop the revenue projections for Property and Sales/Transactions and Use Taxes using customized forecasts developed by HdL. Property taxes are a highly stable revenue source that rarely declines year over year, while Sales Taxes are much more volatile and harder to forecast.

Sales and Use Taxes exceeded budget by 7% in FY 2024-25, while Measure R Transactions and Use Tax (TUT) revenues received were below budget by 3%. The first is the 1% Bradley Burns sales tax, which is reported separately from the Measure R TUT. While the two forms of sales tax have many similarities, there are slight differences in how they are applied to online purchases, resulting in the difference in performance. The 1% Bradley Burns sales tax exceeded budget primarily due to an adjustment in countywide pools during the fiscal year. In FY 2024-25, El Cerrito outperformed statewide and local trends in sales taxes, largely due to strong local business performance, local online purchasing, and El Cerrito's unique balance of types of businesses. Despite this, HdL recommends continued caution given current economic uncertainty. HdL suggests that some of the strong sales tax returns this summer may reflect panic buying ahead of potential tariff increases, and the potential for a broader economic downturn in the near future.

Transient Occupancy Taxes (TOT), also known as hotel taxes, comprise a very small component of El Cerrito's budget. This is due to the small number of hotel/motel businesses in the city. Staff revised projected TOT revenues down to \$100,000 during the FY 2024-25 budget process based on trends, and actual revenues received exceeded this revised budget by 15%. Absent a new hotel or motel business, or a change in the tax rate after a vote of the public, this will remain a small revenue source in El Cerrito.

Business License Taxes came in almost exactly on budget for FY 2024-25 and increased 4% over the prior fiscal year. Business license taxes are paid primarily at the beginning of the fiscal year by anyone doing business in El Cerrito. As per El Cerrito Municipal Code, the Business License Tax rate increases by inflation as calculated by the change in consumer price index (CPI) each fiscal year.

Property Transfer Taxes (RPTT) exceeded budget by 7% in FY 2024-25, an increase of 2% over the prior fiscal year. Staff decreased the revenue budget for RPTT from the prior fiscal year due to a trend of decreasing revenue of this type and a challenging housing market. While the housing market continues to stagnate due to high interest rates and economic uncertainty, a steady number of properties continue to change ownership annually. The City does not receive an expert forecast for estimating Property Transfer Tax. Given that RPTT is a highly volatile and unpredictable revenue source, staff continue to monitor market trends and aim to budget reasonably but conservatively in this area.

Utility Users Taxes (UUT) exceeded budget by 14% for FY 2024-25 due to increasing water and electrical rates. Telecom UUT revenues continue to decline as residents "cut the cord" and eliminate cable television subscriptions and landline use. Staff develop the revenue budget for UUT using historic receipts and trends, but mid-year utility rate changes by PG&E and unpredictable utility usage rates make forecasting challenging. In 2024, El Cerrito contracted with HdL for UUT administration and collections services, improving both revenue capture and forecasting accuracy.

Other Revenue

While taxes comprise the majority of El Cerrito's revenues, other revenue sources also provide important funds for services.

- **Licenses and Permits** primarily reflect Community Development permits (building, electrical, mechanical, plumbing). Projections are developed with the Community Development Director, adjusting annually for larger projects. The FY 2023-24 budget was increased to \$1.2M based on demand, then reduced to \$1M in FY 2024-25. FY 2023-24 ended at 99% of budget, while FY 2024-25 is currently at 140% of budget. No budget amendments were made to account for the revenue increase. FY 2024-25 revenue was \$141,672 higher than FY 2023-24. Increased revenues in this category are typically offset

by increased expenses (e.g., permit review), since these revenues are limited to cost recovery.

- **Fines & Forfeitures** ended the year 31% above budget. This category includes vehicle citation fees and fines and penalties for late payment of taxes. Staff had decreased the budgeted revenues for FY 2024-25 compared with prior years due to expected Police Department vacancies, but actual citation activity exceeded budget by 60%. Other forms of fines and forfeitures exceed budget by 30% due to penalties received from HdL’s enforcement of utility tax payment deadlines.
- **Use of Money and Property** includes interest income and rental charges. The budget increased from \$584,000 in FY 2023-24 to \$957,000 in FY 2024-25 after a trend analysis showed that the prior budget was overly conservative. Revenues exceeded budget by 31% in FY 2024-25 due to high interest rates and strong market returns. However, interest income continues to be budgeted conservatively due to market volatility.
- **Intergovernmental Revenues** include state reimbursements and funds from other governmental agencies. Intergovernmental revenues ended the year 16% above budget due to higher-than-budgeted state reimbursements for Fire Department support of California Office of Emergency Services (OES) activities and police officer training reimbursed under the California Police Officer Standards and Training (POST) program. This category decreased significantly from FY 2023-24 to FY 2024-25 due to the reclassification of Property Tax-In-Lieu-of-VLF revenues to the Property Tax category in FY 2024-25.
- **Charges for Services** include fees and rentals, including recreation program fees, planning and inspection fees, and other charges for service citywide. This category ended the year 5% below budget primarily due to low permit and inspection activity in the Community Development and Public Works departments.
- **Other Revenue** includes donations, sales of property, some insurance claim reimbursements, and cannabis revenues. This category ended the year 16% above budget due to higher-than-budgeted cannabis revenues and some small insurance claim reimbursements.
- **Other Financing Sources** includes transfers in from other funds for overhead costs supported by the General Fund. This category is largely determined at budget development and ended the year very close to budget.

Table 2 shows General Fund revenues by department for FY 2023-24 and FY 2024-25. The large majority of revenues are received in Non-departmental, primarily from taxes collected. Revenues received in the Community Development and Recreation Departments are primarily from user fees, while Fire Department revenues largely consist of reimbursements for service from Kensington. In FY 2024-25, all Departments exceeded their revenue budgets except for the Public Works Department, due to lower than anticipated permit activity. The Police Department’s revenue budget was decreased in FY 2024-25 due to anticipated staff vacancies. However, actual citation activity was higher than budgeted, resulting in revenues 60% above budget.

The Community Development Department’s revenues decreased 13% year over year due to lower permit activity, while Recreation revenues increased 17% due to increased program demand and fee increases. Increases in Fire Department revenue are offset by increases in operation costs.

Table 2: Quarter 4 General Fund Revenues by Department

Department	FY 2023-24			FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Actuals	% of Budget	Amended Budget	Projected Actuals	% of Budget	
Administration	\$140,100	\$30,013	21%	\$11,500	\$17,154	149%	-43%
Community Development	2,841,226	2,945,880	104%	2,517,396	2,565,701	102%	-13%
Fire	5,213,592	5,203,903	100%	5,384,101	6,102,310	113%	17%
Non-departmental	34,136,304	37,717,008	110%	37,083,964	38,832,723	105%	3%
Police	214,000	300,172	140%	186,000	299,940	161%	0%
Public Works	664,312	753,049	113%	599,132	571,222	95%	-24%
Recreation	5,473,429	5,158,202	94%	5,914,886	6,009,970	102%	17%
Totals	\$48,682,963	\$52,108,226	107%	\$51,696,979	\$54,399,021	105%	4%

GENERAL FUND – EXPENDITURES

The City’s General Fund expenditures remained within overall appropriations, reflecting ongoing efforts to manage resources efficiently while supporting core services. Overall, the City spent about \$53 million from the General Fund, which was 2% less than budgeted. Below is a list of what each classification includes.

- **Personnel:** Full-time and part-time staff salaries and benefits, including pension costs.
- **Purchased Professional & Technical Services:** Outsourced services, consulting services, temporary staffing, software licenses and maintenance.
- **Purchased Property Services:** Utilities, landscape maintenance, janitorial services, and other miscellaneous repair and maintenance services.
- **Other Purchased Services:** Insurance, telephone and internet services, travel and training, dues and subscriptions, and legal notices.
- **Supplies:** Office supplies, medical and safety supplies, uniforms, fuel, employee and volunteer recognition, infrastructure and building supplies, and postage.
- **Property & Capital:** Equipment, vehicles, building maintenance, and capital outlay.
- **Financing Costs:** principal and interest for city debt; licenses, fees, and charges; and bank and credit card fees.
- **Other Financing Uses:** Transfers out of the General Fund.

Table 3 shows General Fund expenditures by classification for FY 2023-24 and FY 2024-25.

Table 3: Quarter 4 General Fund Expenditures by Classification

Expenditure Classification	FY 2023-24			FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Actuals	% of Budget	Amended Budget	Projected Actuals	% of Budget	
Personnel	\$35,358,284	\$35,161,589	99%	\$38,122,416	\$37,880,919	99%	8%
Purchased Professional & Technical Services	7,347,177	6,272,378	85%	5,615,500	5,481,205	98%	-13%
Purchased Property Services	2,846,162	2,213,262	78%	2,748,877	2,458,490	89%	11%
Other Purchased Services	3,558,119	3,432,558	96%	3,927,771	3,874,477	99%	13%
Supplies	940,675	775,412	82%	876,170	784,891	90%	1%
Property & Capital	685,138	324,583	47%	736,513	545,822	74%	68%
Financing Costs	634,368	490,534	77%	539,822	531,615	98%	8%
Other Financing Uses	3,622,194	3,703,548	102%	1,258,329	1,258,620	100%	-66%
Totals	\$54,992,117	\$52,373,865	95%	\$53,825,399	\$52,816,039	98%	1%

Major expenditure areas including Personnel, Purchased Professional and Technical Services, Other Purchased Services, Financing Costs, and Other Financing Uses ended the year very close to budget. Purchased Professional & Technical Services decreased 13% from the prior year, despite more accurate budgeting for FY 2024-25. This reduction is primarily due to a decrease in consultant services utilized by Community Development, which experienced a decline in permit activity compared to prior years and timing of consulting projects citywide. The decrease in Other Financing Uses from FY 2023-24 to FY 2024-25 is due to lower transfers out of the General Fund for capital projects and deferred maintenance.

Purchased Property Services ended the year at 89% of budget, an 11% increase over the prior year. This is due to reduced repair and maintenance costs as well as a increased set-aside of funds for vehicle replacement.

Table 4 shows expenditures by department for FY 2023-24 and FY 2024-25. Expenditures remained within the adopted spending authority Citywide, ending the year 2% under budget. A separate request will be submitted to roll forward a portion of the unexpended funds for purchases or projects not received or completed by June 30.

Table 4: Quarter 4 General Fund Expenditures by Department

Department	FY 2023-24			FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Actuals	% of Budget	Amended Budget	Projected Actuals	% of Budget	
Administration	\$8,076,150	\$7,531,625	93%	\$7,972,678	\$7,682,777	96%	2%
Community Development	4,892,425	4,267,261	87%	4,168,728	3,847,195	92%	-10%
Fire	14,873,622	14,649,344	98%	15,813,246	16,400,399	104%	12%
Non-departmental	4,111,447	4,045,826	98%	1,382,691	1,438,069	104%	-64%
Police	13,663,610	13,146,401	96%	15,052,742	14,691,514	98%	12%
Public Works	2,849,926	2,616,116	92%	2,481,847	2,322,818	94%	-11%
Recreation	6,524,937	6,117,293	94%	6,953,467	6,433,267	93%	5%
Totals	\$54,992,117	\$52,373,865	95%	\$53,825,399	\$52,816,039	98%	1%

City Administration ended the year 4% under budget, in part due to the timing of the Service Delivery Study, which was initiated in FY 2024-25 but will be completed in FY 2025-26. The Community Development Department ended below budget and below prior year actuals due to lower permit activity. Non-Departmental expenditures slightly exceeded budget due to higher principal and interest than budgeted but decreased significantly from the prior fiscal year due to decreased transfers out for capital projects and deferred maintenance.

While the Fire Department ended 4% above budget, this is due to OES-reimbursable overtime from El Cerrito support of major incidents statewide and is offset by the department exceeding revenues by 13%. Staff did not seek a budget amendment since the overall General Fund absorbed the overage while remaining within adopted spending limits.

GENERAL FUND – AMENDMENTS

During FY 2024-25, the City Council approved a number of amendments to the General Fund. These came in three phases – Fall 2024, at the Mid-Year update, and in June 2025 as part of the FY 2025-26 budget adoption process.

In Fall 2024, amendments included the rollover of purchase orders from FY 2023-24 to FY 2024-25 that were incomplete due to timing issues. The Council also approved new contracts with three labor unions: Service Employees International Union 1020 (SEIU), the Police Employees Association (PEA), and the Public Safety Management Association (PSMA).

At the Mid-Year update in March 2025, the Council approved additional budget increases to the budget to support Recreation program and staffing (including childcare, the swim center, youth programs), all of which were offset by revenues. The Council also approved budget increases for vehicle maintenance, higher-than-expected legal and election costs, and library project support.

In June 2025, Council approved one-time uses of fund balance for significant capital needs, including major pool repairs, the purchase of a new fire apparatus, and a citywide service delivery study.

In total, FY 2024-25 amendments increased General Fund spending authority by \$2.47 million. These increases were partly offset by \$310,535 in new revenues and an originally projected surplus of \$33,952, which suggested a year-end deficit of \$2.1 million. However, stronger than anticipated revenues and lower spending produced a preliminary surplus of approximately \$1.6 million. Table 5 shows the approved amendments and their respective budget impacts.

Table 5: Amendments to General Fund During FY 2024-25

Department	Description	Amount
Prior to Mid-Year Amendments		
Various Departments	Purchase Order Budget Roll-forward	\$ 603,425
Various Departments	SEIU Contract	36,622
PD & Fire	PEA & PSMA Contract	354,860
	Total	994,907
Mid-Year Amendments		
Recreation	Childcare Program	115,000
Recreation	Swim Center Staffing	50,000
Recreation	Youth Program Instructors	60,000
City Clerk	Election and Document Management	18,000
Fire	Vehicle Maintenance	95,000
Human Resources	Legal Support	60,000
City Manager's Office	Library Project Support	45,000
	Total	443,000
June Amendments		
Recreation	Pool Repair Project	500,000
Fire	Fire Truck Set Aside	380,000
Finance	Service Delivery Study	120,000
	Total	1,000,000
Other Adjustments		
Community Development	Conlon Abatement	35,000
	Total Expenditure Increases	2,472,907
Revenues		
Department	Description	
Recreation	Recreation Programs	(310,535)
Original Projected Surplus		(33,952)
	Total Revenue Increases	(344,487)
Projected Year-End Change to Fund Balance		\$ 2,128,420

GENERAL FUND BALANCE

The FY 2023-24 General Fund balance was \$22.89 million. Table 6 provides updated projections for FY 2024-25. The projected General Fund balance represents 40% of expenditures (excluding the Section 115 Pension Trust) and 45.5% when the Trust is included.

In June 2025, the Council approved a reallocation of \$1.5 million from the Emergency and Disaster Relief Fund (EDRF) to the Section 115 Pension Trust to support long-term pension obligations. At that time, the EDRF was funded above the 13% policy level, allowing for this shift. This change is reflected in Table 6.

According to the City’s Comprehensive Financial Policy, the minimum required General Fund Reserve is 17% of expenditures, or \$9.1 million. Based on current projections, the City will have \$4.8 million in discretionary reserves for FY 2025-26.

Table 6: Quarter 4 General Fund Balance

Fund Balance Projection		
FY24 General Fund - Total Fund Balance (actual)		\$ 22,893,338
EDRF	(9,000,000)	
Section 115	(1,372,890)	
Non-Spendable	(126,751)	
FY25 Projected Revenue	54,399,021	
FY25 Projected Expenditures	(52,816,039)	
Change in fund balance		1,582,982
Projected Total Ending FY25 Fund Balance		24,476,320
EDRF (Internally Restricted)	(7,500,000)	
Section 115 (Restricted)	(2,872,890)	
Non-Spendable	(126,751)	(10,499,641)
Projected FY25 Unrestricted Fund Balance		13,976,679
FY26 Expenditure Proposed Budget	53,764,017	
FY26 17% Reserve Goal		(9,139,883)
Projected discretionary for FY26		4,836,796
FY 25 Projected Ending Total Fund Balance		24,476,320
Projected unassigned (less Section 115)		21,603,430
Projected unassigned percent		40%

Section 115 Pension Trust and Non-Spendable amounts shown here reflect FY 2024 values; FY 2025 balances will be updated after audit.

CONCLUSION

Staff continue to refine forecasting methods and align the budget more closely with actual results and economic trends. Departments remain fiscally prudent and closely monitor spending throughout the year. For FY 2024-25, El Cerrito received revenues 4% above budget and held expenditures 2% below budget, resulting in a preliminary projected surplus of \$1.6 million. Staff project that the City will end FY 2024-25 in a strong financial position, with a total General Fund balance of \$24.4 million. These totals will be finalized during the upcoming annual audit process and will be presented to the City Council in early 2026.

General Fund Update Q4 Fiscal Year 2024-25

September 16, 2025



Summary



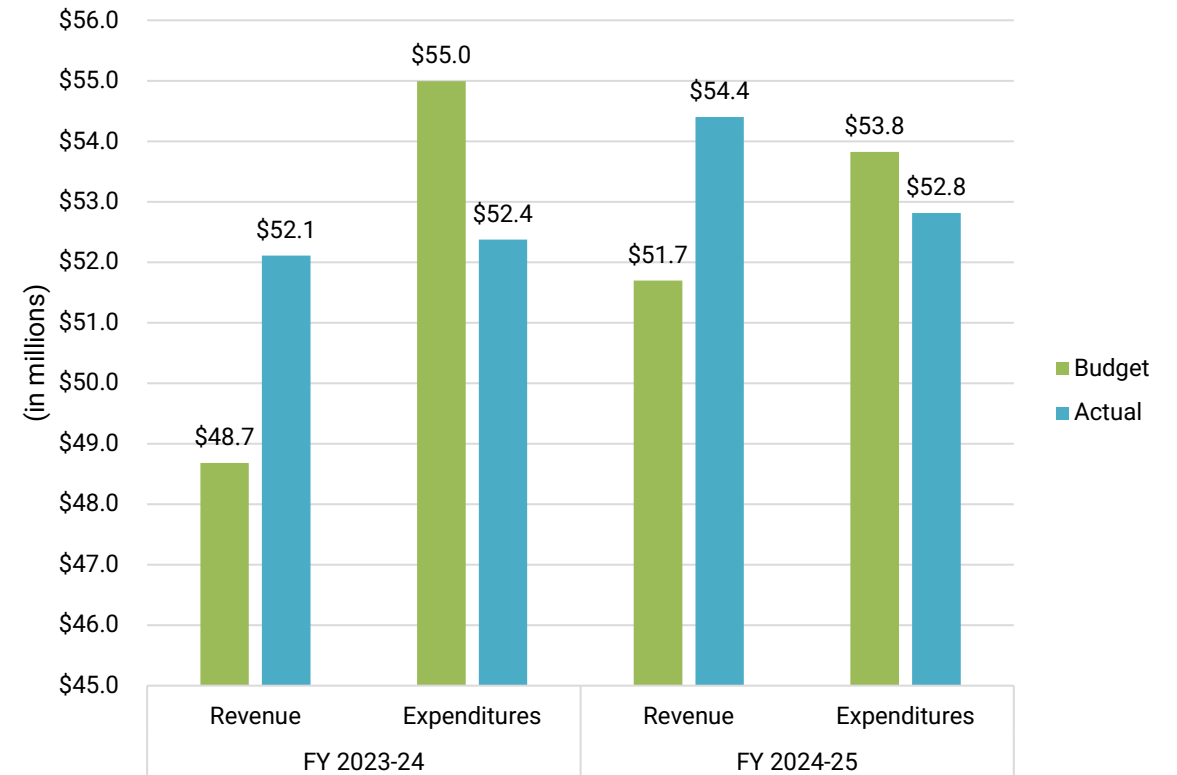
- Revenues: \$54.4M (105% of budget)
- Expenditures: \$52.8M (98% of budget)
- Surplus: \$1.6M projected
- Ending Fund Balance: \$24.5M (\approx 45.5% of expenditures including Section 115)
- Results preliminary, audit in progress

Budget to Actuals Trends



- Actuals outperformed budget in both years
- Improved forecast accuracy from prior year
- Revenues above budget: +7% (FY24), +5% (FY25)
- Expenditures below budget: -5% (FY24), -2% (FY25)

Budget to Actuals Comparison
FY 2023-24 and FY 2024-25



Revenues Overview



- Total revenues up 4%
- Taxes up 15% year over year, 4% above budget in FY25
- Other categories:
 - Licenses and Permits up
 - Charges for Services stagnant (low permit activity)
 - Intergovernmental down (reclassification)

Revenue Classification	FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Q4 Projected Actuals	% of Budget	
Taxes	\$34,797,302	\$36,176,468	104%	15%
Licenses & Permits	\$1,007,000	\$1,414,521	140%	11%
Fines & Forfeitures	\$130,000	\$198,861	153%	-14%
Use of Money and Property	\$957,000	\$1,256,787	131%	25%
Intergovernmental Revenues	\$5,334,401	\$6,180,922	116%	-31%
Charges for Services	\$7,839,237	\$7,428,343	95%	0%
Other Revenue	\$630,000	\$733,244	116%	-7%
Other Financing Sources	\$1,002,039	\$1,009,876	101%	3%
Totals	\$51,696,979	\$54,399,021	105%	4%

Revenues - Taxes



- Property Taxes: +33% (reclassification of Prop Tax in Lieu of VLF)
- Sales Tax: +10% in Bradley Burns, Measure R stagnant
- Utility Users Tax: +5%, driven by higher water & electric rates
- Business License Tax consistent with rate increase

Revenue Classification	FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Q4 Projected Actuals	% of Budget	
Property Taxes	\$16,461,935	\$16,726,971	102%	33%
Sales Taxes	\$4,517,790	\$4,832,407	107%	10%
Measure R Sales Tax	\$4,459,000	\$4,324,360	97%	0%
Transient Occupancy Taxes	\$100,000	\$115,058	115%	29%
Franchise Taxes	\$1,380,000	\$1,587,267	115%	-14%
Business License Taxes	\$1,182,817	\$1,176,343	99%	4%
Property Transfer Taxes	\$3,000,000	\$3,207,242	107%	2%
Utility Users' Taxes	\$3,694,260	\$4,206,762	114%	5%
Other Taxes	\$1,500	\$57	4%	-99%
Taxes Totals	\$34,797,302	\$36,176,468	104%	15%

Revenues by Department



- Non-departmental = majority (taxes)
- Fire +17% (reimbursements proportionate to expenditure growth)
- Recreation +17% (program demand & fee increases)
- Public Works -24% and Community Development -13% (lower permit activity)

Department	FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Q4 Projected Actuals	% of Budget	
Administration	\$11,500	\$17,154	149%	-43%
Community Development	2,517,396	2,565,701	102%	-13%
Fire	5,384,101	6,102,310	113%	17%
Non-departmental	37,083,964	38,832,723	105%	3%
Police	186,000	299,940	161%	0%
Public Works	599,132	571,222	95%	-24%
Recreation	5,914,886	6,009,970	102%	17%
Totals	\$51,696,979	\$54,399,021	105%	4%

Expenditures Overview



- Total: \$52.8M (98% of budget, 1% higher than FY24)
- Major areas:
 - Personnel (increase based on labor agreements)
 - Professional/Technical Services down -13% (lower consultant use)
 - Transfers out (Other Financing Uses) down significantly from FY24 from fewer CIP transfers

Expenditure Classification	FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Q4 Projected Actuals	% of Budget	
Personnel	\$38,122,416	\$37,880,919	99%	8%
Purchased Professional & Technical Services	5,615,500	5,481,205	98%	-13%
Purchased Property Services	2,748,877	2,458,490	89%	11%
Other Purchased Services	3,927,771	3,874,477	99%	13%
Supplies	876,170	784,891	90%	1%
Property & Capital	736,513	545,822	74%	68%
Financing Costs	539,822	531,615	98%	8%
Other Financing Uses	1,258,329	1,258,620	100%	-66%
Totals	\$53,825,399	\$52,816,039	98%	1%

Expenditures by Department



- Most departments within budget
- Fire +12% (4% above budget), offset by reimbursements
- Community Development -10% and Public Works -11% (lower permit activity)
- Recreation +5%, 7% under budget
- Decrease in Non-Departmental from lower transfers out

Department	FY 2024-25			% Change in Actuals FY24 to FY25
	Amended Budget	Q4 Projected Actuals	% of Budget	
Administration	\$7,972,678	\$7,682,777	96%	2%
Community Development	4,168,728	3,847,195	92%	-10%
Fire	15,813,246	16,400,399	104%	12%
Non-departmental	1,382,691	1,438,069	104%	-64%
Police	15,052,742	14,691,514	98%	12%
Public Works	2,481,847	2,322,818	94%	-11%
Recreation	6,953,467	6,433,267	93%	5%
Total	\$53,825,399	\$52,816,039	98%	1%

FY 2024-25 Amendments



- \$2.47M in amendments approved (labor contracts, recreation, capital)
- Offset by \$0.3M in new revenues
- Despite projected planned deficit, year ended with +\$1.6M surplus

Department	Description	Amount
Expenditures		
Various	Purchase Order Rollover	\$ 603,425
Various	Labor Contracts (SEIU, PEA, PSMA)	391,482
Recreation, City Clerk, Fire, HR, CM	Mid-Year Adjustments	443,000
Recreation	Pool Repair	500,000
Fire	Fire Truck Set Aside	380,000
Finance/CM	Service Delivery Study	120,000
Community Development	Conlon Abatement	35,000
Revenue		
Recreation	Mid-Year Adjustment	310,535
	Original Projected Surplus	33,952
Projected Year-End Change to Fund Balance		\$ 2,128,420

Fund Balance



- FY24: \$22.9M →
FY25: \$24.5M
- Reserves: 40% not incl.
Pension Trust
- \$4.8M discretionary
reserves projected for
FY26

Fund Balance Projection		
FY24 General Fund - Total Fund Balance (actual)		\$ 22,893,338
FY25 Projected Revenue	54,399,021	
FY25 Projected Expenditures	(52,816,039)	
Change in fund balance		1,582,982
FY 25 Projected Ending Total Fund Balance		24,476,320
Projected unassigned percent as of June 30, 2025		40%

Conclusion



- Revenues above budget, expenditures below budget = surplus
- Continued improvements in forecasting and budgeting accuracy
- Fund balance strong and well above reserve policy
- Final audited results to City Council in early 2026

Thank you!





Finance Department
Annual Calendar At-A-Glance

- July
 - Fiscal year end close
 - Monthly budget meetings with departments
 - Quarterly cash & investment report to Council
- Aug
 - Fiscal year end close
 - July monthly close
 - GFOA and CSMFO Budget Submission
 - Monthly budget meetings with departments
- Sep
 - Fiscal year end close
 - August monthly close
 - Finance staff starts re-evaluating position control
 - Monthly budget meetings with departments
- Oct
 - Final audit field work
 - September monthly close
 - Quarterly reporting
 - Long-range forecast model update
 - Start of CIP budgeting discussions with Public Works
 - Monthly budget meetings with departments
 - Quarterly cash & investment to Council
- Nov
 - Financial statement prep
 - October monthly close
 - 1st quarter General Fund update to Council
 - Vehicle & Equipment replacement policy review and start of budget discussions with departments
 - State Controller's Office (SCO) Annual Street Report
 - Monthly budget meetings with departments
- Dec
 - City normally closed between the Christmas holiday and New Years
 - November monthly close
 - Finalize position control

All dates are approximate and subject to change months without notice



Finance Department
Annual Calendar At-A-Glance

- California Department of Tax and Fee Administration (CDTFA) Underground Storage Tank Annual Report
- Submit for GFOA Certificate of Achievement for ACFR
- Monthly budget meetings with departments
- Jan
 - December monthly close
 - Quarterly reporting
 - Council retreat – budget kickoff
 - SCO Annual Local Streets & Roads Maintenance Report
 - SCO Annual Cities Financial Transactions Report
 - SCO Special District Public Financing Authority Annual Report
 - Monthly budget meetings with departments
 - Long-range forecast model update
 - Quarterly cash & investment to Council
 - ACFR presentation to Council
 - ACFR review with FAB
- Feb
 - January monthly close
 - Development of revenue projections for budget
 - Completion of service delivery study
 - Department requests for summaries, performance measures, goals and objectives
 - 2nd quarter General Fund update to Council (possibly March)
 - Contra Costa County (CCC) annual Possessory Interest filing
 - Monthly budget meetings with departments
- Mar
 - February monthly close
 - Mid-year (possibly March)
 - Budget kickoff meetings with departments
 - TBD Community meetings
 - FAB meeting to discuss budget priorities
 - End of Month department budgets due to finance
 - Prop 172 Public Safety Maintenance of Effort (MOE) annual filing
 - Monthly budget meetings with departments
 - Interim audit preparation

All dates are approximate and subject to change months without notice



Finance Department
Annual Calendar At-A-Glance

- Apr
 - March monthly close
 - Quarterly reporting
 - SCO Annual Government Compensation Report
 - CDTFA Tax Revenue Sharing Agreements Annual Confirmations
 - Monthly budget meetings with departments
 - Quarterly cash & investment report to Council
 - Interim audit field work (possibly May)
- May
 - April monthly close
 - 3rd quarter General Fund update to Council
 - Master fee schedule to council
 - Council & FAB draft budget 5/26 est
 - Monthly budget meetings with departments
- Jun
 - May monthly close
 - 6/2 first Council budget adoption meeting
 - 6/16 second Council budget adoption meeting
 - Monthly budget meetings with departments
 - Fiscal year end close prep

All dates are approximate and subject to change months without notice

**CITY OF EL CERRITO
COMPREHENSIVE FINANCIAL POLICIES**

Approved: Resolution No. 2024-82: November 19, 2024

PURPOSE:

To establish a comprehensive set of financial policies for the City that will serve as a guideline for operational and strategic decision making related to financial matters.

POLICY:

The following financial policies are intended to establish a comprehensive set of guidelines for use by the City Council and staff on decision-making that has a fiscal impact. The goal is to maintain the City's financial stability in order to be able to continually adapt to local, regional, and national economic changes. Such policies will allow the City to maintain and enhance a sound fiscal condition.

This financial policy will be reviewed annually by the Financial Advisory Board and any proposed substantive revisions will be submitted to the City Council for approval. The City's comprehensive financial policies will be utilized when preparing the Annual Operating Budget and shall be in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

1. OVERVIEW & LONG-TERM FINANCIAL PLANNING

- 1.1. A Five-Year Year Financial Plan will be prepared at a minimum for the General Fund, and Integrated Waste Management Funds. The City's Five-Year Financial Plan is the long-term picture of the City's finances and will be updated annually as part of the annual budget process.
- 1.2. The City shall seek a balance in the overall revenue structure between more stable revenue sources (e.g. Property Tax and Utility Taxes) and economically sensitive revenue sources (e.g., Sales Tax).
- 1.3. The City shall develop and maintain methods for the evaluation of future development and major fiscal impacts on the City budget.
- 1.4. The City shall develop and implement a financial plan to address its funding needs for issues like deferred maintenance and unfunded liabilities.
- 1.5. The City shall address issues related to cash flow requirements and any short term borrowing requirements on a timely basis.
- 1.6. The City shall require any annexation agreements to have a long- term beneficial financial impact on the City.

2. BUDGET POLICIES

- 2.1. The City Manager shall prepare a proposed annual budget to be reviewed by the Financial Advisory Board and presented to the City Council within all statutorily prescribed deadlines. The City Council will adopt the budget at a public hearing by June 30 of each year.
- 2.2. A Budget will be adopted by Resolution of the City Council annually, which will contain the budget amendment process, budget amendment authority, and spending authorities. All departments are responsible for meeting the City's financial policy goals and ensuring the City's long-term financial health. Budget control is maintained at the fund level. The City Manager is authorized to transfer budgeted amounts within departments and within funds. In addition, amendments that are made to authorize spending of increased or new special purpose revenues may be approved by the City Manager. Budget modifications between funds or increases or decreases to a fund's overall budget must be approved by the City Council.

- 2.3. It is the City's policy to adopt a balanced General Fund budget where operating revenue is equal to, or exceeds, operating expenditures. In the event a balanced budget is not adopted, due to a deliberate reduction of accumulated fund balance or if the cause of the imbalance is expected to last for no more than one year, as with the case of a one time settlement or large purchase, the planned use of reserves to balance the budget is permitted as long as the reserve is consistent with the amounts described in Section 3., General Fund Balance Reserve Policy.
- 2.4. The operating budget shall serve as the annual financial plan for the City. It shall serve as the City's management plan for implementing goals and objectives of the City Council, City Manager and departments and will define service levels.
- 2.5. During the annual budget development process, the existing budget shall be examined to assure removal or reduction of any services or programs that should be eliminated or reduced in cost.
- 2.6. The annual review process shall include an assessment to determine if funds are available to operate and maintain proposed capital facilities and other public improvements.
- 2.7. Any General Fund year-end operating surplus (the excess of actual General Fund revenue less actual General Fund expenditures) shall be allocated for the following, subject to City Council approval, using the following priority order until any such annual General Fund surplus is fully allocated:
 1. General Fund Reserve, until the General Fund has reached 100% of its targeted reserve ratio as specified in the General Fund Reserve Policy (Section 3 of this policy).
 2. Emergency Disaster Relief Fund (EDRF), until the balance in that fund reaches 100% of the target balance as specified in Emergency and Disaster Recovery Fund (Section 4 of this policy).
 3. A minimum of 33% of the remaining surplus to additional discretionary payments towards the City's unfunded liabilities and/or contributions towards a pension or other post-employment benefit trust.
 4. The City Manager will make recommendations to the City Council to use any remaining surplus to fund non-recurring expenditures such as capital improvements, equipment purchases, or other, one-time expenditures which will not require additional future expense outlay for maintenance, additional staffing, or other recurring expenditures.
- 2.8. Where practical, the City's annual budget will include performance measures of workload, efficiency, and effectiveness.
- 2.9. Revenues:
 - 2.9.1. The City will estimate annual revenues using an objective, analytical process; specific assumptions will be documented and maintained. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies, and/or reliable economic forecasters when available.
 - 2.9.2. Specific revenue sources will not be dedicated for specific purposes, unless required by law or Generally Accepted Accounting Principles (GAAP). All non-tax increment, non-restricted revenues will be deposited in the General Fund and appropriated through the budget process. On-going revenues will fund on-going expenditures.
 - 2.9.3. A diversified and stable revenue system will be maintained to the extent possible to protect programs from short-term fluctuations in any single revenue source.

2.10. Appropriations:

- 2.10.1. The City shall, to the extent possible, pay for current year expenditures with current year revenues. Where authorized activities or equipment remain incomplete and/or unpurchased, revenues and/or fund balance may be carried forward at the City Manager's direction to the next fiscal year to support such an activity/purchase.
- 2.10.2. The City shall avoid budgetary procedures which rely on financial strategies that defer payment of current operating expenses to future years.
- 2.10.3. Department Heads are responsible for ensuring that department expenditures stay within the department's budgeted appropriation.
- 2.10.4. A City Council Resolution is necessary to increase any total fund appropriation where no corresponding revenue offset exists that is restricted for that purpose.
- 2.10.5. The City Manager may adjust appropriations among departments within a fund.

3. GENERAL FUND RESERVE POLICY

- 3.1. The purpose of the reserve policy is to set aside funds to insure against events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. The reserve is designed to protect issuer ratings and offset economic downturns and revenue shortfalls.
- 3.2. It is a goal of the City to maintain an unrestricted General Fund operating reserve of 17% of projected General Fund operating expenditures in each fiscal year. The City Council may adopt a deficit budget if the projected reserve does not go below 10% in any year of the Five-Year Budget Forecast. Should the General Fund reserve fall below 10%, each budget year the City will adopt a plan to restore the reserve percentage to 17%.
- 3.3. The unreserved fund balance in an Internal Service Fund may be transferred to the General Fund only for a fiscal emergency or for one-time uses such as natural disasters or unforeseen liabilities.

4. EMERGENCY AND DISASTER RECOVERY FUND (EDRF)

- 4.1. The City shall maintain a separate fund on its books called the Emergency and Disaster Recovery Fund (EDRF), which will be a restricted portion of the City's General Fund. The cash in this fund will be invested in accordance with the City's investment policy.
- 4.2. The purpose of this fund is to provide cash reserves in the event of severe economic downturns or disasters. The City shall fund and maintain the EDRF at 13% of the projected General Fund operating expenditures in each fiscal year.
- 4.3. The City Council may authorize the use of the EDRF for the purposes described in this Section 4 by a simple majority of the quorum. In the event that, because of an emergency, a quorum of the City Council is unavailable to meet, a single member or the City Manager may call a meeting to reconstitute the City Council, pursuant to the California Emergency Services Act (Gov. Code § 8642.) Once reconstituted, the City Council may authorize the use of the EDRF for the purposes described in this Section 4.
- 4.4. In the event that, because of the nature of an emergency, use of the EDRF is necessary before it is possible for the City Council to meet, the City Manager may use the EDRF for the purposes described in this Section 4. At the first meeting of the City Council thereafter, the City Council shall be asked to ratify the action of the City Manager. In the event that the City Manager is unavailable because of the emergency, the assistant director of emergency services, as defined in Chapter 2.28 of the El Cerrito Municipal Code, may use the EDRF for the purposes described in this Section 4. At the first meeting

of the City Council thereafter, the City Council shall be asked to ratify the action of the assistant director of emergency services.

5. FINANCIAL REPORTING POLICIES

- 5.1. Accounting Standards: The City's accounting and financial reporting systems shall be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA). The City will make every attempt to implement all changes to governmental accounting practices at the earliest practicable time.
 - 5.1.1. Annual Audit: An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the City's published Annual Comprehensive Financial Report (ACFR). The ACFR will be submitted annually to the Government Finance Officers Association for peer review with the goal of continuing receipt of the Certificate of Achievement for Excellence in Financial Reporting.
 - 5.1.2. The independent firm will be selected through a competitive bidding process at least once every five years. The contract may be for an initial period of three years with two additional one-year options at the City Council's discretion. The current firm may be allowed to participate in the bid process. The need for rotation of the audit staff or audit firm will be considered in the bid process. The Finance Director will review the qualifications of prospective firms and make a recommendation to the City Council. The audit contract will be awarded by the City Council.
- 5.2. The City shall prepare and issue timely interim budget reports on the City's fiscal status to the City Council on no less than a quarterly basis. Reports will be prepared and presented to the City Council that explain key economic and fiscal developments, note significant deviations from the budget, include information on revenue and expenditures by operating department and by revenue/expenditure category, and when required, outline any corrective actions necessary to maintain the City's financial position. Reports may be required on a monthly basis by the City Council if they deem it necessary to more frequently monitor the budget. Reports will be provided to the public on the City's website.

6. OPERATIONAL MANAGEMENT POLICIES

- 6.1. The City shall not commit to new spending for operating or capital improvement purposes until an analysis of all current and future cost implications relating to those programs and projects is completed.
- 6.2. All departments are responsible for meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements.
- 6.3. Departmental requests for increases in staffing will be thoroughly analyzed; only those that meet adopted program initiatives and policy directives will be considered. To the extent feasible, personnel cost reductions will be achieved through attrition.
- 6.4. User Fees and Charges and Development Impact Fees:
 - 6.4.1. Where direct services to users can be measured, as set forth in the Master Fee Schedule, the City should use appropriate fees, charges, or assessments rather than general tax funds. All user fees and charges will be examined or adjusted annually to determine the direct and indirect cost of service. User fees and charges for services shall be established at a level related to the cost of providing such service

except where the City Council has determined there is a public benefit to subsidize the service with tax-based revenue. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council following public review.

6.4.2. The City may identify the costs associated with new development as a basis for establishing development impact fees but the long-term benefit of the development to the City should be considered in establishing such fees.

6.5. Grant Management:

6.5.1. The City shall actively pursue federal, state and other grant opportunities when deemed appropriate. Before accepting any grant, the City shall thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant and present that report for approval by the City Council.

6.5.2. The term of Grant funded positions for programs should be clearly identified and presented to the City Council for approval. It is mandatory to disclose if General Fund revenues will be needed to fund a position during or after the Grant or program expires.

6.5.3. Grant funding will be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant monies will be budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, City resources may be substituted only after all program priorities and alternatives are considered.

6.5.4. The cost of all externally mandated services for which funding is available shall be fully evaluated, including overhead, to allow for complete reimbursement of expenses.

6.6. Revenue Collection Policy:

6.6.1. The City will pursue revenue collection and auditing to assure that monies due the City are received in a timely manner.

6.6.2. The City will seek reimbursement from the appropriate agency for State and Federal mandated costs whenever possible.

6.6.3. The City will centralize accounts receivable/collection activities so that all receivables are handled consistently.

6.6.4. Accounts receivable management and diligent oversight of collections from all revenue sources are imperative. Sound financial management principles include the establishment of an allowance for doubtful accounts. Efforts shall be made to pursue the timely collection of delinquent accounts. When such accounts are deemed uncollectible, they will be written-off from the financial statements in accordance with established policies.

7. FINANCIAL MANAGEMENT POLICIES

7.1. Staff shall keep City Council apprised of financial opportunities available and shall develop appropriate recommendations.

7.2. All requests for City Council action in excess of the City Manager's approval limit, shall include an analysis of the immediate and future fiscal impact of such action particularly impacts on the General Fund. No appropriation for new or expanded programs or staffing levels shall be approved without identifying the amount and source of available funds.

7.3. Cash Management Investment:

7.3.1. Cash and investment programs will be maintained in accordance with California Government Code Section 53600 et seq. and the City's adopted investment policy

and will ensure that proper controls and safeguards are maintained. Pursuant to the Investment Policy, the Financial Advisory Board, at least annually will review, and the City Council will affirm, a detailed investment policy.

- 7.3.2. Reports on the investment portfolio and cash position will be developed and presented to the Financial Advisory Board and the City Council in conformity with the California Government Code.
- 7.3.3. Funds will be managed in a prudent and diligent manner with emphasis on safety of principal, liquidity, and yield, in that order.
- 7.3.4. The quarterly report shall include a statement in compliance with California Government Code 53646.

8. CAPITAL IMPROVEMENT PROJECT POLICIES

- 8.1. A Ten-year Capital Improvement Plan will be developed and updated annually, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction which result in a capitalized asset and have a useful (depreciable) life of two years or more.
- 8.2. Each Capital Improvement Project will identify, where applicable, current operating maintenance costs and funding streams available to repair and/or replace deteriorating infrastructure and to avoid significant unfunded liabilities.
- 8.3. The City will develop and implement a post-implementation evaluation of its infrastructures condition on a specified periodic basis, estimating the remaining useful life, and projecting replacement costs.
- 8.4. The City shall actively pursue outside funding sources for all Capital Improvement Projects. Outside funding sources, such as grants, shall be used to finance only those Capital Improvement Projects that are consistent with the Ten-year Capital Improvement Plan and/or local governmental priorities, and who's operating and maintenance costs will be included in future operating budget forecasts.
- 8.5. Capital improvement lifecycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance and replacement costs associated with new capital improvements will be forecasted, matched to available revenue sources, and included in the Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.
- 8.6. The City must carefully seek and analyze the appropriate type of financing instrument appropriate for financing capital projects. Several options may be available – general obligation debt, fee-supported debt, fund reserves, tax increment, etc. All debt financing mechanisms shall be carefully considered and analyzed for fiscal benefit and cost effectiveness. Long-term borrowing shall be restricted to projects too large to be financed from current revenues (pay-as-you-go). Where possible, special assessment, revenue or other self-supporting bonds shall be used in lieu of general obligation bonds.

9. DEBT MANAGEMENT POLICIES

- 9.1. These Debt Management Policies are intended to comply with Government Code Section 8855(i) and shall govern all debt undertaken by the City. The City hereby recognizes that a fiscally prudent debt policy is required in order to:
 - Maintain the City's sound financial position.
 - Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
 - Protect the City's creditworthiness.

- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the City.
- Ensure that the City's debt is consistent with the City's planning goals and objectives and capital improvement program or budget, as applicable.

9.2. Purposes for Which Debt May Be Issued

9.2.1. Long-Term Debt: Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the City.

- a. Long-term debt financings are appropriate when the following conditions exist:
 - When the project to be financed is necessary to provide basic services
 - When the project to be financed will provide benefit to constituents over multiple years
 - When total debt does not constitute an unreasonable burden to the City and its taxpayers and ratepayers.
 - When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.
- b. Long-term debt financings are not appropriate for current operating expenses and routine maintenance expenses.
- c. The City may use long-term debt financings subject to the following conditions:
 - The project to be financed must be approved by the City Council.
 - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project.
 - The City estimates that sufficient revenues will be available to service the debt through its maturity.
 - The City determines that the issuance of the debt will comply with the applicable state and federal law.

9.2.2. Short-term debt: Short-term debt may be issued to provide financing for the City's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment.

9.2.3. Financings on Behalf of Other Entities. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of the City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

9.3. Types of Debt: The following types of debt are allowable under these Debt Management Policies:

- general obligation bonds
- bond or grant anticipation notes
- tax and revenue anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions

- other revenue bonds (including sales tax revenue bonds) and certificates of participation
- pension obligation bonds
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- tax increment financing to the extent permitted under state law
- conduit financings, such as financings for affordable rental housing and qualified 501c3 organizations

The City may from time to time find that other forms of debt would be beneficial to further its public purposes and the City Council may approve such debt by amending these Debt Management Policies.

Debt shall be issued as fixed rate debt unless the City makes a specific determination as to why a variable rate issue would be beneficial to the City in a specific circumstance.

9.4. Relationship of Debt to Capital Improvement Program and Budget: New debt issues, and refinancing of existing debt, must be analyzed for compatibility within the City's Ten-Year Capital Improvement Plan. The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear. The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its General Fund.

9.5. Policy Goals Related to Planning Goals and Objectives: The City is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in these Debt Management Policies and to implement policy decisions incorporated in the City's Five-Year Financial Plan and its annual operating budget.

It is a policy goal of the City to protect taxpayers, ratepayers, and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The City will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

When refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 5% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

9.6. Internal Control Procedures: When issuing debt, in addition to complying with the terms of these Debt Management Policies, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. The City will periodically review the requirements of and will remain in compliance with the following:

- the City's Disclosure Policies and Procedures, and
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and

- the City's investment policies as they relate to the investment of bond proceeds.

Whenever reasonably possible, and for the purpose of ensuring that proceeds of debt will be used for their intended purpose, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition signed by the Finance Director only after obtaining the signature of the City Manager.

- 9.7. Debt Limits: The outstanding principal amount of debt described in Section B will not exceed two percent (2%) of the total assessed value of property in the City, and debt service and lease payments incurred for financing purposes that are payable from the City's General Fund will not exceed 5% of operational appropriations.

10. EQUIPMENT REPLACEMENT FUND

- 10.1. The City may maintain a dedicated fund to provide for replacement of vehicles and certain equipment. Unreserved fund balance will be available for transfer to the General Fund only in the event of a fiscal emergency as described in Section 3.

11. ENTERPRISE FUNDS

- 11.1. All Enterprise Funds user fees will be examined annually to ensure that they recover all direct and indirect costs of service, provide for capital improvements and maintenance, and maintain adequate reserves.
- 11.2. Rate increases shall be approved by the City Council following formal noticing and a public hearing. Rate adjustments will be based on the projected expenditures in the Ten-Year Financial Plan.