



**Staff Liaison**  
Crystal Reams | 510-215-4312  
creams@elcerrito.gov

This information can be interpreted for you free of charge. Visit City Hall at 10890 San Pablo Ave., El Cerrito, CA 94530 or learn more at [www.el-cerrito.org/LanguageAccess](http://www.el-cerrito.org/LanguageAccess)

Esta información se puede interpretar gratuitamente. Visite el Ayuntamiento en 10890 San Pablo Ave., El Cerrito, CA 94530 o obtenga más información en [www.el-cerrito.org/LanguageAccess](http://www.el-cerrito.org/LanguageAccess)

这些信息可免费为您解释。请访问位于 10890 San Pablo Ave., El Cerrito, CA 94530 的市政厅，或访问 [www.el-cerrito.org/LanguageAccess](http://www.el-cerrito.org/LanguageAccess) 了解更多信息

## **REVISED AGENDA**

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

**Thursday, May 7, 2026 at 6:30 p.m.**

City Hall, Council Chambers  
10890 San Pablo Avenue  
El Cerrito, CA 94530

**This Meeting Place is Wheelchair Accessible**

#### **6: CONVENE REGULAR MEETING**

- 1. ROLL CALL** – Chair David Carvel; Vice-Chair Michael McDougall; Members Janos Szlatenyi, Justin Van Zerber, Kimberly White. Youth Member Clive Watson-Lamprey Singer.
- 2. ORAL COMMUNICATIONS FROM THE PUBLIC**  
*Remarks are typically limited to three 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. Remarks on agenda items will be heard at the time the item is discussed.*
- 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.
- 4. APPROVAL OF THE MINUTES (5 min.) (Attachment)**  
Consider a motion adoption the minutes for the FAB meeting held on March 24, 2026.
- 5. ELECTION OF OFFICERS – APPOINTMENT OF CHAIR AND VICE-CHAIR (15 min.)**  
Receive nominations and consider approval of a one-year term of Chair and Vice Chair of the Financial Advisory Board (FAB).
- 6. REVIEW OF BUDGET PRESENTATION TO CITY COUNCIL**

Review the presentation by staff to the City Council on April 21 for the FY 2026-27 and FY 2027-28 Biennial Budget Study Session.

**7. REVIEW OF 3<sup>RD</sup> QUARTER GENERAL FUND UPDATE FOR FY 2025-26**

Review the 3rd Quarter General Fund Update for FY 2025-26 provided to the City Council with the May 5 meeting materials.

**8. REVIEW OF CITY COUNCIL BUDGET DISCUSSION**

Review the City Council meeting and materials for the FY 2026-27 and FY 2027-28 Biennial Budget Study Session held on May 5. Consider making a recommendation to the City Council at the meeting on May 19.

**9. 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
- Review investment policy

**10. ADJOURNMENT**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Staff Liaison, 510-215-4312. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title I).

Any writings or documents provided to a majority of the members regarding any item on this agenda will be made available for public inspection at <https://www.elcerrito.gov/105/Financial-Advisory-Board>.



**Staff Liaison**  
Claire Coleman | 510-215-4323  
[ccoleman@elcerrito.gov](mailto:ccoleman@elcerrito.gov)

## AGENDA

### SPECIAL MEETING OF THE FINANCIAL ADVISORY BOARD (FAB)

**Tuesday, March 24, 2026 at 6:30 p.m.**  
El Cerrito Community Center  
7007 Moeser Ln  
El Cerrito, CA 94530

**This Meeting Place is Wheelchair Accessible**

---

#### **6:30 p.m. CONVENE REGULAR MEETING**

- 1. ROLL CALL** – Chair David Carvel, Vice-Chair Michael McDougall.  
Members Janos Szlatenyi, Kimberly White, and Justin Van Zerber. Youth Member Clive Watson-Lamprey Singer.  
Vice Chair McDougall called the meeting to order at 6:33pm.  
**Present:** Vice-Chair McDougall, Member Szlatenyi, Member Van Zerber, Member White, Youth Member Watson-Lamprey Singer  
**Absent:** Chair Carvel
  
- 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.  
No members of the public provided verbal public comment during the meeting.
  
- 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.
  - Staff provided an update on staff review of FAB recommendations regarding the Purchasing Ordinance.
  
- 4. APPROVAL OF THE MINUTES (5 min.) (Attachment)**  
Consider a motion adopting the minutes for the FAB meeting held on February 12, 2026.  
**Motion/Second:** Motion by Member Szlatenyi to approve the minutes from the February 12, 2026, FAB meeting. Seconded by Vice-Chair McDougall.  
**Ayes:** Vice-Chair McDougall, Member Szlatenyi, Member White  
**Noes:** None  
**Abstain:** Member Van Zerber,  
**Absent:** Chair Carvel
  
- 5. REVIEW OF MATERIALS FROM MARCH 7 BUDGET WORKSHOP (30 min.) (Attachment)**  
Review and discussion of materials presented at the Community Budget

Workshop held on March 7, 2026.

No Action Taken

**6. REVIEW OF MATERIALS FROM MARCH 17 DEPARTMENT HEAD PRESENTATIONS** (15 min.) (Attachment)

Review and discussion of materials presented to the City Council on March 17, 2026.

No Action Taken

**7. 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
- Review investment policy
- Review contract for fire services with Kensington

**8. ADJOURNMENT**

Vice-Chair McDougall adjourned the meeting at 7:47pm.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Staff Liaison at 510-215-4323. 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>.

# City of El Cerrito – Budget Study Session

April 21, 2026



# Budget Process Overview



## To Date

- Council Retreat and Priority Setting
- Budget Survey and Community Workshops
- Department Head Presentations on City Services

## Upcoming

- FAB Meetings April 30 and May 26
- May 5 – City Council Study Session #2
- May 19 – Master Fee Schedule Consideration
- June 2 – City Council review of the Proposed Budget
- June 16 – City Council considers budget for adoption



**BUDGET PROCESS**  
EL CERRITO  
City of El Cerrito Fiscal Year 2026-27 & 2027-28 Biennial Budget

**Attend a Public Meeting!**

10 Jan	Sat 8AM	CITY COUNCIL RETREAT 100 Kingsley Blvd, El Cerrito, CA
17 Feb	Tue 6PM	MID-YEAR BUDGET UPDATE 10000 San Pablo Ave., El Cerrito, CA
7 Mar	Sat 10AM	COMMUNITY WORKSHOP 10000 San Pablo Ave., El Cerrito, CA
17 Mar	Tue 6PM	DEPARTMENT PRESENTATIONS 10000 San Pablo Ave., El Cerrito, CA
25 Mar	Wed 7PM	COMMUNITY WORKSHOP Virtual - Zoom Meeting
21 Apr	Tue 6PM	COUNCIL STUDY SESSION #1 10000 San Pablo Ave., El Cerrito, CA
5 May	Tue 6PM	COUNCIL STUDY SESSION #2 MASTER FEE SCHEDULE CONSIDERATION 10000 San Pablo Ave., El Cerrito, CA
2 Jun	Tue 6PM	PROPOSED BUDGET REVIEW 10000 San Pablo Ave., El Cerrito, CA
16 Jun	Tue 6PM	BUDGET CONSIDERATION 10000 San Pablo Ave., El Cerrito, CA

[elcerrito.gov/budgetprocess](http://elcerrito.gov/budgetprocess)

**BUDGET SURVEY**  
Not able to make a meeting?  
Tell us your thoughts and ideas at:  
[elcerrito.gov/budgetsurvey](http://elcerrito.gov/budgetsurvey)

**Financial Advisory Board Meetings**  
City Council Chambers  
10000 San Pablo Ave.  
March 24, 2026, 6:30 p.m.  
April 28, 2026, 6:30 p.m.  
May 26, 2026, 6:30 p.m.  
June 4, 2026, 6:30 p.m.  
Review the agendas and find out about special meetings that may be scheduled at [elcerrito.gov/fab](http://elcerrito.gov/fab)

(DATES/TIMES SUBJECT TO CHANGE)

# Presentation Outline



Public Engagement Results



Revenue and Expenditure Trends



Preliminary Capital Improvement Budget

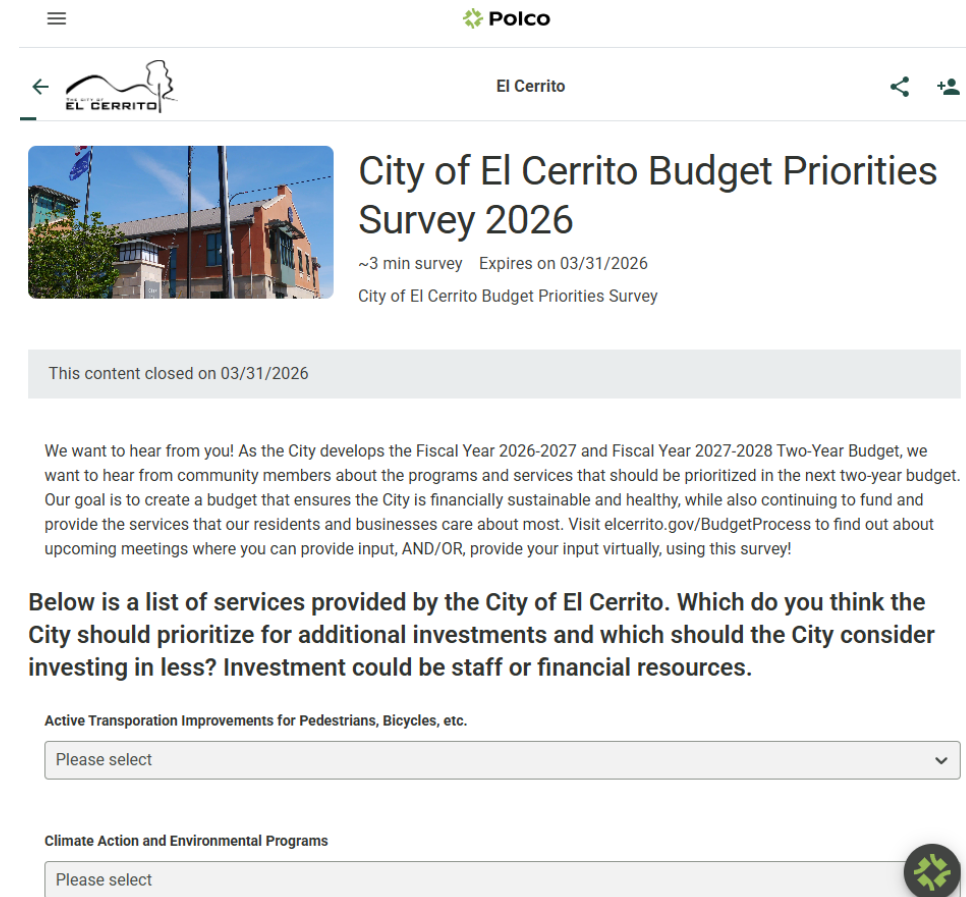


# Public Engagement Results

Survey and Workshops

# Budget Survey

- Open from January 16 through March 31, 2026
- 173 respondents
- 96% of respondents live in El Cerrito
- 4 questions:
  - Investment levels of 16 City services
  - Top 3 Budget Priorities
  - Allocate Points across Infrastructure categories
  - Open-ended Comments



City of El Cerrito Budget Priorities Survey 2026

~3 min survey Expires on 03/31/2026

City of El Cerrito Budget Priorities Survey

This content closed on 03/31/2026

We want to hear from you! As the City develops the Fiscal Year 2026-2027 and Fiscal Year 2027-2028 Two-Year Budget, we want to hear from community members about the programs and services that should be prioritized in the next two-year budget. Our goal is to create a budget that ensures the City is financially sustainable and healthy, while also continuing to fund and provide the services that our residents and businesses care about most. Visit [elcerrito.gov/BudgetProcess](http://elcerrito.gov/BudgetProcess) to find out about upcoming meetings where you can provide input, AND/OR, provide your input virtually, using this survey!

**Below is a list of services provided by the City of El Cerrito. Which do you think the City should prioritize for additional investments and which should the City consider investing in less? Investment could be staff or financial resources.**

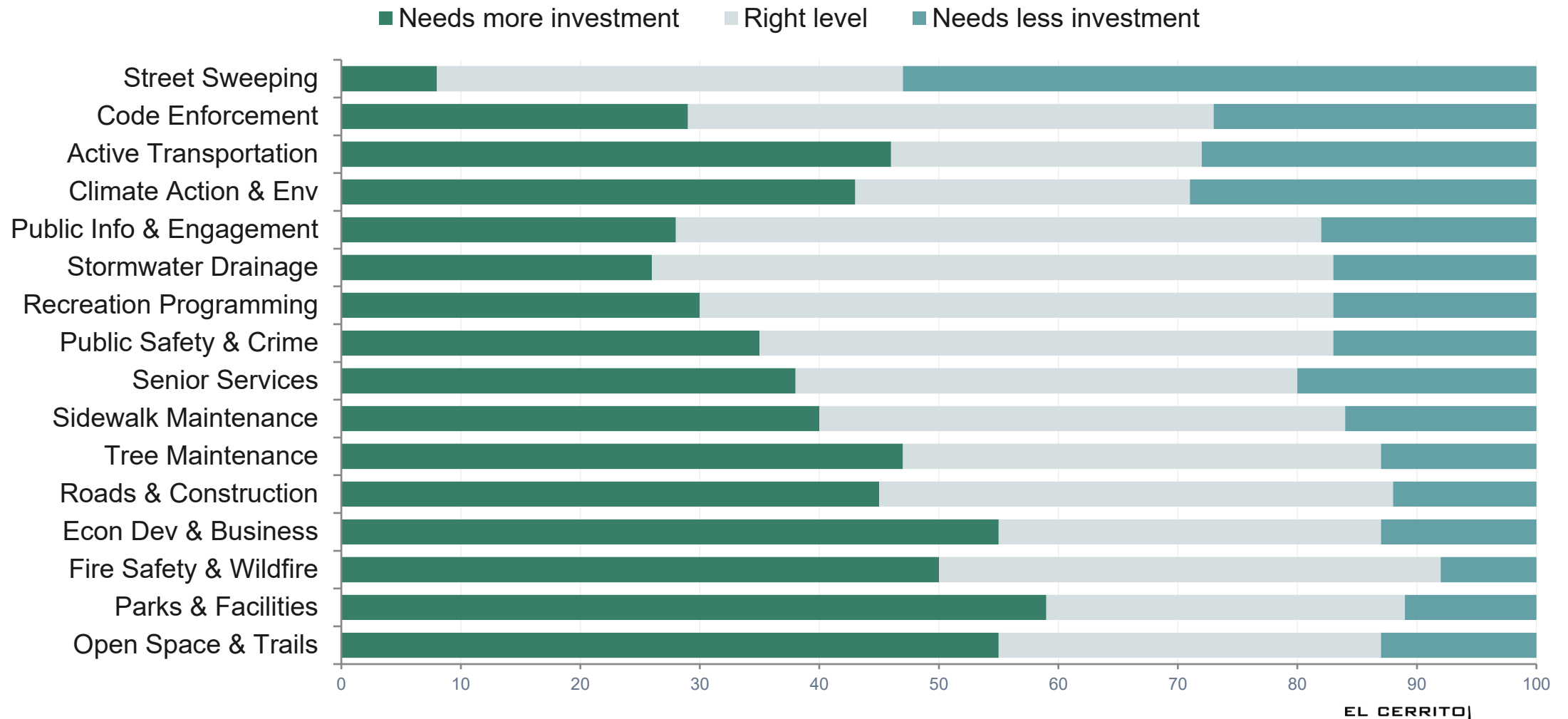
Active Transportation Improvements for Pedestrians, Bicycles, etc.

Please select

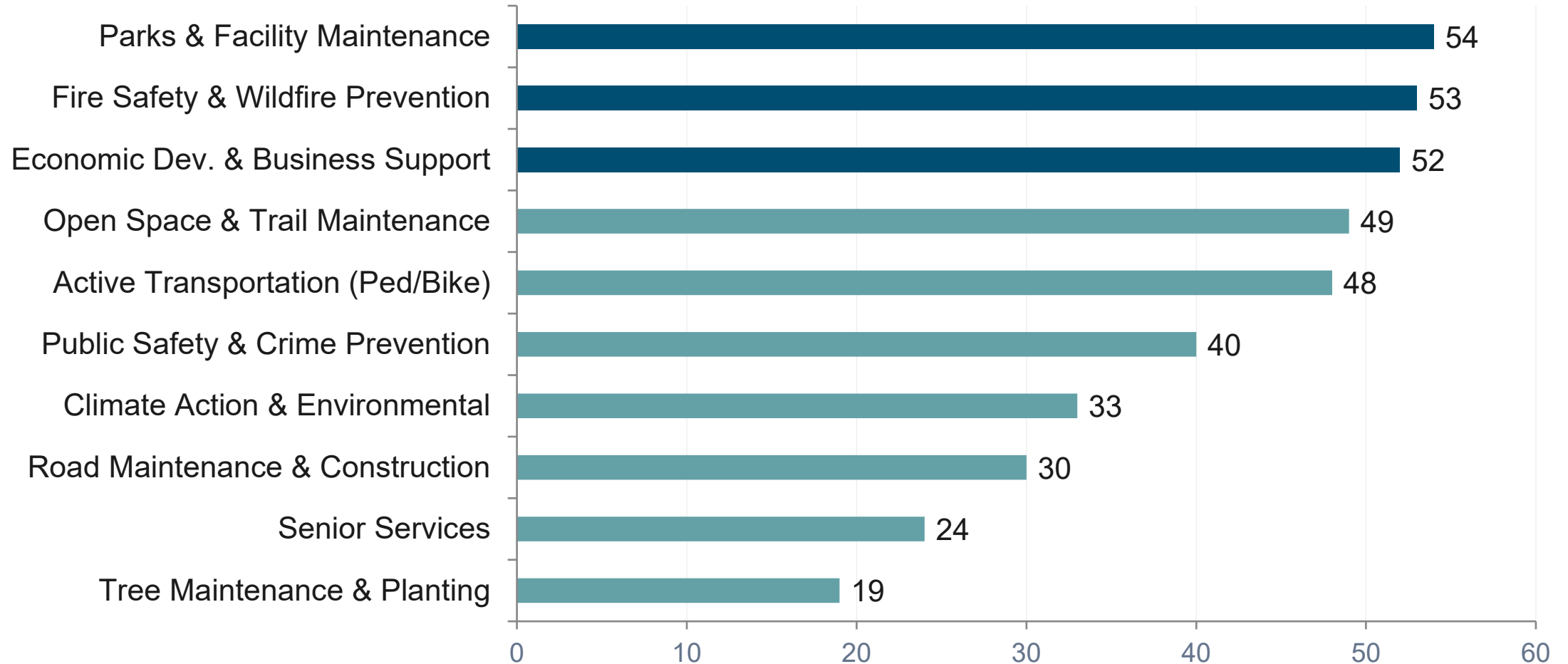
Climate Action and Environmental Programs

Please select

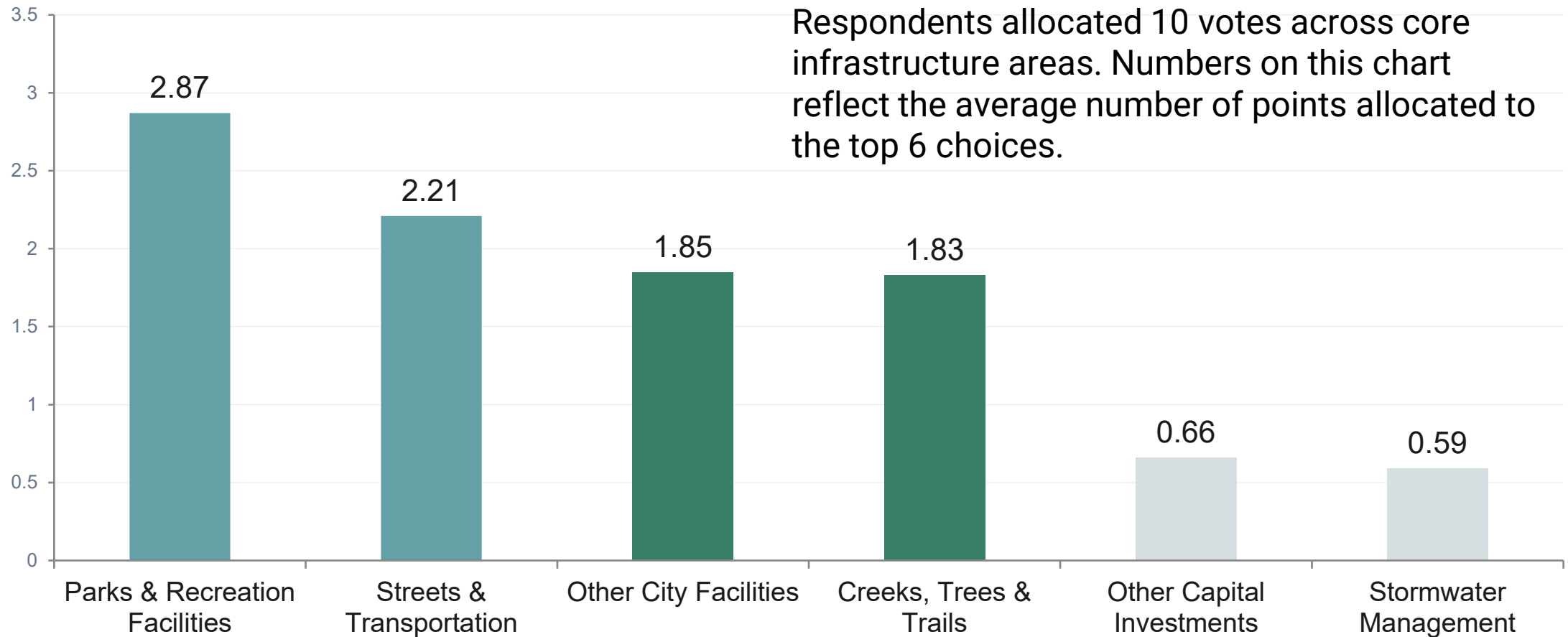
# Which do you think the City should prioritize for additional investments and which should the City consider investing in less?



# Which are the three most important needs for the City of El Cerrito to address in the FY 2026-27 and FY 2027-28 Budget?



# What types of physical infrastructure should the City prioritize in the next five years?



# Themes from Comments and Feedback



Wildfire  
Prevention

Public Safety  
(Police and Fire)

Parks, Recreation  
and Trails

Roads, Sidewalks  
and Traffic

Tree Maintenance  
and Street Trees

Economic  
Development and  
Local Business  
Support

Concerns about  
City Fiscal  
Sustainability

# Budget Workshops

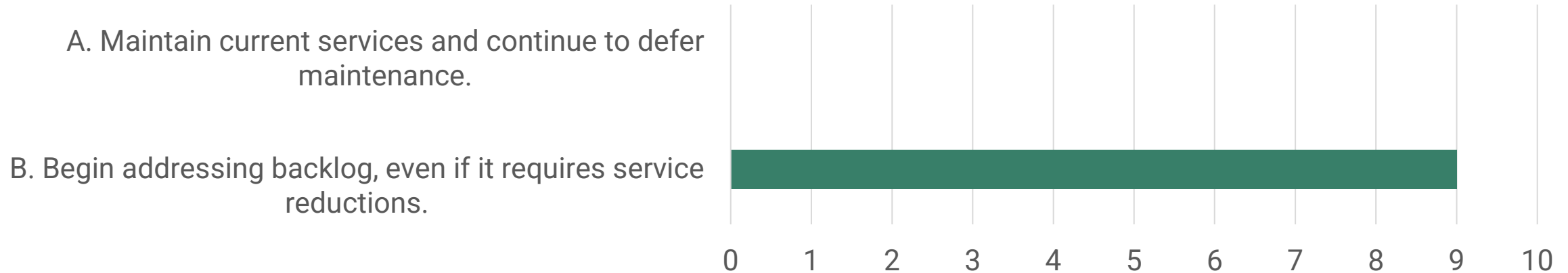
- In-Person Workshop on March 7, 2026
  - 11 attendees, plus 2 Councilmembers
- Virtual Workshop on March 25, 2026
  - 3 attendees
  - No survey activities
  - Recording available on City Website
- Included a review of city finances and city services
- Two activities:
  - Survey to consider tradeoffs
  - Prioritization of core service areas



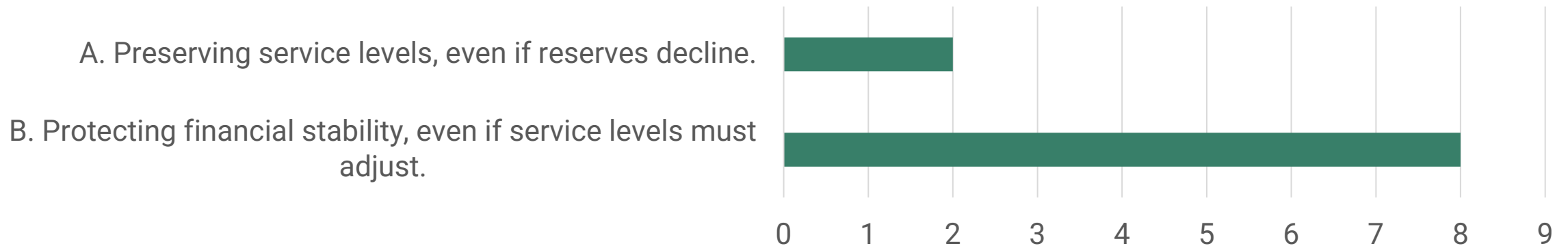
# Workshop Survey Results



**Question 1: If expenditures continue to grow faster than revenues and infrastructure continues to deteriorate, which should be prioritized first?**



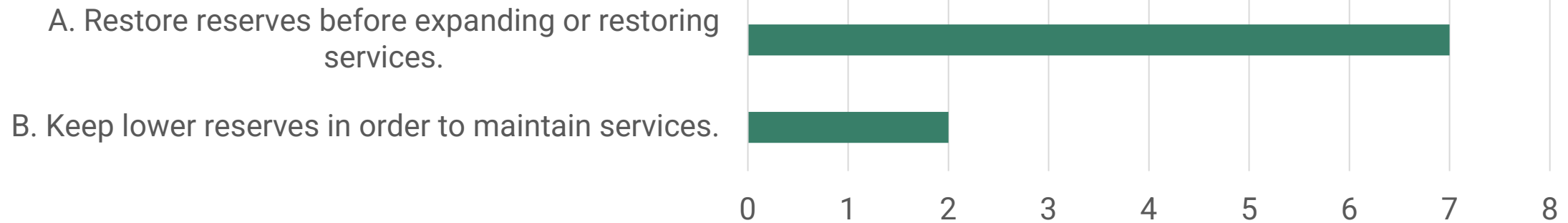
**Question 2: With rising costs, should the City prioritize:**



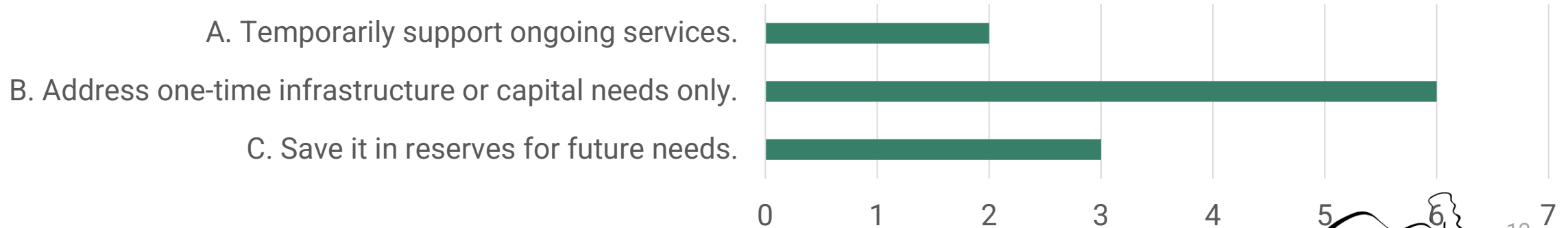
# Workshop Survey Results



**Question 3: If reserves fall below policy targets due to rising costs, should the City:**



**Question 4: If the City identifies one-time funding, should it be used to:**



# Revenues and Major Expenditures

Economic Headwinds, Revenue Estimates, and Major Expenditure Trends

# Economic Conditions



## Overall Economy

- Economy uncertain:
  - International conflict
  - Tariff uncertainty
  - Complex interest rate environment
  - Consumer confidence shaky
- Inflation stabilizing but still impacting costs
- Volatile and costly insurance markets

## El Cerrito Economy

- Stable and diverse tax base
  - Many taxes received on a lag (property taxes on 18mo lag)
  - Steady real estate markets
  - Sales taxes outperforming or matching state trends
- Local revenues relatively insulated due to Prop 13-protected and predominantly residential tax base
- Equity market volatility can impact:
  - Discretionary spending, especially for households reliant on income from savings
  - Property Transfer Tax from changes in real estate markets and sales volume
  - CalPERS returns and pension liability
  - Investment returns on City funds

# Revenues – Taxes



- Property taxes:
  - 5% increase based on HdL forecast
  - Growth from 2% increase under Prop 13, plus reassessments at transfer of ownership
  - Dissolution of the Successor Agency to the Redevelopment Agency completed in FY 2025-26
- Property Transfer Taxes:
  - 6% increase in FY27 over FY26 budget based on current actual receipts and trends
  - 3% increase in FY28 over FY27
- Business License/Operations Tax
  - Stable, small increase annually per City's Municipal Code

# Revenues – Taxes



- Sales Taxes:
  - Bradley Burns increase by 5% in FY27, 2.6% in FY28
  - TUT (Measures A and G) increase by .1% in FY27, 2.6% in FY28
  - Differences in “situs” and how sales taxes are calculated for in-state vs out of state online purchases
- Utility Taxes:
  - +5% Energy (electric & gas) from PG&E rate structure changes and allocation of wildfire costs as approved by CPUC
  - +7% Water based on EBMUD approved rate increases
  - -5% Telecom from decrease in cable subscriptions
- Hotel Taxes (TOT):
  - Stagnant, insignificant revenue source for El Cerrito

# Revenues – Fees and Other



- Fees
  - Increases based on CPI or actual estimated cost
  - Primarily limited to cost recovery-basis using Cost Allocation Plan and Master Fee Schedule
  - To be presented to Council on May 19th
- Fines and Forfeitures
  - Steady and increasing due to higher enforcement activity by Police and Community Development Departments
- Grants
  - Only budgeted if confirmed and secured, otherwise brought to City Council for appropriation when confirmed
  - Significant grants and state subventions in FY27 and FY28, especially for capital projects
- Cannabis
  - Statewide trends show contracting cannabis market
  - Possible shift if rescheduled from Schedule I to Schedule III at federal level – impacts to business operations, even where legalized

# Major Expenditures – Personnel



- New Labor Agreements

- COLAs of 3% to 3.5%
- Market adjustments for 16 positions between 3% and 10.25% over 2 years
  - Based on Classification and Compensation Study
- New, One-Time, or Increased Benefits
  - One-time bonuses, increased uniform allowances, increased HSA contributions
- PEA contract concludes June 30, 2026 – beginning negotiations now

- Medical Benefits

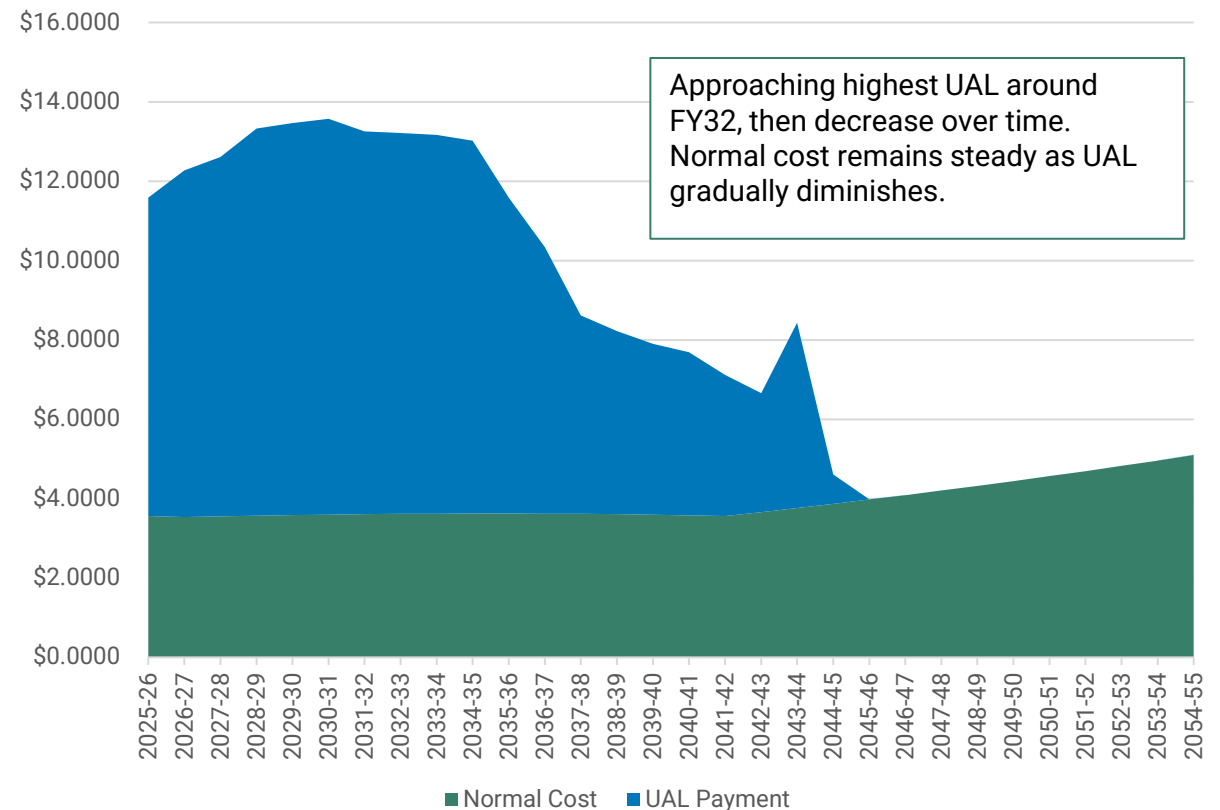
- 9% annual increase to medical benefit cost
- 5% annual increase to dental benefits
- Fully paid by City for all full-time employees

# Major Expenditures – CalPERS



- Pension costs increasing as expected – approaching peak Unfunded Actuarial Liability (UAL)
  - Projections adjusted each year based on CalPERS investment returns
- Section 115 Trust established by Council action in September 2023
  - Currently holds \$3M
  - Allows for higher returns and advance planning while retaining flexibility
- Staff evaluate pre-paying UAL at beginning of each fiscal year (July 1)
  - Approx. 3.3% discount for prepaying

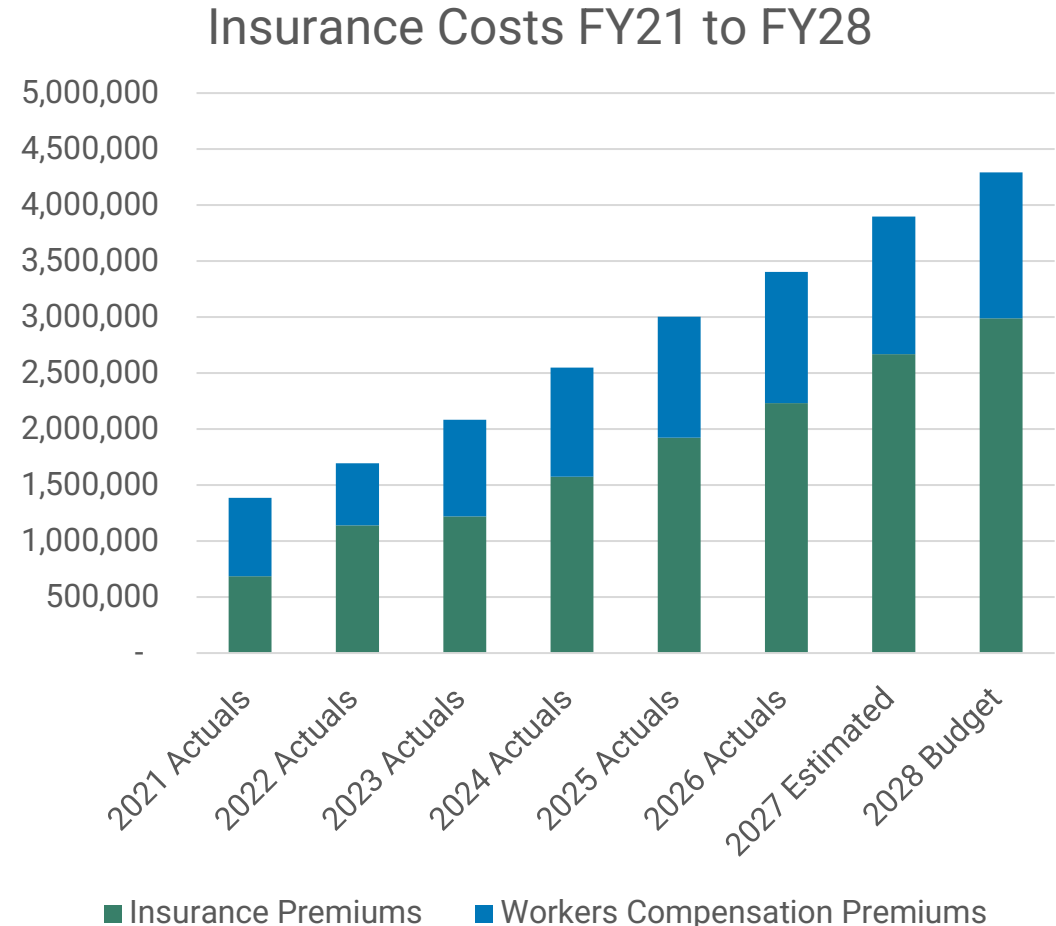
Projected City Pension Costs



# Major Expenditures – Insurance



- Increase of 210% from 2021 to 2028
  - Large annual increases, 19% in FY27
- Rate of increase expected to moderate in FY28, increase of 12%
- Worker's Comp 5% in FY27 and 6% in FY28
- Change in allocation methodology
  - Worker's Compensation allocated on an FTE-basis, weighted by safety and miscellaneous as % of total payroll using MPA factors
  - Non-WC allocated using Cost Allocation Plan



# Major Expenditures - Other



- Fuel
  - If international conflict continues for the full next fiscal year, staff estimate a citywide cost increase of \$85k
    - Budget includes partial year of increased costs but assumes oil market stabilization by midyear
  - City piggybacks on state contracts, which are set to expire Jan 1, 2027
- Professional Services
  - Dispatch Services – PD contract with Richmond ends FY27, to be renegotiated
  - Animal control contract
- Utility Costs
  - Increasing by similar rates as Utility Tax revenues
  - Lower impact of natural gas cost increases, most energy utility costs from electricity
- Overhead Allocation
  - Revision and update of allocations to special funds and enterprise fund using Cost Allocation Plan
  - Increased accuracy of overhead charges

# Preliminary Capital Improvement Program Budget



# Overview and Process



- Process:
  - Departments and Public Works identify needs and submit projects
  - Public Works staff review and prioritize projects based on:
    - Urgency and Functionality
    - Health and Safety
    - Council Priority Alignment
    - Funding Availability and Time Constraints
  - Finance and Public Works analyze funding and staff availability
  - CIP recommended to Council for review
- New: ClearGov Capital Budgeting module for a streamlined process and improved communication of the CIP

# Funding Sources

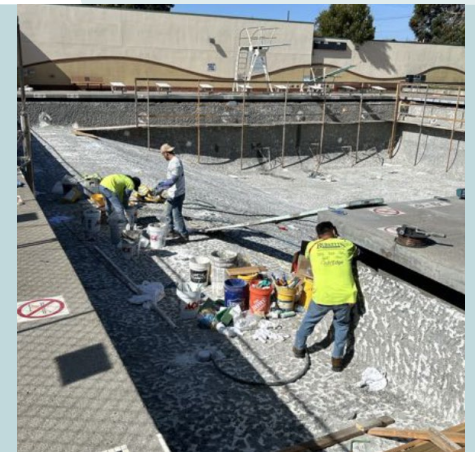
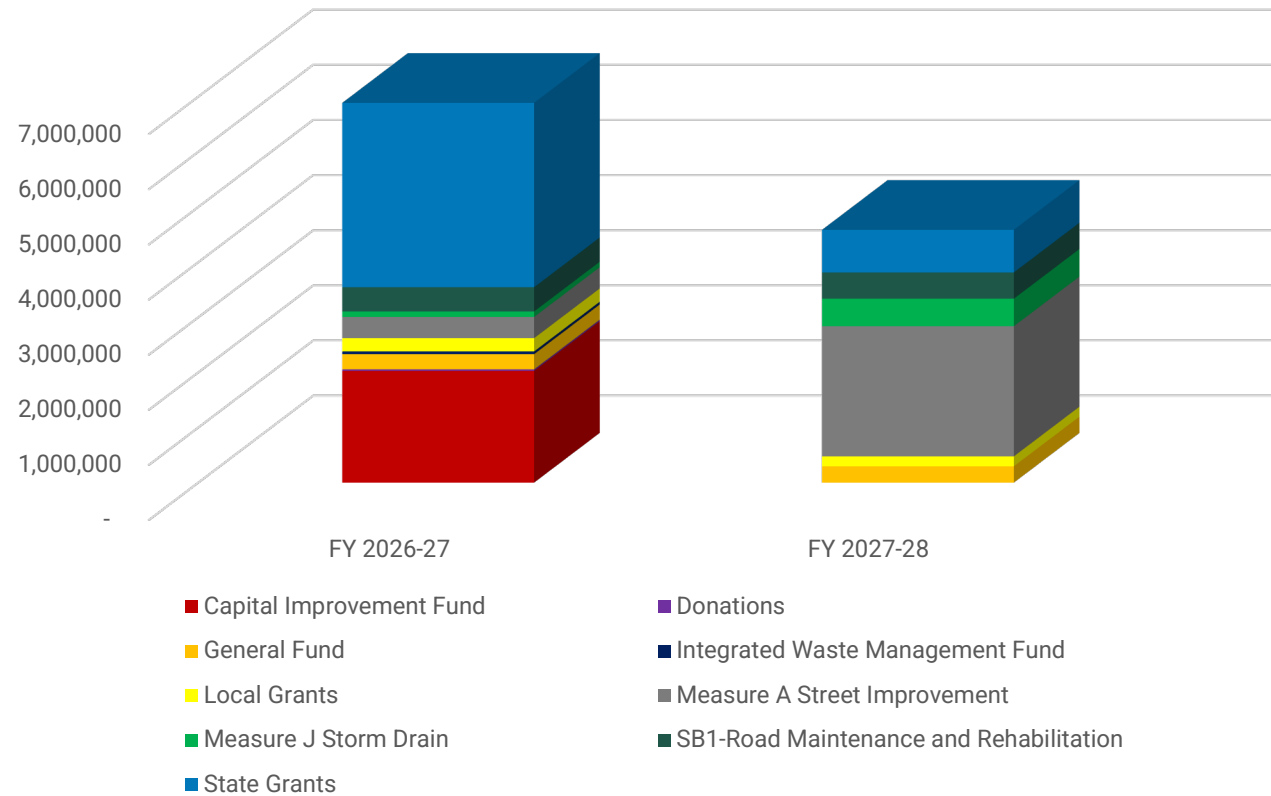


- Capital Improvement Fund
  - Funds previously allocated by the City Council
  - Housed in the Capital Improvement Funds if projects take multiple years to complete
- Local Grants
- State Grants
  - Affordable Housing and Sustainable Communities (AHSC)
  - Transit and Intercity Rail Capital Program (TIRCP)
  - Infill Infrastructure Grant Program (IIG-C)
- Federal Earmarks
- Measure A Street Improvement
- Measure J Storm Drain
- SB1-Road Maintenance and Rehabilitation
- General Fund
- Integrated Waste Management (IWM) Fund
- Donations

# Overview – All Funds



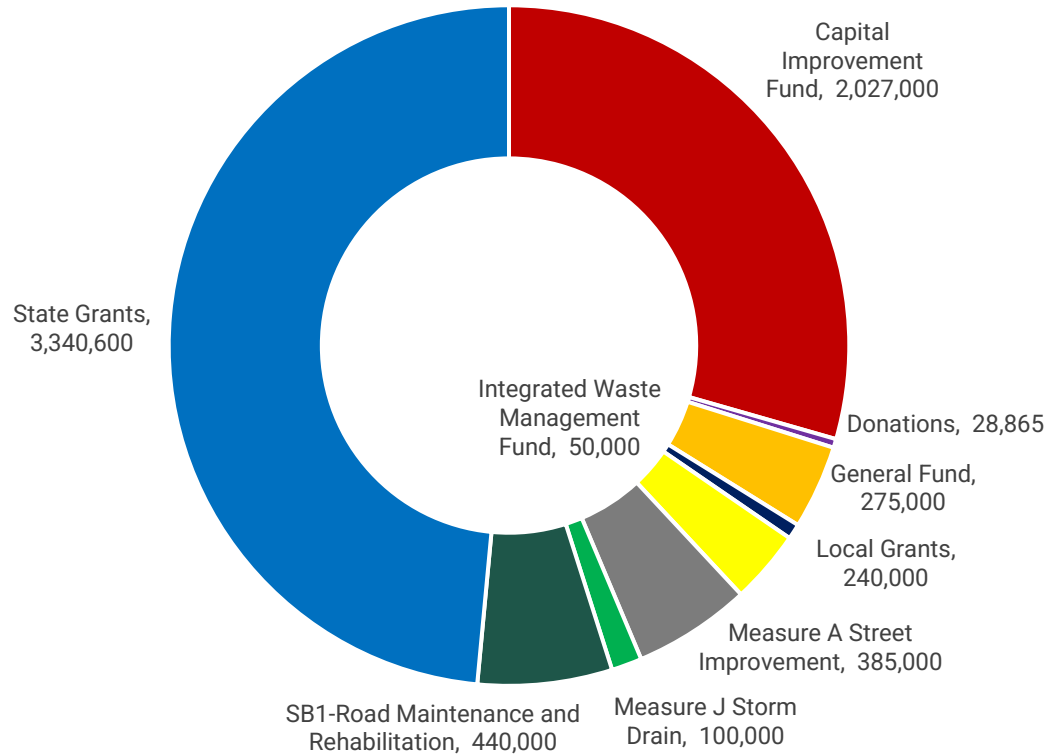
Total Capital Improvement Expenditures FY27 and FY28



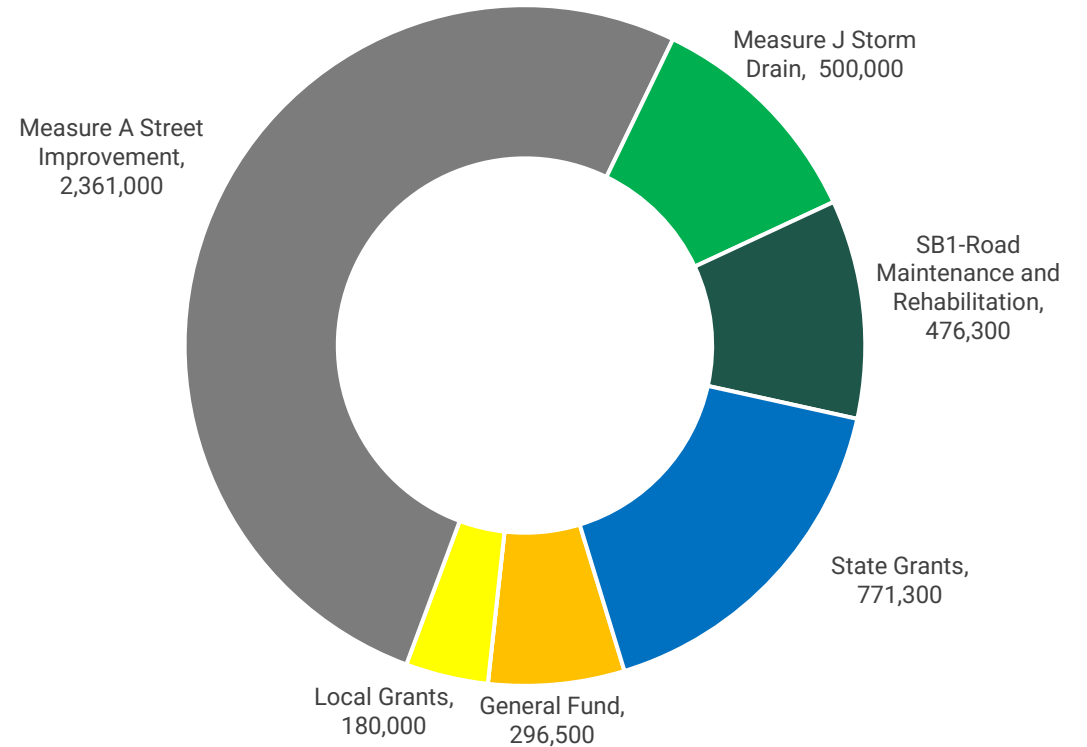
# Preliminary CIP Budget - Annual



FY 2026-27 Preliminary CIP Budget



FY 2027-28 Preliminary CIP Budget



# Preliminary Project List



- Buildings and Facilities – Non-Recreation
  - Public Safety Building Surveillance Camera and Lock Upgrades, Facility Needs Assessment
  - Recycling Center Security Upgrades
  - Corporation Yard Rehabilitation and Roof Repair
  - City Hall Boiler Replacement
- Parks and Recreation Facilities
  - Recreation Facility Roof Repairs
  - Playground Surfacing Replacement
  - Tennis Court Rehabilitation: Cerrito Vista, Harding, and Annual Court Resurfacing Program
  - Baseball Field Fencing Repairs
- Stormwater and Drainage
  - Wildcat Dr. Storm Drain Energy Dissipator Repair
  - Storm Drain Priority Improvements



# Preliminary Project List



- Transportation
  - Access Modifications
  - Parking Management Infrastructure
  - Richmond Street Complete Streets Improvement
  - Crosstown Connect
  - Annual Street Improvement Program
  - SR-123 Pavement Rehabilitation
  - I-80/Central Avenue Undercrossing
  - Traffic Safety & Management
  - Active Transportation Program
  - Bicycle Parking
- Creeks and Trails
  - HNA Tree Removal, Milling, and Restoration
  - Ohlone Greenway Uptown Improvements
  - Ohlone Greenway Downtown Improvements
- Other Improvements
  - Energy and Water Efficiency Program (EWEP)



# Thank you!





**General Fund Budget Update**  
 Quarter 3 FY 2025-26  
 01/01/2026-03/31/2026

**EXECUTIVE SUMMARY**

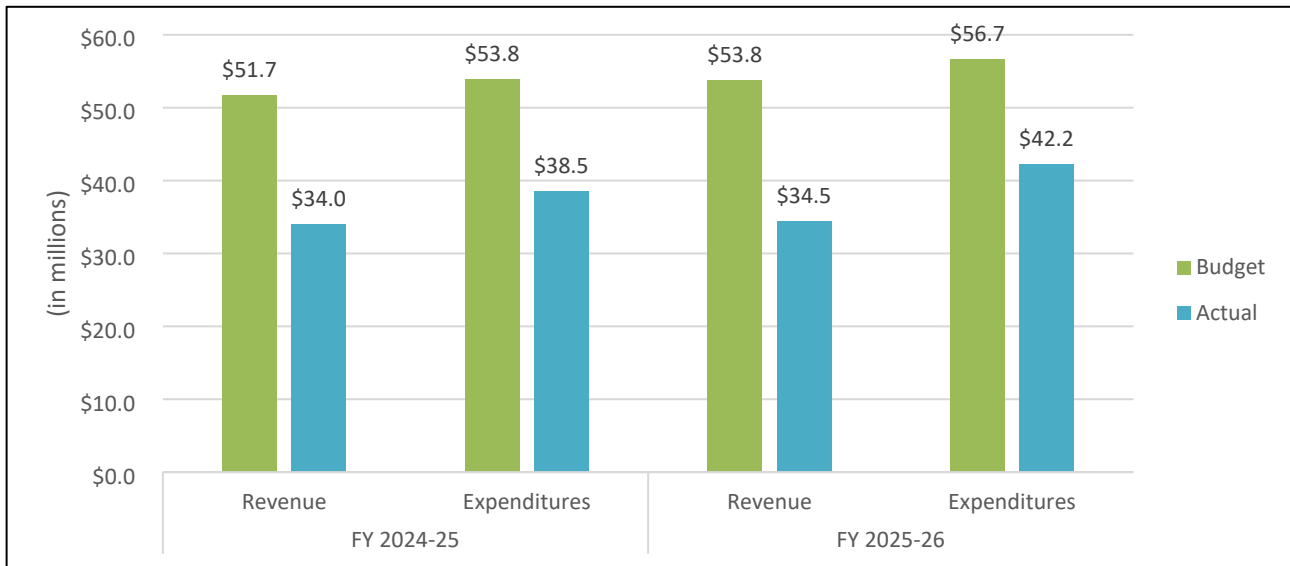
The City of El Cerrito is pleased to submit the fiscal year (FY) 2025-26 Third Quarter General Fund Budget Update for the period of January 1, 2026 through March 31, 2026. This report provides a high-level overview of the City’s budget status, including how revenues and expenditures are progressing relative to the budget.

As of March 31, 2026, General Fund revenues total 64% of the adopted budget and General Fund expenditures total 74% of the adopted budget, consistent with normal timing patterns. Major revenues such as property, sales, and utility taxes are received on a lag, and receipts to date align with the expected third quarter timing of these revenue sources, including the first tranche of property taxes received in December. The second major tranche of property taxes were received in April as expected, but are not reflected in the March 31 numbers. Expenditures include several large expenses paid at the beginning of the year and some programs that occur early in the fiscal year.

During the second and third quarters of FY 2025-26, the City Council approved several large projects using one-time fund balance, resulting in a planned, one-time budgeted use of fund balance for the fiscal year. Staff project an ending General Fund balance of approximately \$21.1 million, equal to about 37% of annual expenditures.

Graph 1 compares revenues and expenditures for the third quarter of FY 2024-25 and FY 2025-26.

**Graph 1: Budget to Actuals Comparison of Revenues and Expenditures, FY 2024-25 and FY 2025-26**



**GENERAL FUND REVENUES**

For the third quarter of FY 2025-26, General Fund revenues total 64% of the amended budget. This is similar to the City’s budget progress for FY 2024-25, when revenues received by March 31 were 66% of budget.

Table 1 shows General Fund revenues by classification for the third quarter of FY 2024-25 and FY 2025-26.

**Table 1: Quarter 3 General Fund Revenue by Classification**

Classification	FY 2024-25			FY 2025-26			% Change in Actuals FY25 to FY26
	Amended Budget	Q3 Actuals	% of Budget	Amended Budget	Q3 YTD Actuals	% of Budget	
Property Taxes	\$16,461,935	\$8,875,719	54%	\$18,080,310	\$9,410,700	52%	6%
Sales Taxes	4,517,790	2,739,587	61%	4,616,381	2,762,543	60%	1%
Measure R Sales Tax	4,459,000	2,483,562	56%	4,581,000	2,550,717	56%	3%
Transient Occupancy Taxes	100,000	58,354	58%	100,000	57,356	57%	-2%
Franchise Fees	1,380,000	562,489	41%	1,380,000	654,449	47%	16%
Business License Taxes	1,182,817	1,135,283	96%	1,206,473	1,187,208	98%	5%
Property Transfer Taxes	3,000,000	1,756,977	59%	3,200,000	2,334,610	73%	33%
Utility Users' Taxes	3,694,260	2,703,480	73%	3,700,000	2,587,926	70%	-4%
Other Taxes	1,500	57	4%	1,500	2,707	180%	4625%
<b>Taxes Totals</b>	<b>\$34,797,302</b>	<b>\$20,315,508</b>	<b>58%</b>	<b>\$36,865,664</b>	<b>\$21,548,216</b>	<b>58%</b>	<b>6%</b>
Licenses & Permits	\$1,007,000	\$1,156,495	115%	1,073,280	1,092,200	102%	-6%
Fines & Forfeitures	130,000	121,802	94%	130,000	180,392	139%	48%
Use of Money and Property	957,000	541,826	57%	830,600	473,310	57%	-13%
Intergovernmental Revenues	5,334,401	4,564,374	86%	5,551,043	3,951,068	71%	-13%
Charges for Services	7,839,237	6,177,311	79%	7,550,502	5,922,807	78%	-4%
Other Revenue	630,000	378,670	60%	747,200	511,695	68%	35%
Other Financing Sources	1,002,039	752,447	75%	1,031,502	774,544	75%	3%
<b>Totals</b>	<b>\$51,696,979</b>	<b>\$34,008,433</b>	<b>66%</b>	<b>\$53,779,792</b>	<b>\$34,454,231</b>	<b>64%</b>	<b>1%</b>

***Taxes***

The City received the first tranche of **Property Taxes** in December. The City also received a large tranche in April and will receive a final true-up in June. The April revenues are not included in this report, as they were received after the March 31 end date. As of March 31, 2026, Property Tax receipts total 52% of the annual budget, which is consistent with the expected third quarter timing of these revenues.

**Sales and Use Taxes** are received on a two-to-three-month lag depending on when the funds are remitted to the City by the California Department of Tax and Fee Administration (CDTFA). As of March 31, 2026, the City has received seven months of sales and use tax receipts, and total receipts to date are consistent with the amended budget and slightly higher compared with the same period of the prior fiscal year.

**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. TOT receipts are received quarterly, and the City has recorded two quarterly payments for FY 2025-26 as of the end of March.

**Franchise Fees** are charges imposed on a utility or service provider as consideration (i.e., rent or compensation) for the privilege of using the city’s public rights-of-way or other public property to operate its business. The City has video/cable franchisees, energy (electric and gas) franchisees, and solid waste franchisees. Franchise fees are trending higher in FY 2025-26 than in the prior fiscal year primarily due to changes in rates by energy and solid waste franchisees.

**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. The City has received 98% of the budgeted revenues for Business License Taxes. The remainder of the budget accounts for new businesses and businesses who are

delayed on their tax payments.

**Property Transfer Taxes (RPTT)** are received on a one- to two-month lag from the County, who collects property taxes and property transfer taxes on behalf of El Cerrito. As of March 31, the City had received eight months of property transfer tax receipts and eleven refund requests through the RPTT rebate program for seismic upgrades and energy and water conservation projects. In the first three quarters of the fiscal year, a steady number of properties continued to change ownership including some larger commercial properties. The difference in receipts for the third quarter of 2025-26 versus the same period of FY 2024-25 is attributable to the number of properties that sold in that period and is highly variable.

**Utility Users' Taxes (UUT)** receipts are trending as expected for the third quarter of the fiscal year, but slightly below the prior year's third quarter receipts. UUT is received from filers on a monthly, quarterly, or annual basis based on the annual tax amount that they remit. In 2024, El Cerrito contracted with HdL for UUT administration and collections services, improving both revenue capture and forecasting accuracy. Staff estimate that most of the difference in revenue received by the end of the third quarter of FY 2024-25 versus the third quarter of FY 2025-26 is due to the timing of revenue receipts, particularly for water and energy.

### 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). Revenues in this category are offset by expenses (e.g., permit review), since these revenues are limited to cost recovery. Revenues are trending lower in FY 2025-26 compared to FY 2024-25, but the timing of large projects varies widely depending on market conditions and individual project-based decisions.
- **Fines & Forfeitures** are trending higher in the current year than the prior year. This category includes vehicle citation fees and fines and penalties for late payment of taxes. This is primarily due to higher parking citation revenue due to staff working through a backlog and higher business license fines.
- **Use of Money and Property** includes interest income and rental charges. The increase in interest in FY 2025-26 over FY 2024-25 is due to the investment of the City's Section 115 Trust in November 2024 with a moderately conservative investment approach. Due to the timing of the investment, interest earnings on the Trust were not generated during the first quarter of FY 2024-25. Rental revenue in the Recreation division is trending on budget but lower in some categories due to temporary facility closures for repairs.
- **Intergovernmental Revenues** include state reimbursements and funds from other governmental agencies. These revenues are trending below budget due to lower reimbursements from the California Office of Emergency Services (CalOES) due to lower needs for incident support from the El Cerrito Fire Department in FY 2025-26. The lower CalOES revenues are fully offset by lower expenses.
- **Charges for Services** include fees such as recreation program fees, planning and inspection fees, and other charges for service citywide. This category is trending lower in the current fiscal year due to fewer months of recreation summer camps (9 weeks instead of 10 as in FY 2024-25), revenue decreases associated with the school strike, lower childcare program demand, and lower entitlement fees than the prior year.
- **Other Revenue** includes donations, sales of property, some insurance claim reimbursements, and cannabis revenues. This category is trending above expectations for this time in the fiscal year.
- **Other Financing Sources** includes transfers in from other funds for overhead costs supported by the General Fund. This category is largely determined during budget development based on the City's debt obligations and is trending exactly on budget.

Table 2 shows General Fund revenues by department for the third quarter of FY 2024-25 and FY 2025-26. 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 and from CalOES.

As noted above, revenues are highly cyclical and depend on the type of work done by the department and their unique cycles. A portion of Recreation’s busiest time of year has already passed in July and August, resulting in high revenues during the first half of the year and then again at the end of the fiscal year. Recreation Department revenues total 78% of the annual budget, compared with 85% at the same point in FY 2024-25, primarily due to a shorter summer camp season, costs associated with the school strike, and lower childcare program demand.

While business licenses were collected during July as usual, planning and building permit activity was lower than the prior year, resulting in a Community Development budget that is trending above budget and slightly above the prior year third quarter performance. The number of permits is trending similar to prior years, but the types of projects being permitted have lower associated fees than those in past years, resulting in a decrease in planning fee revenue. These fees are set on a cost-recovery basis, so some City costs will decrease with lower fee revenue, but some fixed City costs will remain the same even if revenue decreases. Public Works revenues are trending higher than the prior year due to higher building and encroachment permit activity. Fire revenues are trending below budget due to lower CalOES reimbursements, but also has lower associated CalOES expenses.

**Table 2: Quarter 3 General Fund Revenues by Department**

Department	FY 2024-25			FY 2025-26			% Change in Actuals FY25 to FY26
	Amended Budget	Q3 Actuals	% of Budget	Amended Budget	Q3 YTD Actuals	% of Budget	
Administration	\$11,500	\$13,331	116%	\$16,000	\$13,619	85%	2%
Community Development	2,517,396	2,215,255	88%	\$2,621,572	2,241,955	86%	1%
Fire	5,384,101	4,509,278	84%	\$5,605,111	3,958,256	71%	-12%
Non-departmental	37,083,964	21,632,754	58%	\$38,900,554	22,924,496	59%	6%
Police	186,000	186,004	100%	\$188,080	255,118	136%	37%
Public Works	599,132	422,665	71%	\$622,117	494,703	80%	17%
Recreation	5,914,886	5,029,147	85%	\$5,826,358	4,566,083	78%	-9%
<b>Totals</b>	<b>\$51,696,979</b>	<b>\$34,008,433</b>	<b>66%</b>	<b>\$53,779,792</b>	<b>\$34,454,231</b>	<b>64%</b>	<b>1%</b>

**GENERAL FUND – EXPENDITURES**

As of March 31, 2026, General Fund expenditures total 74% of the FY 2025-26 adopted budget, which is consistent with normal expenditure timing patterns. 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 the third quarter of FY 2024-25 and FY 2025-26.

**Table 3: Quarter 3 General Fund Expenditures by Classification**

Classification	FY 2024-25			FY 2025-26			% Change in Actuals FY25 to FY26
	Amended Budget	Q3 Actuals	% of Budget	Amended Budget	Q3 YTD Actuals	% of Budget	
Personnel	38,122,416	28,248,375	74%	39,641,566	\$29,565,451	75%	5%
Purchased Professional & Technical Services	5,615,500	3,301,731	59%	5,535,818	3,412,728	62%	3%
Purchased Property Services	2,748,877	1,491,891	54%	2,408,761	1,372,479	57%	-8%
Other Purchased Services	3,927,771	3,460,001	88%	4,384,411	4,081,976	93%	18%
Supplies	876,170	536,087	61%	899,845	488,609	54%	-9%
Property & Capital	736,513	419,222	57%	499,942	217,722	44%	-48%
Financing Costs	539,822	260,959	48%	530,949	273,706	52%	5%
Other Financing Uses	1,258,329	758,620	60%	2,760,128	2,760,128	100%	264%
<b>Totals</b>	<b>\$53,825,399</b>	<b>\$38,476,887</b>	<b>71%</b>	<b>56,661,420</b>	<b>42,172,799</b>	<b>74%</b>	<b>10%</b>

Personnel expenditures increased 5% from FY 2024-25 to FY 2025-26 due to negotiated cost-of-living adjustments, market adjustments from the City’s Classification and Compensation study, merit and step increases, and higher medical benefit costs. Expenditures for Purchased Professional & Technical services are trending below budget and vary depending on the timing of special projects and permit activity. Other Purchased Services include the City’s insurance payments, which went up over 17% from FY 2024-25 to FY 2025-26 and are paid at the beginning of the fiscal year. Other Purchased Services also increased from FY 2024-25 due to the one-time Council Chambers Audio-Visual project in FY 2025-26. Expenses related to Supplies and Property & Capital are trending below budget as of the end of the third quarter.

Table 4 shows expenditures by department for the third quarter of FY 2024-25 and FY 2025-26.

**Table 4: Quarter 3 General Fund Expenditures by Department**

Department	FY 2024-25			FY 2025-26			% Change in Actuals FY25 to FY26
	Amended Budget	Q3 Actuals	% of Budget	Amended Budget	Q3 YTD Actuals	% of Budget	
Administration	7,972,678	5,954,912	75%	\$8,853,654	\$6,898,805	78%	16%
Community Development	4,168,728	2,535,683	61%	\$4,113,906	2,622,618	64%	3%
Fire	15,813,246	12,186,921	77%	\$16,144,408	12,146,634	75%	0%
Non-departmental	1,382,691	725,576	52%	\$2,880,767	2,716,186	94%	274%
Police	15,052,742	10,799,334	72%	\$15,323,961	11,533,730	75%	7%
Public Works	2,481,847	1,666,575	67%	\$2,631,758	1,626,848	62%	-2%
Recreation	6,953,467	4,607,886	66%	\$6,712,967	4,627,978	69%	0%
<b>Total</b>	<b>\$53,825,399</b>	<b>\$38,476,887</b>	<b>71%</b>	<b>\$56,661,420</b>	<b>\$42,172,799</b>	<b>74%</b>	<b>10%</b>

Expenditures in most departments are tracking similarly to FY 2024-25, with higher year-over-year costs in City Administration driven by insurance and software subscription increases and higher Police Department costs driven by negotiated salary increases. Non-departmental expenditures include library services, debt service, and operating transfers out to other funds. In particular, the recently approved one-time transfer of \$1.05 million from the General Fund to conclude the Successor to the Redevelopment Agency, is included in Non-departmental and is the reason for the significantly higher expenses in that category in FY 2025-26 relative to the prior year.

Through March 31, 2026, the City Council has approved \$2,897,402 in General Fund expenditure amendments. When combined with the originally projected surplus of \$15,774, these actions result in a planned use of fund balance of \$2,881,628 for FY 2025-26. On April 21, the City Council approved an additional use of fund balance of \$250,000 to cover the costs of transitioning from at-large to district-based elections, resulting in a total planned use of fund balance of \$3,131,629. Table 5 lists the amendments approved in FY 2025-26.

**Table 5. City Council-Approved General Fund Budget Amendments in FY 2025-26**

<b>Department</b>	<b>Description</b>	<b>Amount</b>
<b>General Fund Budget Amendments as of March 31</b>		
Citywide	Purchase Order Roll Forward	\$ 291,695
City Council	Audio-Visual System Improvements	317,535
Public Works/Recreation	Initial Swim Center Allocation	183,300
Fire	Local 1230 new MOU	120,116
Public Works/Recreation	Final Swim Center Allocation	762,100
City Council	Special Election Costs	80,163
Citywide	Mid-Year Adjustments, including Successor Agency Dissolution	1,142,493
	<b>Total Expenditure Increases</b>	<b>\$ 2,897,402</b>
<b>Additional Amendments after March 31</b>		
City Council	Districting Transition Costs	250,000
	<b>Total Approved Expenditure Increases</b>	<b>\$ 3,147,402</b>

**GENERAL FUND BALANCE**

The FY 2024-25 General Fund balance was \$24.3 million. Table 6 provides updated projections for FY 2025-26. The projected General Fund balance is \$21.1 million, or 37% of expenditures. Of this amount, approximately \$10.5 million remains after excluding the Section 115 Trust, Emergency and Disaster Relief Fund (EDRF), and non-spendable funds.

According to the City’s Comprehensive Financial Policy, the minimum recommended General Fund Reserve is 17% of expenditures, or \$9.6 million. Based on current projections, the City will have \$.9 million in discretionary reserves at the end of FY 2025-26. The Comprehensive Financial Policy also recommends funding the EDRF at 13% of expenditures, which would be \$7.4 million. The City’s current EDRF funding level of \$7.5 million is higher than the policy level based on FY 2025-26 budgeted expenditures.

**Table 6: FY 2025-26 Quarter 3 General Fund Balance**

<b>Fund Balance Projection</b>		
<b>FY25 General Fund - Total Fund Balance</b>		<b>\$ 24,250,508</b>
EDRF	(7,500,000)	
Section 115	(2,960,245)	
Non-Spendable	(125,000)	
FY26 Projected Revenue	53,779,792	
FY26 Projected Expenditures as of March 31, 2026	(56,661,420)	
Approved Districting Costs on April 21, 2026	(250,000)	
Change in fund balance		(3,131,629)
<b>Projected Total Ending FY26 Fund Balance</b>		<b>21,118,879</b>
EDRF (Internally Restricted)	(7,500,000)	
Section 115 (Restricted)	(2,960,245)	
Non-Spendable	(125,000)	(10,585,245)
<b>Projected FY26 Unrestricted Fund Balance</b>		<b>10,533,634</b>
FY26 Expenditures Including April 21 Amendment	56,661,420	
FY26 17% Reserve Goal		(9,632,441)
Projected discretionary as of June 30, 2026		901,193
<b>FY26 Projected Ending Total Fund Balance</b>		<b>21,118,879</b>
Projected unassigned (less Section 115)		10,533,634
Projected unassigned percent as of June 30, 2026		19%

Section 115 Pension Trust and Non-Spendable amounts shown here reflect FY 2025 audited values.

Districting expenses were approved by the City Council on April 21, 2026 and are not reflected in the amended budget numbers as of March 31, 2026.

**CONCLUSION**

As of the third quarter of FY 2025-26, revenues and expenditures remain closely aligned with the adopted budget and reserves remain above policy thresholds. Additional approved appropriations increases are expected to utilize a portion of the City’s discretionary unassigned fund balance during the fiscal year. Staff will continue to monitor trends and adjust forecasts as updated information becomes available.



## AGENDA BILL

Agenda Item No. 9.A.

**Date:** May 5, 2026  
**To:** El Cerrito City Council  
**From:** Claire Coleman, Budget/Financial Services Manager; Crystal Reams, Finance Director/City Treasurer, Finance Department  
**Subject:** Fiscal Year 2026-27 and Fiscal Year 2027-28 Biennial Budget Study Session #2

---

### ACTION PROPOSED

Conduct a study session on the Biennial Budget for Fiscal Years 2026-27 and 2027-28, including:

- Review of budget process and Target Based Budgeting approach
- Review proposed budget balancing scenarios and possible one-time expenditures
- Direct staff on preferred scenario for budget development

### EXECUTIVE SUMMARY

This report presents the budget development process, the methodology used to identify solutions, and four budget balancing scenarios for City Council consideration for the FY 2026-27 and FY 2027-28 Biennial Budget.

The preliminary General Fund budget analysis identified a structural operating budget deficit of approximately \$1.7 million in FY 2026-27 and \$2.2 million in FY 2027-28, assuming continuation of current service levels with fully updated cost projections. Key cost drivers include significant growth in insurance costs, personnel costs under current labor agreements, and CalPERS pension obligations. Using a target-based budgeting approach, the Finance Department worked with all City departments to identify budget solutions. Departments absorbed several hundred thousand dollars of internal non-personnel cuts that do not affect public-facing programs or services. The four scenarios presented in this report represent additional solutions, each building on a common foundation of updated overhead cost allocations, utilization of special revenue funds for allowable costs, formalized and increased vehicle and equipment replacement contributions, technology infrastructure investment, and citywide non-personnel reductions. All four scenarios achieve a balanced operating budget in both years, but differ in the depth of service reductions, the approach to funding the upcoming fire engine replacement as a one-time capital cost, and the resulting long-range General Fund reserve outlook.

Scenario A maintains the highest level of services of the four scenarios, making more limited long-term infrastructure and capital contributions in exchange for preserving current service levels in both budget years, and uses one-time fund balance to fund the fire engine in both years. Scenario B adds a moderate set of program and service reductions, uses one-time fund balance for the second fire engine payment only, and makes stronger contributions to long-term infrastructure needs. Scenarios C and D involve significant reductions to City programs and services and fund the fire engine without using one-time reserves, keeping reserves at or above 30 percent in the budget years and with Scenario D maintaining that level throughout the long-range forecast period.

Scenario B represents a balance between service reductions and long-term fiscal planning that keeps services at the highest level the City can responsibly sustain, while allowing fund balance to decrease to a projected low of approximately 26 percent in recognition that using one-time funds for a one-time capital expenditure is a sound and intentional fiscal approach. In a period of significant economic uncertainty, staff believe Scenario B achieves a sustainable and balanced operating budget without making deeper cuts than current conditions warrant. While the long-range forecast graphs for Scenarios A and B may appear similar, the fiscal foundation underlying Scenario B is materially stronger, particularly in FY 2027-28 and the out-years, due to the extent of ongoing capital and infrastructure contributions. Scenario C represents a different balanced approach, with significant program and service reductions that enable the City to remain above the 30 percent reserve policy goal in both budgeted years and above 29 percent in all forecasted years — a strong fiscal position achieved through difficult trade-offs. Scenario D achieves the goal of keeping reserves above 30 percent in all projected years, but does so through reductions to services that are Council and community priorities, including the elimination of City-funded additional library hours.

Table 1. Summary of Budget Balancing Scenarios

	Operating Budget Surplus (Deficit)		One-Time Expenses*		Total Surplus (Deficit)		Notes	Lowest Reserve Level Projected
	FY 2026-27	FY 2027-28	FY 2026-27	FY 2027-28	FY 2026-27	FY 2027-28		
<b>Pre-Solution Baseline</b>	(14,503.78)	(325,707.71)	(301,061.00)	(882,539.00)	(315,564.78)	(1,208,246.71)	Current budget projections reflecting departmental non-personnel reductions already made; does not include solutions to close the structural deficit.	21%
<b>Scenario A</b>	9,496.22	48,292.29	(301,061.00)	(882,539.00)	(291,564.78)	(834,246.71)	Balanced operating budget; avoids major service cuts. ISF contributions for capital and vehicle replacement in FY 2026-27 only. Fund balance used for fire engine in both years.	26%
<b>Scenario B</b>	335,246.22	21,067.29	(301,061.00)	(882,539.00)	34,185.22	(861,471.71)	Balanced operating budget; moderate service reductions. ISF contributions for capital and vehicle replacement in both years. Fire engine cost absorbed in FY 2026-27 operating budget; fund balance used in FY 2027-28.	26%
<b>Scenario C</b>	773,246.22	462,067.29	(750,000.00)	(433,600.00)	23,246.22	28,467.29	Balanced operating budget; significant service reductions. ISF contributions for capital and vehicle replacement in both years. No use of fund balance in either year.	29%
<b>Scenario D</b>	869,458.73	563,374.56	(750,000.00)	(433,600.00)	119,458.73	129,774.56	Balanced operating budget; significant service reductions, including elimination of City-funded additional library hours. ISF contributions for capital and vehicle replacement in both years. No use of fund balance in either year.	30%

\*One-Time Expenses reflect fire engine costs paid from the General Fund. Scenarios A and B reflect paying expected costs as they arise, while Scenarios C and D front-load costs in FY 2026-27 by transferring a larger portion to an internal service fund, reducing the FY 2027-28 payment.

**BACKGROUND**

***Budget Development Process***

Finance staff developed the preliminary FY 2026-27 and FY 2027-28 biennial budget estimates beginning with revenue and expenditure forecasting. City Council reviewed revenue assumptions during the April 21, 2026 study session; the Proposed Budget will present them again in full.

Finance projected personnel costs using current labor Memorandums of Understanding (MOUs) and historical trend estimates for groups whose contracts expire during the budget period, and applied a citywide salary savings assumption of 2 percent. While the City historically experiences vacancy rates of 8 to 12 percent, overtime, backfill, specialized contract services, and other operational needs absorb most of those savings. The 2 percent assumption reflects the net portion representing a genuine budget reduction.

Staff projected CalPERS pension costs based on current actuarial data. Staff estimated non-discretionary non-personnel costs based on known rates and contracts as well as CPI estimates. Insurance costs are a particular driver, having increased approximately 210 percent citywide between 2021 and 2028, with a projected 19 percent increase in FY 2026-27 moderating to an estimated 12 percent in FY 2027-28.

Willdan Financial Services completed a new Cost Allocation Plan (CAP) on behalf of the City in spring 2025, and staff used it to validate and update overhead allocations to the City's special revenue funds and enterprise fund. The prior CAP had not been updated in over a decade, and non-General Fund operations had not been absorbing their appropriate share of growing citywide costs, particularly insurance. The updated CAP more accurately distributes overhead costs across the Gas Tax, NPDES, LLAD, Measure J Return to Source, Measure J Storm Drain, Measure H Park and Recreation Facilities, Measure J Paratransit, COPS Grant, and Integrated Waste Management funds. Finance verified all charges are allowable under applicable funding source requirements. The updated allocations meaningfully increase General Fund cost recovery, particularly regarding the IWM fund, which had an allocation that increased by approximately \$400,000.

The budget development process incorporated City Council priority-setting at the January 2026 retreat; community feedback through the budget survey (173 respondents) and public workshops in March 2026; Financial Advisory Board (FAB) recommendations; and department head presentations on City services.

The City's Comprehensive Financial Policy (Resolution No. 2026-17, adopted March 17, 2026) establishes General Fund reserve targets that guide budget planning. The policy sets a goal of maintaining an unrestricted General Fund operating reserve of 17 percent of projected General Fund operating expenditures, and separately requires the City to maintain an Emergency and Disaster Recovery Fund (EDRF) at 13 percent of projected General Fund operating expenditures, for a combined reserve policy goal of 30 percent. The City Council may adopt a deficit budget if projected unassigned reserves do not fall below 10 percent in any year of the five-year budget forecast; should unassigned reserves fall below 10 percent, the City must adopt a plan each budget year to restore the unassigned reserve level to 17 percent. The City also maintains a Section 115 pension trust with a current balance of approximately \$3 million, which is separate from the General Fund reserve and designated specifically for pension obligations.

### ***Target-Based Budgeting Approach***

For the FY 2026-27 and FY 2027-28 biennial budget, the City applied a target-based budgeting (TBB) approach consistent with best practices identified by the Government Finance Officers Association (GFOA). Finance and the City Manager's Office built a status quo expenditure projection, incorporating current MOU-based personnel costs, non-discretionary estimates, and projected increases in discretionary costs. That analysis identified a preliminary structural General Fund operating budget deficit of approximately \$1.7 million in FY 2026-27 and \$2.2 million in FY 2027-28.

While TBB often evaluates both service additions and reductions, the City's fiscal position required a primarily cut-oriented application this cycle. Finance and the City Manager's Office used the process to identify what operations the City can sustain within existing revenues, while building in contributions to vehicle and equipment replacement, deferred infrastructure maintenance, and capital projects internal service funds to plan for long-term needs. Each department received a spending target based on its share of General Fund expenditures, staffing levels, and cost recovery through fees, grants, or other non-General Fund sources. Departments submitted proposals to meet their targets; Finance and the City Manager's Office conducted multiple rounds of meetings with directors, evaluated proposals, and developed additional solutions.

Finance assessed all proposed solutions against the following criteria: whether the department director recommended it; whether the change was one-time, short-term, or permanent; whether it would require labor negotiation; whether it could prevent the City from meeting a legal mandate; whether it would significantly affect public health and safety, equity, or specific community populations; whether apparent savings would be offset by lost revenues or cost recovery; alignment with City Council priorities and community engagement results; and feasibility given staff capacity and timeline.

Through the target-based budgeting process, departments identified and absorbed several hundred thousand dollars in internal reductions: shifts in non-personnel budgets, operational efficiencies, and cost realignments that departments determined they could manage without cutting programs or services to the public. These reductions are already reflected in the baseline budget. The budget solutions presented in the four scenarios below represent a separate and additional layer of decisions, each carrying real trade-offs in service levels, programs, or long-term fiscal positioning. Staff presents these trade-offs transparently so that City Council and the community can weigh them with a clear understanding of what is at stake.

## **ANALYSIS**

### **Budget Balancing Scenarios**

All four scenarios presented below represent fiscally viable paths to a balanced FY 2026-27 and FY 2027-28 biennial operating budget. These scenarios differ in the depth of program and service reductions, the approach to funding the fire engine replacement, and the long-range outlook for General Fund reserves. Scenarios C and D involve significant reductions to City programs and services. These trade-offs are real and are detailed below for City Council and the public's understanding.

An important distinction in reviewing these scenarios is the difference between the operating budget and one-time expenditures. The City's operating budget covers ongoing revenues and expenditures for day-to-day City services. A structurally balanced operating budget means ongoing revenues cover ongoing expenditures. One-time expenditures, such as the fire engine purchase, are separate from the operating budget and are not expected to recur annually.

In some scenarios, the operating budget generates sufficient surplus in a given year to absorb a one-time expenditure without drawing on reserves; in others, the size or timing of a one-time cost requires use of fund balance to keep the total budget balanced. The fire engine replacement is the primary one-time expenditure driving this distinction across the four scenarios.

The long-range General Fund forecast underlying each scenario reflects current budget projections and assumes use of the Section 115 pension trust beginning in FY 2028-29 and ending in FY 2034-35, when pension costs are projected to be at or near their peak, to smooth the impact on the General Fund in those years. The forecast may appear visually similar to the long-range forecast presented to City Council at the mid-year budget update in March 2026. However, all four scenarios presented here are materially more sustainable than the prior forecast. Every scenario includes ongoing contributions to internal service funds for vehicle and equipment replacement, Fire Department vehicle and equipment needs, and deferred maintenance and capital infrastructure — costs that were not being set aside in prior forecasts. Departments have also absorbed real reductions in every scenario. The shape of the forecast graphs may look familiar, but the foundation beneath them is meaningfully stronger.

### ***Budget Changes Included in All Scenarios***

#### ***Technology and Operations Investment***

All scenarios include an investment of approximately \$140,000 annually in technology infrastructure, covering three components: critical cybersecurity improvements to protect sensitive City and law enforcement data and meet federal data protection standards; a Computerized Maintenance Management System (CMMS) for Public Works to shift asset management from reactive to proactive and data-driven; and an upgrade of the City's geographic information system (GIS) to an ESRI platform, removing a significant integration barrier identified as limiting operational efficiency across departments.

#### ***Overhead Cost Allocation Update***

All four scenarios include the updated overhead cost allocation described in the Budget Development Process section above, generating \$461,000 in additional General Fund cost recovery in FY 2026-27 and \$520,000 in FY 2027-28.

#### ***Police Department - Special Revenue Fund Utilization and Recruitment***

All scenarios shift allowable Police Department costs to special revenue funds where permitted. License plate reader system costs and a portion of digital evidence management system costs would be funded through the Citizens' Option for Public Safety (COPS) Grant fund, drawing on current fund balance. Allowable vehicle replacement costs would shift to the asset replacement fund, and allowable expenses would be covered using the vehicle abatement fund balance. An administrative overhead allocation consistent with grant stipulations would also be applied to the COPS Grant fund. In Scenario A, these shifts reduce General Fund expenditures by \$125,000 annually; Scenarios B, C, and D achieve additional savings through supplemental reductions to Police software and equipment budgets, described below.

All four scenarios also reduce Police Officer recruitment costs by approximately \$48,000 annually through two actions: eliminating the hiring incentive and returning starting pay to Step 1 for new hires, incentives introduced in 2023 in response to significant staffing vacancies and a highly competitive hiring environment; and pausing supplemental recruitment services added during the same period. The department is now fully staffed and recruitment conditions have improved. Both measures can be reinstated if conditions change.

*Citywide Non-Personnel Reductions*

All scenarios include reductions to non-personnel budgets across City departments, encompassing supplies, equipment, professional services, and maintenance. These reductions reflect adjustments departments identified as manageable within their operations and do not involve cuts to programs or services to the public.

*Vehicle and Equipment Replacement - Internal Service Fund*

All four scenarios formalize and increase the City's approach to vehicle and equipment replacement through a dedicated internal service fund. Previously, vehicle replacement costs were budgeted individually and inconsistently. The updated structure establishes regular annual General Fund contributions of approximately \$440,000 citywide, improving long-term planning and financial transparency. All four scenarios also include \$100,000 annually for small Fire Department vehicle replacement, ensuring the department maintains a predictable replacement schedule for vehicles that have exceeded their useful life.

*Fire Department Vehicle and Equipment Replacement Reserve*

All four scenarios contribute \$50,000 annually to a dedicated Fire Department vehicle and equipment replacement reserve, which funds self-contained breathing apparatus (SCBAs) and builds long-term savings toward future fire engine replacement. Scenario A does not include this contribution in FY 2027-28 (only in FY 2026-27); all other scenarios contribute in both budget years.

*Deferred Maintenance and Capital Infrastructure - Internal Service Fund*

All four scenarios contribute \$300,000 to a dedicated internal service fund for deferred maintenance and long-term capital infrastructure needs. Scenario A includes this contribution in FY 2026-27 only; all other scenarios contribute in both budget years.

*Fire Engine Replacement - Background*

At the City Council's direction in FY 2025-26, the City signed a contract to replace one of the City's aging fire engines, with payments of approximately \$301,000 in FY 2026-27 and \$883,000 in FY 2027-28. The City does not currently have designated reserves for this purchase. During the period from 2019 to the present, when El Cerrito was experiencing fiscal distress, longer-term capital costs were deferred to balance the budget and ensure continuity of services. As a result, no dedicated fire engine replacement reserve was established. In June 2025, the City Council set aside \$380,000 to contribute towards the purchase, but additional funds are required to cover the total cost. Each scenario funds these two payments differently, as described below.

Every scenario also includes ongoing annual contributions to a Fire Department vehicle and equipment replacement internal service fund going forward, so that one-time reserves are not required for future purchases.

**Scenario A**

Scenario A avoids major cuts to programs and services. It makes some contributions to long-term infrastructure and vehicle replacement needs in FY 2026-27 only and uses one-time General Fund reserves to fund both fire engine payments.

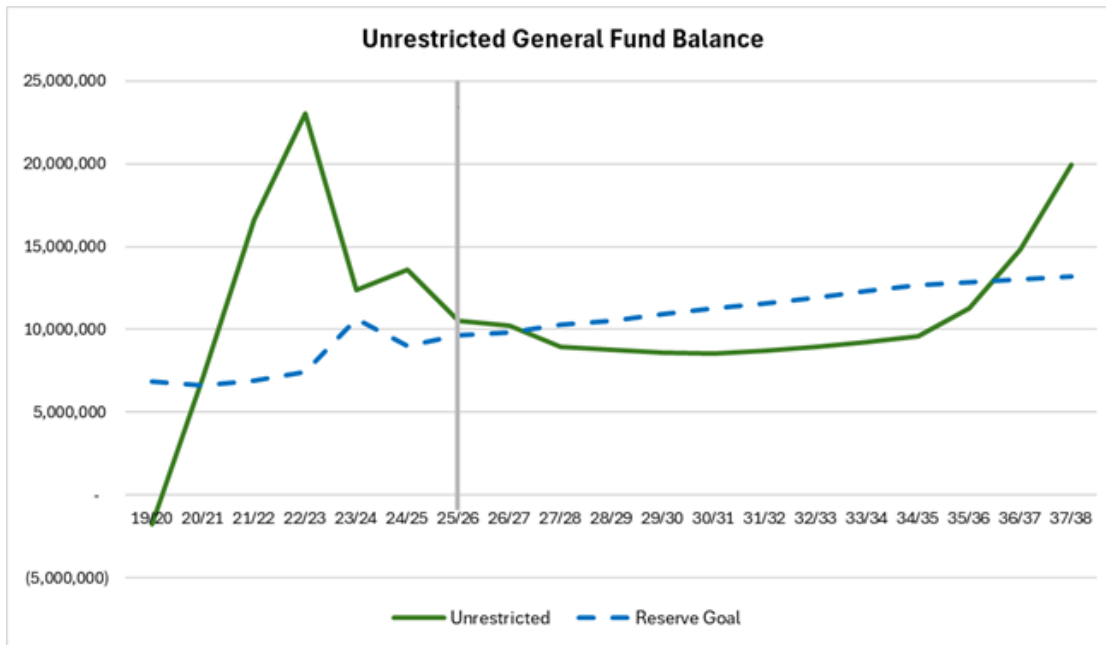
*Fire Engine Replacement*

Scenario A funds both the FY 2026-27 payment of approximately \$301,000 and the FY 2027-28 payment of approximately \$883,000 using one-time General Fund reserves.

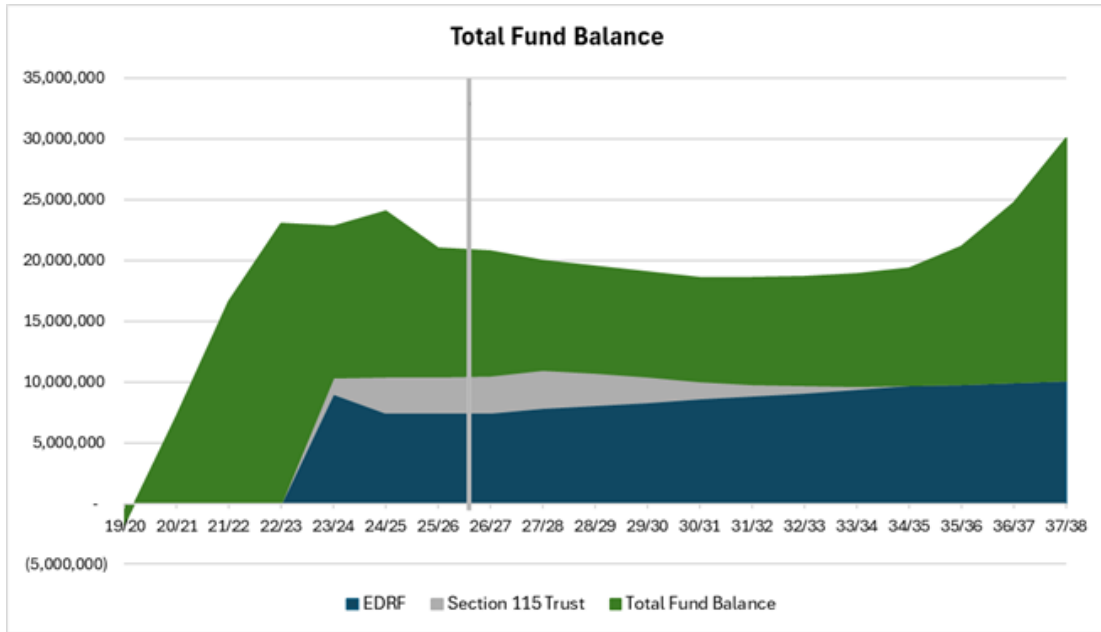
**Long-Range General Fund Forecast**

Under Scenario A, the City projects use of fund balance from FY 2026-27 through FY 2031-32. Reserves are projected to reach a low of approximately 26 percent of expenditures during this period, comprising approximately 13 percent in the EDRF and 13 percent in unrestricted reserves, falling below the City's reserve policy goal of 17 percent unrestricted and 13 percent EDRF, for a combined goal of 30 percent.

Graph 1. Unrestricted General Fund Balance – Scenario A



Graph 2. Total Fund Balance – Scenario A



**Scenario B**

Scenario B includes a moderate set of proposed program and service reductions. It uses one-time General Fund reserves to fund the FY 2027-28 fire engine payment only and makes sustained contributions to internal service funds for infrastructure and vehicle replacement in both budget years.

All elements described in the shared section above apply to Scenario B. The following describes elements that are new or different in Scenario B:

*Communications and Facilitation*

Scenario B reduces professional communications and facilitation support by approximately \$75,000 annually through three actions. The City would eliminate its contract with an outside communications firm and manage social media in-house, with some reduction in public information capacity anticipated. The City would eliminate the twice-yearly News and Views newsletter currently mailed to all residents; the City would continue communicating through other channels. The City would also eliminate the contract for a professional facilitator for the City Council's annual priority-setting retreat, with staff facilitating instead. A neutral third-party facilitator supports productive dialogue and allows all Council members and staff to participate fully without one party managing the process. Taken together, these reductions may result in some decrease in the reach and frequency of public communications, with potential impacts to community awareness and transparency.

*Recreation Programs and Events*

Scenario B reduces Recreation Department expenditures by approximately \$82,000 annually. Special events such as the pancake breakfast, Spring Tea Party, and Play Like a Girl+ would be cancelled; staff capacity previously dedicated to these events would be redirected toward strengthening core Recreation programs. Contract janitorial services would be significantly reduced, retaining only a limited portion for staff absences and periodic deep cleaning; regular janitorial operations would continue through City custodial staff.

*Landscape Maintenance*

Scenario B reduces the Rubicon landscaping contract by \$10,000 in FY 2026-27, with cumulative reductions reaching \$30,000 in FY 2027-28. In FY 2026-27, contract services would be eliminated at several residential streetscapes and Fire Station 52, and mowing frequency on the Ohlone Greenway would be reduced from eight to five times per year. In FY 2027-28, additional cumulative reductions would eliminate contract services at City Hall, the Public Safety Building, the Library, Madera and Portola Clubhouses, Moeser Lane medians, and hillside vegetation management areas. Public Works maintenance staff would assume reduced-frequency landscape services at affected locations; City maintenance staff are generalists and do not have the specialized equipment or expertise of a dedicated landscaping contractor. Residents can expect a visible and progressive decline in maintenance standards at affected locations over time.

*Police Department - Additional Software and Equipment Reductions*

Scenario B achieves greater General Fund savings from Police Department cost shifts than Scenario A, reaching \$168,000 in FY 2026-27 and \$143,000 in FY 2027-28, through additional reductions to Police software and equipment budgets beyond those achieved through the fund shifts alone. In FY 2026-27, this includes canceling a planned drone purchase, which would have expanded the department's capacity to respond to in-progress incidents and investigations. Additional software budget reductions apply in both years.

*Administrative Support and Supplies*

Scenario B reduces select administrative support and supplies costs by approximately \$45,000 annually. Discretionary meal and employee recognition spending would be centralized and reduced citywide, with City-organized staff events coordinated through Human Resources to ensure consistency and equity across departments. Reimbursements for meal costs would be limited to those required by labor agreements or associated with approved training activities. Recreation Department staff uniforms would be standardized to a consistent design used year over year, generating savings through reduced design costs and improved inventory management while also reducing textile waste.

*Advisory Board Recognition and Holiday Lighting*

Scenario B eliminates the annual dinner recognizing City advisory body members and eliminates City-funded seasonal holiday light installation along the San Pablo Avenue commercial corridor, for a combined reduction of approximately \$10,000 annually.

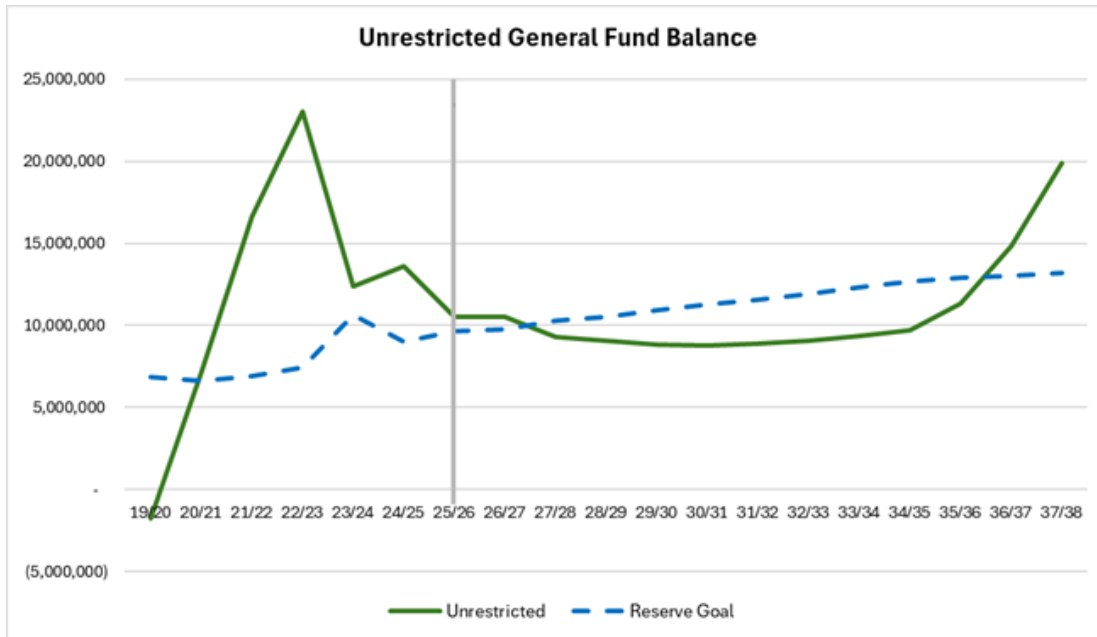
**Fire Engine Replacement**

In FY 2026-27, the operating budget generates sufficient surplus to absorb the fire engine payment of approximately \$301,000 without drawing on General Fund reserves. In FY 2027-28, the payment of approximately \$883,000 exceeds what the operating budget can absorb, and one-time General Fund reserves fund the difference.

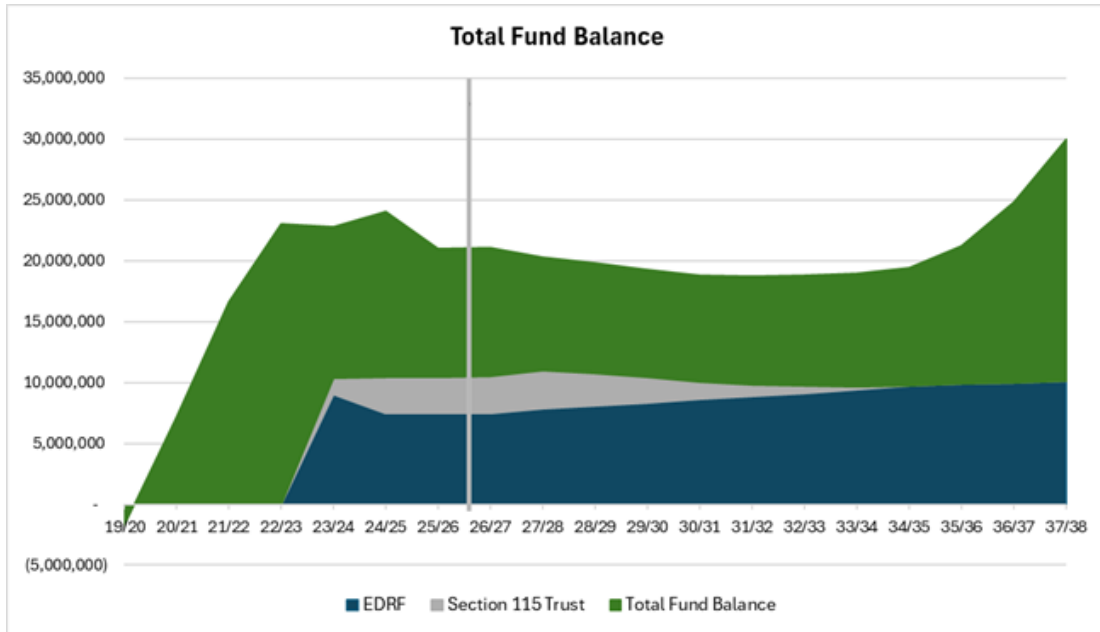
**Long-Range General Fund Forecast**

Under Scenario B, the City projects use of one-time reserves in FY 2027-28 for the fire engine payment, with projected use of fund balance continuing in FY 2028-29 through approximately FY 2031-32. Reserves are projected to reach a low of approximately 26 percent of expenditures during this period, comprising approximately 13 percent in the EDRF and 13 percent in unrestricted reserves, falling below the City's reserve policy goal of 17 percent unrestricted and 13 percent EDRF, for a combined goal of 30 percent.

Graph 3. Unrestricted General Fund Balance – Scenario B



Graph 4. Total Fund Balance – Scenario B



**Scenario C**

Scenario C avoids any use of one-time General Fund reserves in either budget year and makes significant and sustained contributions to internal service funds for infrastructure and vehicle replacement. It involves significant cuts to City programs and services beyond those in Scenario B.

All elements described in the shared section above apply. All Scenario B reductions also apply. The following describes elements that are new or different in Scenario C:

*Landscape Maintenance*

Scenario C increases the landscape maintenance reduction to \$105,000 annually in both budget years, compared to cumulative reductions of \$10,000 in FY 2026-27 and \$30,000 in FY 2027-28 in Scenario B. At this reduction level, the impacts to City landscapes would be significant and citywide. Rubicon landscape, irrigation, and litter removal services would be completely suspended at City Hall, the Public Safety Building, the Recycling Center, Fire Station 52, the Library, Madera and Portola Clubhouses, Moeser Lane medians, and several residential streetscapes. Rubicon would also suspend irrigation repairs throughout the entire City and would need to lay off one full-time employee.

Public Works maintenance staff would assume landscape services at the suspended locations, but at 50 percent of the frequency currently provided by Rubicon. That same 50 percent reduction in service frequency would apply across a broad range of additional City locations, including the Swim and Community Center; athletic fields mowing and turf maintenance services; Arlington, Canyon Trail, Castro, Central, Creekside, Harding, Huber, Poinsett, and Tassajara Parks; San Pablo Avenue medians and streetscapes; Ashbury, Central, Fairmount, and Potrero Avenue medians; the Ohlone Greenway from City limit to City limit; and parks high weed mowing citywide. City maintenance staff are generalists who do not have the specialized equipment or expertise of a dedicated landscaping contractor, and the reduced frequency compounds that limitation. Across the City, residents can expect increased accumulations of trash and litter, a greater number of tall flowering weeds, less trimmed shrubbery, and longer grass on athletic fields and elsewhere. The overall quality of City landscape conditions would be expected to degrade progressively over time, with impacts becoming increasingly evident the longer the reduction remains in place.

#### *Grant Writing and Lobbying Services*

Scenario C eliminates contracts with California Public Policy Group for both grant writing and state and federal lobbying services, for a combined reduction of approximately \$78,000 annually. While staff would continue to manage existing awarded grants and apply for grants where capacity allows, this reduction would diminish the City's capacity to identify and apply for new grant opportunities. The lobbying contract has supported the City in securing federal earmarks and advocating on legislation with significant financial and operational impacts; eliminating it would reduce the City's presence and influence in state and federal policy processes.

#### *General Fund Contribution for 4th of July Event*

All four scenarios eliminate the General Fund contribution to the Fourth of July celebration. The event has existing reserved fund balance that will sustain it in the near term; over time, the event would rely increasingly on donations and sponsorships to continue. The celebration could likely continue under this funding model, though it may be reduced in scale, including potential elimination of the worldOne stage.

#### *City Council Travel and Training*

Scenario C reduces the individual travel and training budget for each City Council member by \$1,000 annually, from \$5,000 to \$4,000, for a total reduction of \$5,000. Funding for the Mayor's allowance and New Mayor and Councilmember Academy would remain unchanged.

#### *EC Stars High School Internship Program*

Scenario C eliminates the EC Stars program, which places paid high school interns across City departments each summer, for a reduction of \$23,000 in FY 2027-28 only. The current program year is already underway and cannot be reduced in FY 2026-27. In addition to providing local youth with professional work experience and exposure to career opportunities in local government, the program supports departmental capacity during the summer season.

***Building Division - Conversion to Contract Services***

Scenario C permanently converts the Building Division to contract services, for a reduction of approximately \$210,000 annually. The Building Division has operated using contract staffing for several years; this change would formalize the existing service delivery model rather than represent a major operational shift. This change also decreases the total budget for the building division and could result in longer wait times and shorter counter hours. This structural change would still require labor negotiations and a formal procurement process to establish a long-term contract.

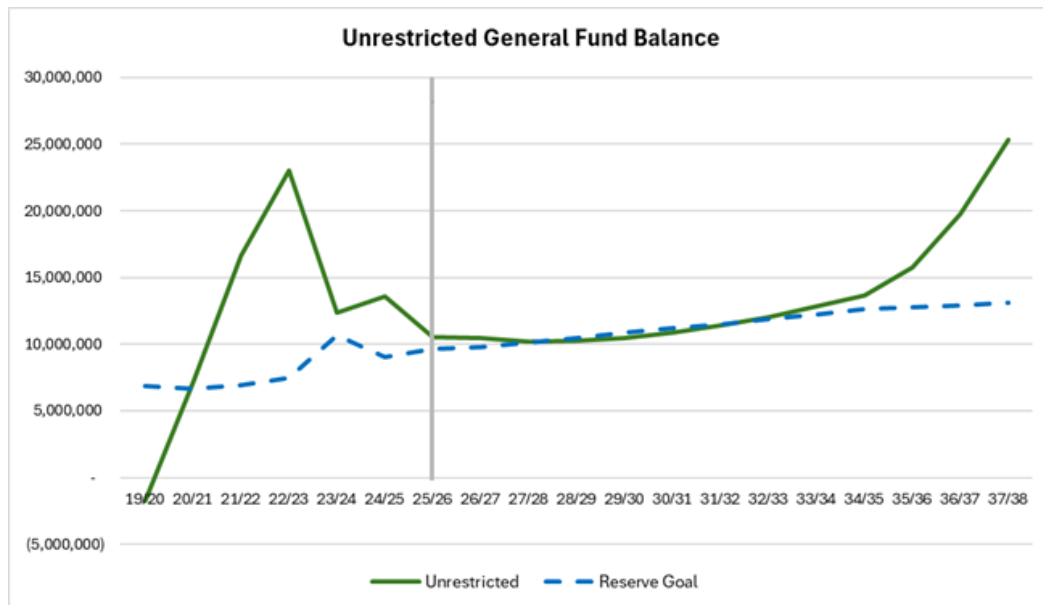
***Fire Engine Replacement***

Rather than using one-time General Fund reserves, Scenario C funds the fire engine through the internal service fund, with contributions of approximately \$750,000 in FY 2026-27 and \$433,600 in FY 2027-28. This approach front-loads costs into the first budget year because operating costs escalate more significantly in the second year, allowing the City to fund the engine through the internal service fund while avoiding deeper cuts in FY 2027-28.

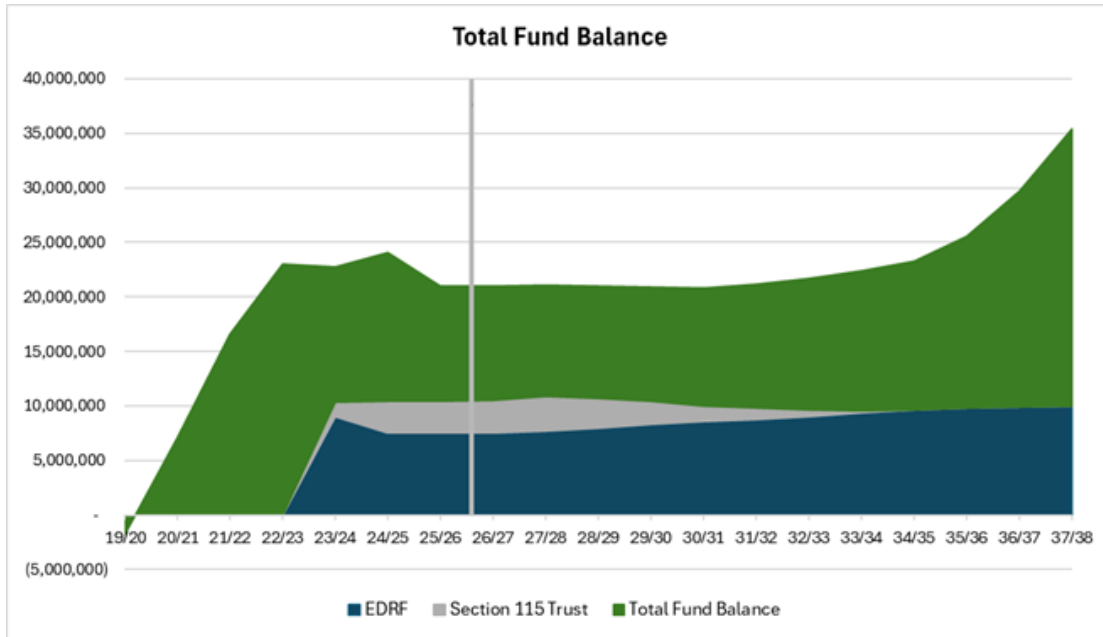
***Long-Range General Fund Forecast***

Under Scenario C, the City projects reserves above 30 percent in both FY 2026-27 and FY 2027-28, meeting the City's combined reserve policy goal of 30 percent, comprising 13 percent in the EDRF and 17 percent in unrestricted reserves, in both budget years. Reserves may fall modestly below 30 percent in FY 2028-29 through FY 2030-31 if no further adjustments are made, but are projected to remain above 29 percent in all forecasted years, with the unrestricted component remaining above 16 percent throughout.

Graph 5. Unrestricted General Fund Balance – Scenario C



Graph 6. Total Fund Balance – Scenario C



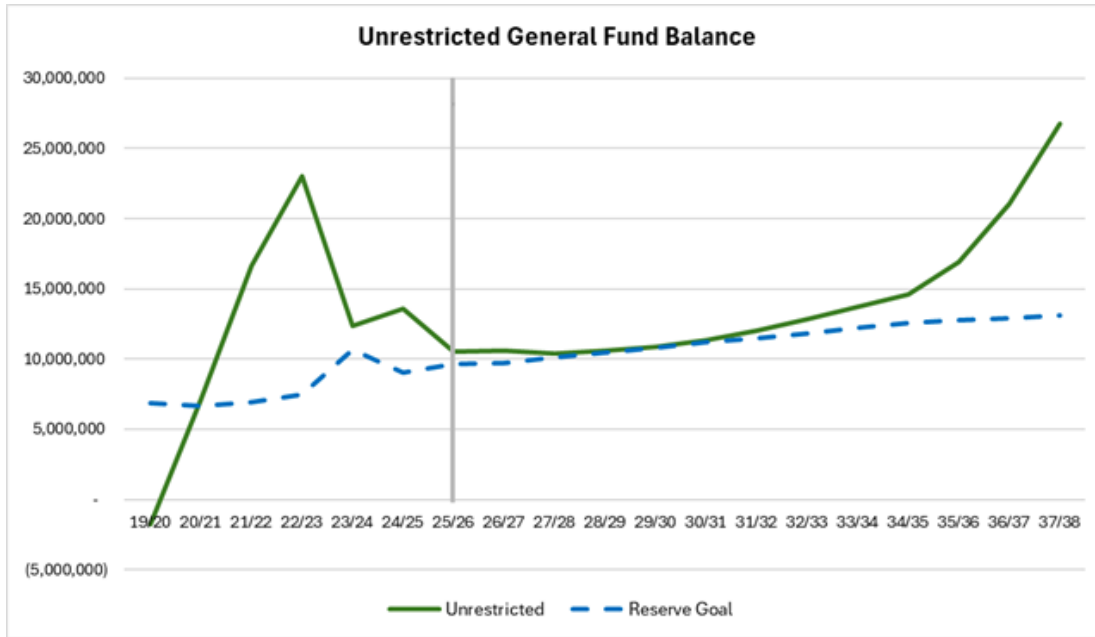
**Scenario D**

Scenario D includes all of the changes detailed in Scenario C, but also eliminates the six City-funded additional weekly library hours currently offered beyond the County-funded baseline of 40 hours per week, for a reduction of approximately \$100,000 annually. The six additional hours are currently spread across Tuesday, Wednesday, and Thursday. Eliminating them would return the library to the County-funded baseline schedule, with Tuesday hours reduced from 10:00 a.m. to 8:00 p.m. to 12:00 p.m. to 8:00 p.m., and Wednesday and Thursday hours reduced from 10:00 a.m. to 8:00 p.m. to 10:00 a.m. to 6:00 p.m.

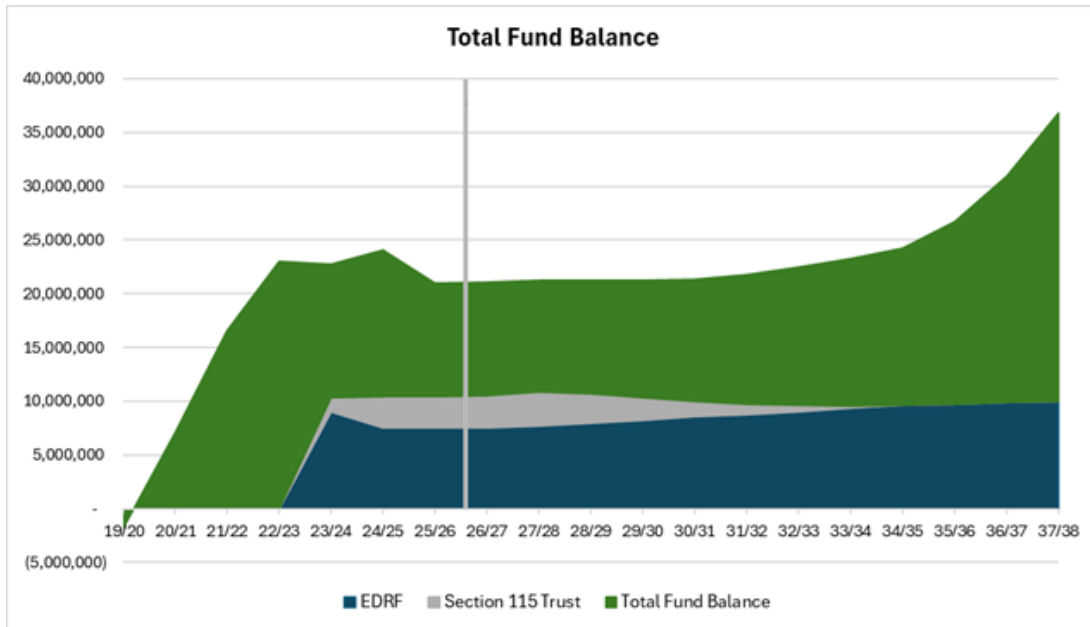
**Long-Range General Fund Forecast**

Under Scenario D, the City projects reserves above 30 percent in all projected fiscal years throughout the forecast period, meeting the City's combined reserve policy goal of 30 percent, comprising 13 percent in the EDRF and 17 percent in unrestricted reserves, in every year.

Graph 7. Unrestricted General Fund Balance – Scenario D



Graph 8. Total Fund Balance – Scenario D



**Strategies Considered but Not Recommended**

Through the target-based budgeting process, staff and departments evaluated a broad range of additional strategies beyond those included in the four scenarios above. The following summarizes options that were evaluated but are not recommended at this time, and the primary reasons for that determination.

*Fire Department Staffing*

Browning out Fire Station 52 during staffing vacancies to reduce backfill overtime costs was considered and is not recommended. Staffing vacancies are a normal and unavoidable feature of fire department operations and do not reduce community demand for emergency response. When Station 52 is browned out, response demand transfers to neighboring companies, which must travel farther and operate with reduced reserve capacity, increasing risk to both the public and responding personnel. Backfill overtime is not discretionary spending; it is the cost of maintaining minimum emergency service levels. Additionally, browning out Station 52 would create a service inequity, as El Cerrito residents would experience reduced service while Kensington would continue receiving the same level of response coverage.

Eliminating or downgrading the Training Battalion Chief (BC) position was considered in two forms - full elimination and downgrade to a Training Captain - and neither is recommended. The Training BC is the department's central point of accountability for firefighter hiring, recruit onboarding, promotional testing, required recurring training, and regional coordination through Contra Costa County Operational Area and California Incident Command Certification System structures. The position also serves as Acting Fire Chief when the Fire Chief is unavailable. Eliminating the position would not eliminate these responsibilities; it would scatter them across line Battalion Chiefs and command staff who already carry full operational workloads. Downgrading to a Captain would require meet-and-confer with Local 1230, could create a rank inversion with a Captain overseeing training requirements for Battalion Chiefs, and would effectively leave the department short one BC, reducing operational flexibility and Acting Chief coverage. Either change would be pursued through attrition rather than layoff, but retirement and departure timelines are difficult to predict. Balancing the budget on solutions with uncertain implementation dates introduces significant fiscal risk.

*Police Department Staffing*

Eliminating five sworn officer positions, including two Traffic Officers, two Detectives, and one Patrol Officer, was considered and is not recommended. Eliminating dedicated traffic officers would end targeted traffic safety enforcement, with patrol officers assuming traffic enforcement on a discretionary basis rather than as a primary function. Based on the City's own experience during prior staffing reductions, traffic enforcement activity declined significantly during periods without dedicated traffic officers, with an associated reduction in traffic fine revenue. Response times would be expected to increase as patrol staffing is stretched across existing service demands, and investigative capacity would be reduced with the elimination of two Detective positions. Based on historical patterns at comparable agencies and the City's own prior experience, officer departures to more stable agencies are plausible following a layoff of this scale, effectively compounding the staffing reduction well beyond the five positions directly eliminated and creating recruitment challenges that could persist for several years.

Eliminating two Traffic Officers and one Detective was also considered independently and is not recommended for similar reasons, as the elimination of all dedicated traffic enforcement capacity carries the same core risks regardless of the total number of positions eliminated. Both options would be pursued through attrition, but retirement and departure timelines are difficult to predict, and balancing the budget on solutions with uncertain implementation dates introduces significant fiscal risk.

#### *Workforce and Compensation*

Staff evaluated several options related to employee compensation and benefits, including freezing or reducing cost-of-living adjustments (COLAs) for all or only unrepresented employees, requiring employee contributions toward medical premiums for dependent or employee-only coverage, and increasing medical insurance copays. These options are not recommended at this time for several reasons. All current labor agreements include COLAs that have already been negotiated and approved; implementing changes would require reopening agreements with some or all bargaining units. The City recently experienced a period of compensation compression that required a Classification and Compensation study and resulted in substantial catch-up costs in subsequent years, and staff does not recommend repeating that pattern as it does not achieve long-term fiscal sustainability. Regarding medical benefits, increasing copays would risk forfeiting the City's grandfathered status in a Kaiser Permanente plan that provides strong coverage at competitive rates, potentially increasing overall City costs while decreasing coverage quality for employees. More broadly, labor negotiations to implement any of these changes could take years to conclude, outcomes are not guaranteed, and additional costs incurred in reaching agreement could offset or significantly delay the projected savings. These options may warrant consideration in future labor negotiations but are not suitable as near-term budget balancing strategies.

#### *Community Programs and Staffing*

Eliminating the Senior Program Manager positions overseeing affordable housing and economic development and sustainable transportation is not recommended. These positions manage programs and grants that directly advance top City Council and community priorities, including affordable housing, neighborhood preservation, business attraction and retention, economic development, complete streets, transportation demand management, and local road safety. Both positions manage large grants that bring significant outside funding to the City. Elimination would put that funding at risk and would likely result in the City falling behind on commitments under its General Plan, Affordable Housing Strategy, Housing Element, and multimodal transportation goals. Contracting out all custodial services was considered and requires deeper analysis before further consideration; estimated savings are approximately equal to one full-time position cost, as contract services would need to partially backfill eliminated roles, and the option would require extensive labor negotiations with uncertain outcomes. Eliminating most free and low-cost senior programs was considered and is not recommended. These programs provide important socialization and community connection opportunities for El Cerrito seniors at modest cost relative to their community impact.

*Regional Memberships and Legal Requirements*

Withdrawing from regional and statewide membership organizations, including the League of California Cities (Cal Cities), Association of Bay Area Governments (ABAG), National League of Cities (NLC), Contra Costa County Mayors Conference, and East Bay Wildfire Coalition, was considered and is not recommended. These memberships support regional advocacy, intergovernmental coordination, and the City's voice in county, state, and federal policy processes. Withdrawal would be particularly notable given that El Cerrito's Mayor currently serves as Cal Cities President and the City Manager serves on the Cal Cities Board of Directors, roles that provide the City with significant influence over statewide municipal policy at a time when that influence is especially valuable. Eliminating the City's Zoom Webinar subscription was evaluated and is not feasible; new state law requires the City to provide hybrid meeting access for City Council meetings, and elimination would place the City out of compliance with that mandate.

*Vacancy Holds*

Staff evaluated holding a set of current vacancies unfilled for up to two years, including one Police Officer, one Police Records Specialist, one Firefighter, one Recreation Administrative Assistant, and one Recreation Supervisor overseeing childcare programs. While vacancy holds can provide short-term budget relief without requiring layoffs or labor negotiations, this approach is not recommended as a budget balancing strategy at this time. Holding these positions vacant would reduce service levels, place additional strain on existing staff, and in some cases require backfill or overtime to meet minimum public safety staffing requirements, partially offsetting the projected savings. For public safety positions in particular, extended vacancies risk affecting response times and investigation timelines. Staff views intentional, planned staffing decisions as preferable to holding vacancies reactively as a temporary measure; should conditions change, this option could be revisited in the context of a broader workforce planning discussion.

**STRATEGIC PLAN CONSIDERATIONS**

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

- *High Performing Organization; and*
- *Community Safety; and*
- *Livability and Belonging; and*
- *Infrastructure and Amenities; and*
- *Environmental Sustainability.*

**ENVIRONMENTAL CONSIDERATIONS**

This section is not applicable to this agenda item.

### **FINANCIAL CONSIDERATIONS**

The fiscal impact of the proposed budget depends on the scenario selected by City Council. Detailed expenditure and revenue figures for each scenario will be presented in the Proposed Budget. All four scenarios achieve a balanced operating budget for FY 2026-27 and FY 2027-28 through a combination of revenue adjustments, expenditure reductions, and internal service fund restructuring. Scenarios A and B utilize one-time General Fund reserves to fund a portion of the contracted fire engine replacement, while Scenarios C and D fund all costs within the operating budget and internal service fund contributions without drawing on reserves.

### **LEGAL CONSIDERATIONS**

This section is not applicable to this agenda item.

### **Reviewed by:**

A handwritten signature in blue ink, appearing to read 'Karen Pinkos', is written over a light blue grid background.

Karen Pinkos, City Manager

### **Attachments:**

1. Budget Balancing Scenarios - Summary
2. Budget Balancing Scenarios - Detailed
3. Presentation

Attachment 1 – Budget Balancing Scenarios – Summary

Scenario A	Scenario B
<p><b>Operating Budget Additions</b></p> <ul style="list-style-type: none"> <li>Invest in cybersecurity, technology infrastructure, and work order management software (\$140k)</li> </ul> <p><b>Operating Budget Reductions</b></p> <ul style="list-style-type: none"> <li>Utilize special revenue funds for allowable Police Department costs, including software, equipment, and administrative overhead (\$125k)</li> <li>Update overhead cost allocation to special funds, reducing General Fund subsidy (\$461k FY27 / \$520k FY28)</li> <li>Reduce non-personnel budgets citywide, including supplies, equipment, professional services, and maintenance</li> <li>Reduce Police Officer recruitment incentives and recruitment support (\$48k)</li> </ul> <p><b>Internal Service Fund and Long-Term Planning Allocations</b></p> <ul style="list-style-type: none"> <li>Restructure vehicle and equipment replacement contributions through internal service fund, citywide (\$440k)</li> <li>Annual contribution to Fire Department vehicle and equipment replacement reserve (\$50k FY27 only)</li> <li>Annual contribution to internal service fund for deferred maintenance and capital infrastructure (\$300k FY27 only)</li> <li>Add annual small Fire Department vehicle replacement funding (\$100k)</li> </ul> <p><b>One-Time Expenditures</b></p> <ul style="list-style-type: none"> <li>Use of fund balance for fire engine replacement (\$301k FY27 / \$883k FY28)</li> </ul>	<p><b>Operating Budget Additions</b></p> <ul style="list-style-type: none"> <li>Invest in cybersecurity, technology infrastructure, and work order management software (\$140k)</li> </ul> <p><b>Operating Budget Reductions</b></p> <ul style="list-style-type: none"> <li>Utilize special revenue funds for allowable Police Department costs, including software, equipment, and administrative overhead, and decrease software and equipment budget (\$168k FY27, \$143k FY28)</li> <li>Update overhead cost allocation to special funds, reducing General Fund subsidy (\$461k FY27 / \$520k FY28)</li> <li>Reduce non-personnel budgets citywide, including supplies, equipment, professional services, and maintenance</li> <li>Reduce Police Officer recruitment incentives and recruitment support (\$48k)</li> <li>Decrease professional communications and facilitation support, including managing social media in-house, eliminating the News and Views newsletter, and eliminating the City Council retreat facilitator (\$75k)</li> <li>Eliminate or reduce Recreation programs and events, including some special events and most contract janitorial services (\$82k)</li> <li>Reduce landscape maintenance contract services, with impacts to streetscapes, medians, and the Ohlone Greenway (\$10k FY27 / \$30k FY28)</li> <li>Reduce select administrative support and supplies costs (\$45k)</li> <li>Cancel Advisory Board Member recognition dinner and holiday light installation on San Pablo Avenue (\$10k)</li> </ul> <p><b>Internal Service Fund and Long-Term Planning Allocations</b></p> <ul style="list-style-type: none"> <li>Restructure vehicle and equipment replacement contributions through internal service fund, citywide (\$440k)</li> <li>Annual contribution to internal service fund for deferred maintenance and capital infrastructure (\$300k)</li> <li>Annual contribution to Fire Department vehicle and equipment replacement reserve (\$50k)</li> <li>Add annual small Fire Department vehicle replacement funding (\$100k)</li> </ul> <p><b>One-Time Expenditures</b></p> <ul style="list-style-type: none"> <li>Use of fund balance for fire engine replacement (\$883k FY28 only)</li> </ul>

Attachment 1 – Budget Balancing Scenarios – Summary

Scenario C	Scenario D
<p><b>Operating Budget Additions</b></p> <ul style="list-style-type: none"> <li>Invest in cybersecurity, technology infrastructure, and work order management software (\$140k)</li> </ul> <p><b>Operating Budget Reductions</b></p> <ul style="list-style-type: none"> <li>Utilize special revenue funds for allowable Police Department costs, including software, equipment, and administrative overhead, and decrease software and equipment budget (\$168k FY27, \$143k FY28)</li> <li>Update overhead cost allocation to special funds, reducing General Fund subsidy (\$461k FY27 / \$520k FY28)</li> <li>Reduce non-personnel budgets citywide, including supplies, equipment, professional services, and maintenance</li> <li>Reduce Police Officer recruitment incentives and recruitment support (\$48k)</li> <li>Eliminate General Fund contribution to 4<sup>th</sup> of July event (\$50k)</li> <li>Decrease professional communications and facilitation support, including managing social media in-house, eliminating the News and Views newsletter, and eliminating the City Council retreat facilitator (\$75k)</li> <li>Eliminate or reduce Recreation programs and events, including some special events and most contract janitorial services (\$82k)</li> <li>Reduce landscape maintenance contract services, with significant impacts to streetscapes, medians, the Hillside Natural Area, and the Ohlone Greenway (\$105k/year total)</li> <li>Reduce select administrative support and supplies costs (\$45k)</li> <li>Cancel Advisory Board Member recognition dinner and holiday light installation on San Pablo Avenue (\$10k)</li> <li>Decrease City Council travel and training allocation by \$1k per member (\$5k total)</li> <li>Eliminate grant writing and lobbying services (\$78k)</li> <li>Cancel El Cerrito Stars High School Internship Program (\$23k FY28 only)</li> <li>Permanently convert Building Division to contract services (\$210k)</li> </ul> <p><b>Internal Service Fund and Long-Term Planning Allocations</b></p> <ul style="list-style-type: none"> <li>Restructure vehicle and equipment replacement contributions through internal service fund, citywide (\$440k)</li> <li>Annual contribution to internal service fund for deferred maintenance and capital infrastructure (\$300k)</li> <li>Annual contribution to Fire Department vehicle and equipment replacement reserve (\$50k)</li> <li>Add annual Fire Department small vehicle replacement funding (\$100k)</li> <li>One-time contributions to ISF for Fire Engine (\$750k FY27, \$434k FY28)</li> </ul>	<p><b>Operating Budget Additions</b></p> <ul style="list-style-type: none"> <li>Invest in cybersecurity, technology infrastructure, and work order management software (\$140k)</li> </ul> <p><b>Operating Budget Reductions</b></p> <ul style="list-style-type: none"> <li>Utilize special revenue funds for allowable Police Department costs, including software, equipment, and administrative overhead, and decrease software and equipment budget (\$168k FY27, \$143k FY28)</li> <li>Update overhead cost allocation to special funds, reducing General Fund subsidy (\$461k FY27 / \$520k FY28)</li> <li>Reduce non-personnel budgets citywide, including supplies, equipment, professional services, and maintenance</li> <li>Reduce Police Officer recruitment incentives and recruitment support (\$48k)</li> <li>Eliminate General Fund contribution to 4<sup>th</sup> of July event (\$50k)</li> <li>Decrease professional communications and facilitation support, including managing social media in-house, eliminating the News and Views newsletter, and eliminating the City Council retreat facilitator (\$75k)</li> <li>Eliminate or reduce Recreation programs and events, including some special events and most contract janitorial services (\$82k)</li> <li>Reduce landscape maintenance contract services, with significant impacts to streetscapes, medians, the Hillside Natural Area, and the Ohlone Greenway (\$105k/year total)</li> <li>Reduce select administrative support and supplies costs (\$45k)</li> <li>Cancel Advisory Board Member recognition dinner and holiday light installation on San Pablo Avenue (\$10k)</li> <li>Decrease City Council travel and training allocation by \$1k per member (\$5k total)</li> <li>Eliminate grant writing and lobbying services (\$78k)</li> <li>Cancel El Cerrito Stars High School Internship Program (\$23k FY28 only)</li> <li>Permanently convert Building Division to contract services (\$210k)</li> <li>Eliminate additional library hours, returning to County-funded baseline schedule (\$100k)</li> </ul> <p><b>Internal Service Fund and Long-Term Planning Allocations</b></p> <ul style="list-style-type: none"> <li>Restructure vehicle and equipment replacement contributions through internal service fund, citywide (\$440k)</li> <li>Annual contribution to internal service fund for deferred maintenance and capital infrastructure (\$300k)</li> <li>Annual contribution to Fire Department vehicle and equipment replacement reserve (\$50k)</li> <li>Add annual Fire Department small vehicle replacement funding (\$100k)</li> <li>One-time contributions to ISF for Fire Engine (\$750k FY27, \$434k FY28)</li> </ul>

Scenario				Department	Description	Fiscal Impact		Permanent	Union Negotiation	Legal Mandate	Health & Safety	Explanation
A	B	C	D			FY 26-27	FY 27-28					
x	x	x	x	Information Technology	Invest in Cybersecurity and Technology Improvements	99,438	104,410	Yes	No	No	Yes	The City's technology systems require strategic upgrades to enhance data protection, support evolving law enforcement requirements, and improve coordination across departments. IT staff have identified critical improvements to software tools and mapping systems used daily by City staff. These improvements will strengthen overall system reliability, compliance with federal data protection standards, and improve efficiency in how services are delivered. Without these investments, the City may face challenges in maintaining secure, reliable, and effective operations.
x	x	x	x	Finance	Eliminate Subsidy - Update Overhead Allocation to Special Funds	460,901	520,050	Yes	No	No	No	Using an updated Cost Allocation Plan developed by an outside consultant, the City has revised how overhead and insurance costs are shared across City funds. This correction ensures that non-General Fund operations are paying their fair share of citywide administrative and insurance costs, reducing the subsidy previously borne by the General Fund. This is a technical accounting adjustment with no impact on service levels.
x	x	x	x	Capital Outlay	Annual Transfer to Internal Service Fund for Capital Needs	300,000	300,000	Optional	No	No	Yes	Per City Council direction, this adds an annual \$300,000 transfer to a dedicated internal service fund to address the City's deferred maintenance and long-term capital infrastructure needs. This contribution helps the City set aside funding for both near-term maintenance priorities and future infrastructure investments, reducing reliance on one-time funding sources for capital costs.
x	x	x	x	Citywide	Vehicle and Equipment Replacement Contributions (GF Only)	441,293	416,293	Yes	No	No	Yes	Establish dedicated General Fund contributions to an internal service fund for vehicle and equipment replacement. This approach improves long-term planning and transparency by routing replacement costs through a structured reserve rather than budgeting them individually each year.
x	x	x	x	Police	Utilize Special Revenue Funds for Allowable Police Department Expenses	125,000	125,000	Yes	No	No	No	Shift allowable Police Department costs to special revenue funds where permitted by applicable funding restrictions. License plate reader system costs and a portion of digital evidence management system costs would be funded through the Citizens' Option for Public Safety (COPS) grant, drawing on the current fund balance. Allowable vehicle replacement costs would be shifted to the asset replacement fund, and allowable expenses would be covered using the vehicle abatement fund balance. Additionally, an administrative overhead allocation would be applied to the COPS grant fund, consistent with grant stipulations permitting up to 0.5% for this purpose and supported by the City's Cost Allocation Plan. This approach reduces General Fund expenditures by utilizing restricted fund balances and allowable overhead recovery for their intended purposes.
x	x	x	x	Fire	Small Vehicle Replacement	100,000	100,000	Yes	No	No	Yes	Include an annual \$100,000 contribution to replace aging small Fire Department vehicles that have exceeded their useful life. This ongoing funding ensures the City maintains a predictable vehicle replacement schedule, avoids costly emergency purchases, and keeps Fire Department operations reliable.
x	x	x	x	Public Works	Procure a Computerized Maintenance and Asset Management System	20,000	10,000	Yes	No	No	No	A Computerized Maintenance Management System (CMMS) will allow for more effective and efficient maintenance of City assets by shifting maintenance from reactive to proactive, data-driven management. A CMMS will enable integrated scheduling of tasks, tracking of costs, tracking asset condition, and monitoring regulatory compliance. This will reduce City costs over the long term by increasing service life of City assets, reducing downtime, reducing risks, and enabling data-driven prioritization of capital investments.
x	x	x	x	Capital Outlay	Contribution to Vehicle Internal Service Fund for Long-Term Fire Engine and Equipment Replacement	50,000	50,000	Yes	No	No	Yes	Establish an annual \$50,000 contribution to a dedicated reserve fund for Fire Department vehicle and equipment replacement. This includes self-contained breathing apparatus (SCBAs), the pressurized air tanks and masks firefighters wear to breathe safely in smoke and hazardous environments, as well as long-term savings toward future fire engine replacement. Building this reserve over time reduces the City's reliance on one-time funding sources for large, known future costs.
x	x	x	x	Police	Pause Additional Police Officer Recruitment Services	8,000	8,000	No	No	No	No	Pause supplemental recruitment services for Police Officers. These services were added during a period of high vacancy rates and heightened competition for qualified candidates. With the department now fully staffed and recruitment conditions improved, these services can be suspended for the foreseeable future and reinstated if conditions change.
x	x	x	x	Police	Reduce Police Officer Recruitment Incentives	40,000	40,000	Yes	Yes	No	No	Eliminate the Police Officer hiring bonus and return starting pay to Step 1 for new hires. This would not affect current employees or those who have already signed contracts with the City. These incentives were introduced in 2023 in response to significant staffing vacancies and a highly competitive hiring environment. The department is now fully staffed and recruitment conditions have improved, making these measures less necessary at this time. These changes can be revisited if vacancy rates or hiring conditions change in the future.
x	x	x	x	Information Technology	Additional IT Software Upgrades	18,002	28,015	Optional	No	No	No	Upgrade the City's geographic information system from the current non-ESRI platform to an ESRI GIS solution under the Small Local Government Enterprise Agreement Program. The City's current GIS platform cannot integrate with the online tools City staff use to deliver services to the public, a gap identified by City Gate as a significant barrier to operational efficiency. Transitioning to ESRI GIS would remove this integration barrier and enable more effective service delivery across departments.
x	x	x	x	City Manager	Eliminate Holiday Light Installation	5,000	5,000	Yes	No	No	No	Eliminate funding for seasonal holiday light installation along the San Pablo Avenue commercial corridor. This change will result in the corridor no longer having City-funded holiday lighting during the holiday season.
x	x	x	x	City Manager	Eliminate News and Views Newsletter	13,000	13,000	Yes	No	No	No	Eliminate the twice-yearly News and Views newsletter, which is currently mailed to all City residents. The City will continue to communicate with residents through other channels, though the physical mailed newsletter will no longer be produced or distributed.
x	x	x	x	Recreation	Eliminate Some Recreation Special Events	50,000	50,000	Yes	No	No	No	Cancel the pancake breakfast, Spring Tea Party, and Play Like a Girl+ special events. Staff capacity previously dedicated to these events will be redirected toward strengthening and growing core Recreation programs to increase enrollment and service capacity. Camp Ravencliff has already transitioned to the YMCA.
x	x	x	x	Recreation	Eliminate Most Contract Janitorial Services	20,000	20,000	Yes	No	No	Yes	Significantly reduce contract janitorial services, retaining only a limited portion. This service has primarily been used to cover for staff absences and complete periodic deep cleaning projects. Regular janitorial operations will continue to be handled by City custodial staff.

x	x	x	City Manager	Manage Social Media In-House Eliminate Communications Support	45,000	45,000	Yes	No	No	No	Eliminate the contract with an outside communications firm for social media management, shifting this work to existing City staff. This reduces ongoing contract costs, with some slight service reductions in public information efforts anticipated.
x	x	x	Human Resources	Centralize Employee Recognition and Meal Expenses in Human Resources	35,250	35,275	Yes	No	No	No	Reduce and centralize discretionary meal spending, with City-organized staff events coordinated through Human Resources to ensure consistency and equity across all departments. Reimbursements for meal costs will be limited to those required by labor agreements or associated with approved training activities.
x	x	x	Recreation	Standardize Uniforms	10,000	10,000	Yes	Possible	No	No	Standardize Recreation Department staff uniforms to a consistent design used year over year, rather than designing and purchasing new shirts annually. The City is required by labor agreements to provide a minimum number of shirts per employee. Savings come from both returning staff electing to keep existing shirts and improved inventory management, as unused shirts can carry over to the next year rather than going to waste. This change also could reduce textile waste citywide by eliminating some discarding of outdated uniforms.
x	x	x	City Council	Cancel Council Retreat Facilitator	16,500	17,500	Yes	No	No	No	Eliminate the annual contract for a professional facilitator for the City Council's annual priority-setting retreat, with staff facilitating the meeting instead. A neutral third-party facilitator supports productive dialogue and allows all City Council members and staff to participate fully without one party managing the process.
x	x	x	City Council	Eliminate Advisory Member Recognition Dinner	5,000	5,000	Yes	No	No	No	Eliminate the annual dinner recognizing City advisory body members. This was eliminated during budget cuts around the COVID-19 pandemic, and recently reinstated.
x	x	x	Recreation	Reduce Evening Part-Time Facility Attendants	12,000	12,000	Yes	No	No	Possible	Reduce part-time facility attendant staffing at the Community Center during evening and weekend hours. Facility attendants support customer service, safety, and asset protection when the public is using City facilities after hours. Program instructors are generally able to maintain minimum standards in their absence, though the reduction will increase demands on custodial staff and may limit the City's capacity to offer some programs.
x	x	x	Police	Cancel New Drone Purchase and Reduce Police Technology Budget	43,000	18,000	Yes	No	No	Yes	Cancel the planned purchase of a new Police Department drone and reduce select technology support budgets, including software that assists officers with report writing. The drone would have expanded the department's capacity to respond to in-progress incidents and investigations. The report writing software reduction is not expected to have a significant impact on daily operations.
x	x	x	City Council	Decrease City Council Travel and Training	5,000	5,000	Yes	No	No	No	Reduce the individual travel and training budget for each City Council member from \$5,000 to \$4,000 annually, for a total reduction across all five members. Funding for the Mayor's allowance and New Mayor/Councilmember Academy remains unchanged.
x	x	x	Community Development	Permanently convert building division to contract services	210,000	210,000	Yes	Yes	No	No	Permanently convert the Building Division to contract services, formalizing the existing service delivery model. The Building Division has operated using contract staffing for several years, and this change would not represent a major operational shift for residents or applicants. However, this change also decreases the total budget for the building division and could result in longer wait times and shorter counter hours. This structural change would still require labor negotiations and a formal procurement process to establish a long-term contract.
x	x	x	Recreation	Eliminate General Fund Contribution for 4th of July	50,000	50,000	Yes	No	No	No	Remove the General Fund contribution to the Fourth of July celebration. The event has existing reserved fund balance that would sustain it in the near term, but would rely increasingly on donations and sponsorships over time. The event could likely continue, but may be reduced in scale, including potential elimination of the worldOne stage.
x	x	x	City Manager	Eliminate Grant Writing Services	18,000	18,000	Yes	No	No	No	Eliminate the contract with California Public Policy Group for grant writing services on behalf of the City. While staff will continue to manage existing awarded grants, this reduction would diminish the City's capacity to identify and apply for new grant opportunities in the future.
x	x	x	City Manager	Eliminate Lobbying Services	60,000	60,000	Yes	No	No	No	Eliminate the contract with California Public Policy Group for state and federal lobbying services. This firm has played an important role in securing federal earmarks and advocating on legislation that could have significant financial and operational impacts on the City.
x	x	x	City Manager/ Citywide	Eliminate El Cerrito Stars Internship Program	-	23,000	Yes	No	No	No	Eliminate the EC Stars program, which places paid high school interns across City departments each summer. In addition to the community benefit of providing local youth with professional work experience, the program supports departmental capacity during the summer season. This option would not be available for reduction until FY 2027-28 as the current program year is already underway.
x	x	x	Public Works	Reduce Landscape Maintenance Services - Level 1	10,000	30,000	No	No	No	Yes	Reduce the Rubicon landscaping contract, with impacts scaling across the two budget years. In FY 2026-27, contract services would be eliminated at several residential streetscapes and Fire Station 52, and mowing frequency on the Ohlone Greenway would be reduced from eight to five times per year. In FY 2027-28, additional contract services would be eliminated at City Hall, the Public Safety Building, the Library, Madera and Portola Clubhouses, Moeser Lane medians, and hillside vegetation management areas. Public Works maintenance staff would assume reduced-frequency landscape services at affected locations, though City staff are generalists and do not have the specialized equipment or expertise of a dedicated landscaping contractor. Residents can expect a visible and progressive decline in maintenance standards at affected locations over time.
x	x	x	Public Works	Reduce Landscape Maintenance Services - Level 2	30,000	30,000	No	No	No	Yes	In addition to the reductions described in Level 1, this option further reduces the Rubicon contract. At this cumulative reduction level, service frequency would be partially reduced at the Swim and Community Center, athletic fields, and San Pablo Avenue medians and streetscapes, beyond the impacts already described in Level 1. Public Works maintenance staff would absorb additional landscape responsibilities at affected locations. Note that exact service impacts at this cumulative level are still being confirmed with Rubicon; actual impacts may vary modestly from this description.



											Withdraw from one or more of five regional and statewide membership organizations: the Contra Costa County Mayors Conference and City Selection Committee, the League of California Cities (Cal Cities) and Cal Cities East Bay Division, the National League of Cities (NLC), the Association of Bay Area Governments (ABAG), and the East Bay Wildfire Coalition of Governments. Together these memberships support regional advocacy, intergovernmental cooperation, appointments to regional boards and agencies, and the City's voice in county, state, and federal policy processes. Withdrawal would be particularly notable given that El Cerrito's Mayor currently serves as Cal Cities President and the City Manager serves on the Cal Cities Board, roles that provide the City with significant influence over statewide municipal policy. Given El Cerrito's location in the East Bay Hills, withdrawal from the Wildfire Coalition would also reduce the City's ability to coordinate with neighboring jurisdictions on wildfire preparedness and resilience. <b>This option is not recommended.</b>
			City Council	Eliminate Memberships in Regional Partnership and Advocacy Organizations	31,030	31,576	Yes	No	No	No	
			City Council	Eliminate Zoom Webinar Subscription	3,740	3,900	Yes	No	Yes	No	Eliminate the City's Zoom Webinar subscription. This option is not feasible, as new state law (SB 707) requires the City to provide hybrid meeting access for City Council meetings. Eliminating this subscription would place the City out of compliance with state mandates. <b>This option is not recommended.</b>
			Community Development	Eliminate Senior Program Manager - Affordable Housing	201,788	217,954	Yes	No	No	No	Eliminate the Senior Program Manager position overseeing the City's affordable housing and economic development programs, including the Rent Registry, Neighborhood Preservation Program, Business License collection, front counter services, and liaison relationships with nonprofit housing providers, business organizations, the Economic Development Committee, and the Chamber of Commerce. This position also supports business attraction, retention, and relationships with property owners, and manages large grants that bring significant outside funding to the City, though the position itself is General Fund supported. Elimination would require Planning staff to absorb a broad range of responsibilities and would risk the City falling out of compliance with its own General Plan, Affordable Housing Strategy, and Housing Element. Given the breadth of City Council priorities this position supports and the compliance risks associated with its elimination, <b>this option is not recommended.</b>
			Community Development	Eliminate Senior Program Manager - Sustainable Transportation	192,040	207,446	Yes	No	No	No	Eliminate the Senior Program Manager position supporting the City's transportation program, including complete streets, transportation demand management, local road safety, transit-oriented development improvements, and the City's upcoming parking program. This position manages large transportation grants that bring significant outside funding to the City, though the position itself is General Fund supported. Elimination would require Public Works staff to absorb this work on top of existing responsibilities, and many initiatives would be unable to proceed. The City would fall behind on multimodal transportation improvements affecting both safety and long-term mode shift goals. Given the breadth of City Council priorities this position supports and the grant funding it manages, <b>this option is not recommended.</b>
			Community Development	Eliminate Maker's Fair Event	1,500	1,500	Yes	No	No	No	Eliminate the Maker's Fair, held twice yearly along San Pablo Avenue, which draws approximately 25 vendors and 800 visitors per event. The event supports the City's Strategic Plan goals around livability and community belonging by activating San Pablo Avenue and City Hall spaces, showcasing local creative businesses, and fostering community connection. At \$750 per event, the cost is modest relative to the community engagement it generates and the support it provides to the City's licensed home occupation businesses and creative economy. <b>This option is not recommended.</b>
			Community Development	Eliminate Bike to Work Event	1,250	1,250	Yes	No	No	No	Eliminate the annual Bike to Work event, which draws approximately 400 cyclists to the Ohlone Greenway downtown hub. For a modest investment, the event supports the City's Climate Action Plan and mode shift goals, engages regional partners including 511 Contra Costa, Bike East Bay, and AC Transit, and leverages in-kind support from local businesses. It also provides an opportunity for Police Department and Public Works and Community Development staff to connect directly with the bicycling community. <b>This option is not recommended.</b>
			Community Development	Eliminate Flavor Fest and Economic Development Committee Events	1,000	1,000	Yes	No	No	No	Eliminate City-organized events such as Flavor Fest that support local small businesses, promote a shop local culture, and highlight El Cerrito as a destination for customers and new businesses. These events are organized by the City in partnership with the Economic Development Committee and represent a modest investment in business vitality and community engagement along commercial corridors. <b>This option is not recommended.</b>
			Fire	Brown Out Station 52 During Staffing Vacancies	900,000	900,000	No	Yes	No	Yes	Browning out Station 52 to reduce costs during staffing vacancies shifts budget pressure directly onto public safety. These absences are a normal and unavoidable part of operating a fire department, but they do not reduce the community's need for emergency response. Fires, medical emergencies, vehicle accidents, and simultaneous incidents will continue to occur regardless of staffing gaps. When Station 52 is browned out, the demand for service does not disappear; it is transferred to neighboring companies, which must travel farther, experience delayed response times, and operate with reduced reserve capacity. This increases risk to both the public and responding personnel. Backfill overtime used to cover vacancies is not wasteful spending; it is the necessary cost of maintaining minimum emergency service levels. Reducing backfill costs by browning out Station 52 eliminates expense by reducing service levels. Additionally, this approach creates an imbalance between jurisdictions. While El Cerrito residents would experience reduced service, Kensington would continue to receive the same level of response coverage at a lower cost. In effect, El Cerrito taxpayers would be subsidizing Kensington services while absorbing the reduction in their own service delivery. <b>This option is not recommended.</b>
			Fire	Downgrade Training Battalion Chief to Training Captain	-	82,494	Yes	Yes	No	Yes	Downgrade the Training Battalion Chief (BC) position to a Training Captain by moving the Prevention Captain into the training role through attrition. This change would require meet-and-confer with Local 1230, as it involves changes to job requirements and working conditions. It could create a rank inversion, with a Captain overseeing training requirements for Battalion Chiefs. The City would effectively be short one Battalion Chief, reducing the department's ability to provide Acting Fire Chief coverage when the Fire Chief is unavailable and limiting operational flexibility to cover vacations, illness, and other absences. Additionally, this change would decrease revenue from the Kensington contract while only saving the City approximately two-thirds of the budget reduction, as the same level of services would still be required under the contract. <b>This option is not recommended.</b>

			Fire	Eliminate Training Battalion Chief Position	-	440,000	No	Yes	No	Yes	Eliminating the Training Battalion Chief (BC) position would not eliminate the responsibilities it carries. The Training BC is the department's central point of accountability for firefighter hiring, recruit onboarding, promotional testing, required recurring training, deployment readiness, and command-level support. The position also coordinates with Contra Costa County Operational Area, California Incident Command Certification System (CICCS), and Joint Apprenticeship Committee (Cal-JAC) structures, ensuring personnel meet qualification and deployment standards. Removing the position would scatter these responsibilities across line Battalion Chiefs and command staff who already carry full operational workloads, creating delay, inconsistency, and increased organizational risk. The Training BC also serves as Acting Fire Chief when the Fire Chief is unavailable; eliminating the position would reduce the department's command capacity and operational flexibility. <b>This option is not recommended.</b>
			Police	Eliminate 2 Traffic Officers, 2 Detectives, 1 Patrol Officer (5 Sworn Officers)	860,000	860,000	Yes	Yes	No	Yes	Reduce sworn Police Department staffing from 37 to 32 officers through layoff, a reduction of approximately 14%. This level of reduction would have significant public safety consequences for El Cerrito residents. Eliminating dedicated traffic officers would end targeted traffic safety enforcement; patrol officers would assume traffic enforcement on a discretionary basis. Based on prior periods of reduced staffing, traffic citations would be expected to decline significantly, with an associated reduction in traffic fine revenue. The elimination of two Detective positions would reduce the department's capacity to investigate crimes, likely resulting in fewer arrests and lower case clearance rates. Response times would be expected to increase as patrol staffing is stretched across existing service demands. Based on historical patterns at comparable agencies and the City's own experience with prior staffing reductions, officer departures to more stable agencies are likely, compounding the staffing reduction beyond the positions directly eliminated. <b>This option is not recommended.</b>
			Police	Eliminate 2 Traffic Officers and 1 Detective (3 Sworn Positions)	-	516,000	Yes	Yes	No	Yes	Reduce sworn Police Department staffing from 37 to 34 officers through layoff, a reduction of approximately 8%. This reduction would have meaningful public safety consequences, particularly for traffic safety and criminal investigations. Eliminating dedicated traffic officers would end targeted traffic safety enforcement; patrol officers would assume traffic enforcement on a discretionary basis. Based on prior periods of reduced staffing, traffic citations would be expected to decline significantly, with an associated reduction in traffic fine revenue. The elimination of one Detective position would reduce investigative capacity and is likely to affect case clearance rates. Based on historical patterns at comparable agencies and the City's own experience with prior staffing reductions, officer departures to more stable agencies are a risk, potentially compounding the staffing reduction beyond the positions directly eliminated. <b>This option is not recommended.</b>
			Public Works	Pause Annual Tennis Court Resurfacing	9,000	9,000	No	No	No	Yes	Pausing annual tennis court resurfacing would increase the deferred maintenance backlog, leading to higher long-term costs through emergency repairs, premature asset failure, and increased court downtime. This would also negatively impact rental revenue generated by the courts. <b>This option is not recommended.</b>
			Public Works	Reduce Building Maintenance	15,000	15,000	No	No	No	Yes	Reducing building maintenance services across City facilities would add to the existing deferred maintenance backlog, leading to higher long-term costs through emergency repairs, premature asset failure, and increased facility downtime. <b>This option is not recommended.</b>
			Public Works	Decrease Professional Services for Facilities	28,900	32,100	No	No	No	Yes	Reducing professional services support for City facilities and parks would limit the City's capacity to evaluate conditions and implement repair projects, adding to the existing deferred maintenance backlog and increasing long-term costs through delayed repairs and accelerated asset deterioration. <b>This option is not recommended.</b>
			Recreation	Eliminate Most Free and Low-Cost Senior Programs	13,000	13,000	Yes	No	No	Yes	Eliminate most free and low-cost senior programming, including the volunteer appreciation lunch, Café Costa senior lunch program, senior socials, holiday events, Older Americans Month celebrations, and pottery sale, among others. These programs provide important informal socialization opportunities for El Cerrito seniors. Elimination would free up staff capacity for other Recreation Department functions but would leave seniors with significantly fewer City-supported opportunities for community connection. <b>This option is not recommended.</b>
			Human Resources	Freeze Five Vacant Positions for Two Years	791,978	858,981	No	No	No	Possible	Hold five current vacancies unfilled for up to two years, including one Police Officer, one Police Records Specialist, one Firefighter, one Recreation Administrative Assistant, and one Recreation Supervisor overseeing childcare programs. While vacancy holds can provide short-term budget relief without requiring layoffs or labor negotiations, this approach would reduce service levels and place additional strain on existing staff. For public safety positions in particular, extended vacancies risk affecting response times and investigation timelines, and may require backfill or overtime that partially offsets projected savings. <b>This option is not recommended.</b>

# City of El Cerrito Budget Study Session

May 5, 2026



# Presentation Outline



Budget Development Process



About Target Based Budgeting



Scenario Review and Discussion



Recommended Action



# Process Overview



- Development of preliminary revenue and expenditure projections for FY 2026-27 and FY 2027-28
- Target Based Budgeting to identify initial budget cuts, possible budget solutions, and develop baseline budget
  - Departments made significant cuts across budget lines in addition to the further proposed cuts with each scenario
- Finance and City Manager's Office (CMO) develop budget balancing scenarios
  - Detailed list of solutions considered but not recommended is available in Attachment 2 the staff report
  - Detail of all scenarios available in staff report and two attachments

# Target-Based Budgeting



- Target-Based Budgeting (TBB) is a budget methodology that focuses on available revenue rather than prior year spending
  - Endorsed by the Government Finance Officers Association (GFOA)
  - Central budget authority sets spending targets for departments; departments develop proposals within those targets
  - Reduces "budget games" and encourages departments to identify efficiencies
- How El Cerrito used TBB:
  - Finance developed status quo projection incl. deficit of \$1.4M in FY 2026-27 and \$2M in FY 2027-28
  - Spending targets assigned to each department based on expenditure share, staffing levels, and cost recovery ratios
  - Departments submitted proposals; Finance and CMO evaluated feasibility and impacts
  - Solutions assessed against criteria including health and safety, community impacts, legal mandates, labor implications, revenue impacts, and alignment with Council priorities

# Reserves Policy



- General Fund reserve targets
  - Emergency and Disaster Recovery Fund (EDRF): 13% of GF Expenditures
  - Unrestricted General Fund: 17% of GF Expenditures
- City Council may adopt a deficit budget as long as reserves do not fall below 10%
  - If reserves fall below 10%, City must adopt a restoration plan
- Section 115 pension trust (~\$3M)
  - Separate from General Fund reserves
  - Designated for pension obligations

# Budget Balancing Scenarios

# Scenario Overview



- All four scenarios achieve a balanced operating budget in FY 2026-27 and FY 2027-28
- Differences between scenarios:
  - Depth of service reductions
  - Approach to funding fire engine (one-time capital cost)
  - Long-range General Fund reserve outlook
- All are fiscally viable
  - New contributions to long-term infrastructure, vehicle and equipment replacement
- Departments already absorbed several hundred thousand dollars in internal cuts and changes
  - Scenarios represent an additional layer of decisions with real service trade-offs

# Scenario Overview



- **Scenario A:** Highest service levels; limited long-term contributions; one-time fund balance used for both fire engine payments; reserves stay above 26%
- **Scenario B:** Moderate service reductions; strong long-term infrastructure contributions in both years; one-time fund balance for second fire engine payment only; reserves stay above 26%
- **Scenario C:** Significant program and service reductions; strong long-term infrastructure contributions in both years; no use of one-time reserves; fire engine funded through internal service fund contributions; reserves above 30% in both budget years and above 29% in all forecasted years
- **Scenario D:** Same as Scenario C plus elimination of City-funded additional library hours; reserves above 30% in all projected years

# Scenario Overview



	Operating Budget Surplus (Deficit)		One-Time Fire Engine Expense*		Total Fund Balance Change		Lowest Reserve Level Projected FY 2026 – FY 2038
	FY 2026-27	FY 2027-28	FY 2026-27	FY 2027-28	FY 2026-27	FY 2027-28	
<b>Original Estimates</b>	(1,772,233)	(2,181,493)	(301,061)	(882,539)	(2,073,294)	(3,064,032)	0%
<b>Pre-Solution Baseline</b>	(14,504)	(325,708)	(301,061)	(882,539)	(315,56)	(1,208,247)	21%
<b>Scenario A</b>	9,496.22	48,292.29	(301,061.00)	(882,539.00)	(291,564.78)	(834,246.71)	26%
<b>Scenario B</b>	335,246.22	21,067.29	(301,061.00)	(882,539.00)	34,185.22	(861,471.71)	26%
<b>Scenario C</b>	773,246	462,067	(750,000)	(433,600)	23,246	28,467	29%
<b>Scenario D</b>	869,459	563,375	(750,000)	(433,600)	119,459	129,775	30%

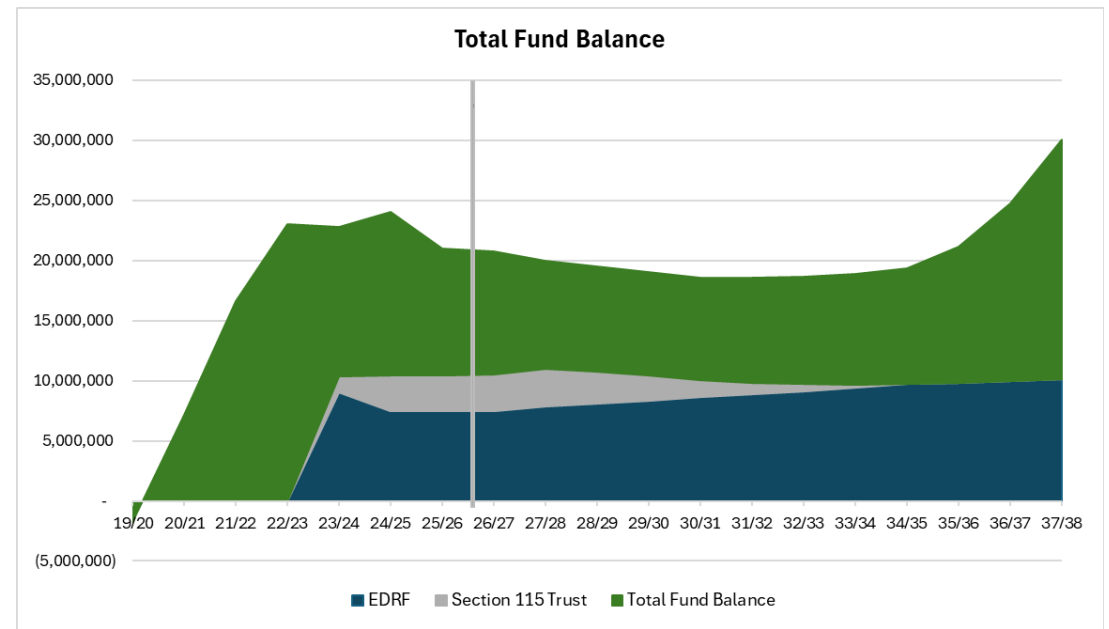
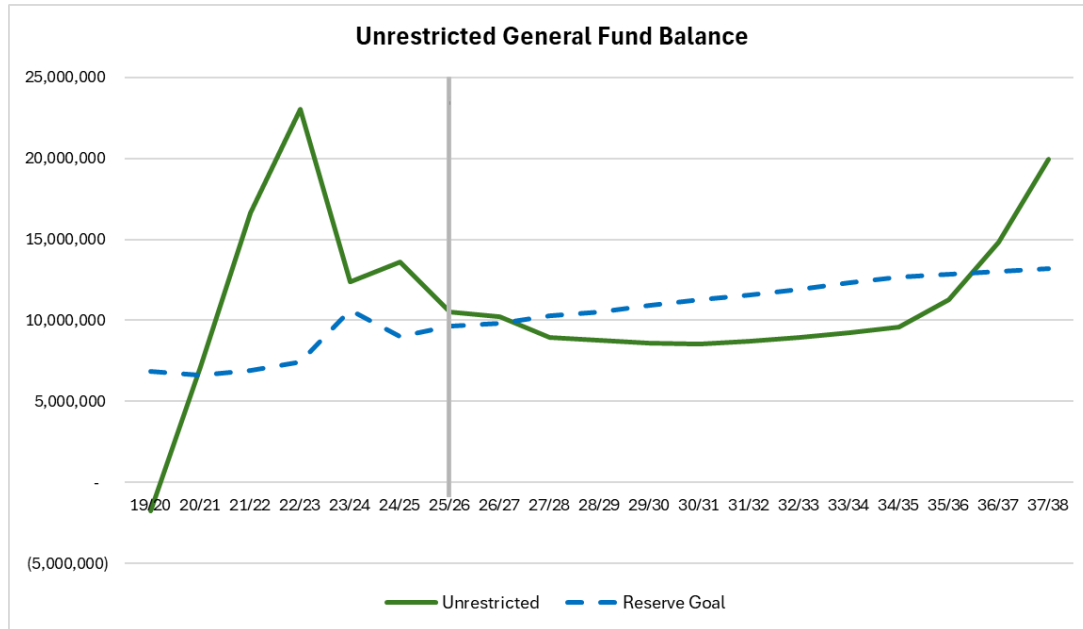
\*Scenarios C and D front-load costs in FY 2026-27 through an internal service fund

# Changes in All Scenarios



- Additions:
  - Technology infrastructure investment (\$140K)
- Reductions:
  - Updated overhead cost allocation
  - Special revenue fund utilization for allowable costs (\$125K in Scenario A; higher in Scenarios B, C, D)
  - Police Officer recruitment incentives and marketing (\$48k)
  - Citywide non-personnel reductions across departments (supplies, equipment, professional services, maintenance)
- Internal Service Fund and Long-Term Planning Contributions:
  - Vehicle and equipment replacement ISF (\$440K)
  - Small Fire Department vehicle replacement (\$100K)
  - Fire Department large vehicle and equipment replacement (\$50K; FY 2026-27 only in Scenario A)
  - Deferred maintenance and capital infrastructure ISF (\$300K; FY 2026-27 only in Scenario A)

# Scenario A – Detail and Forecast



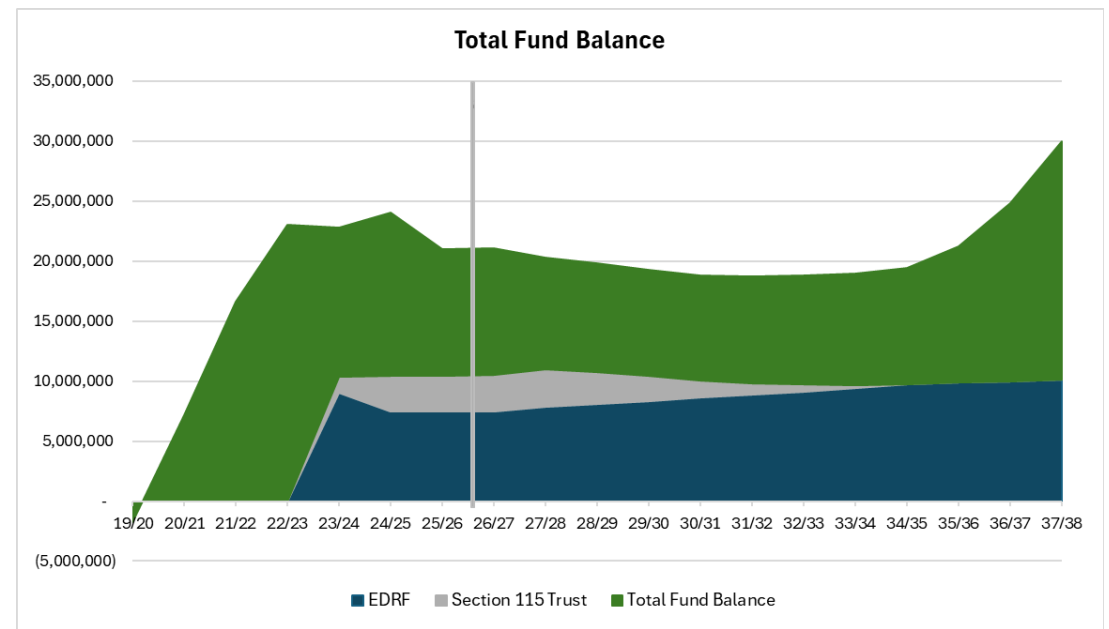
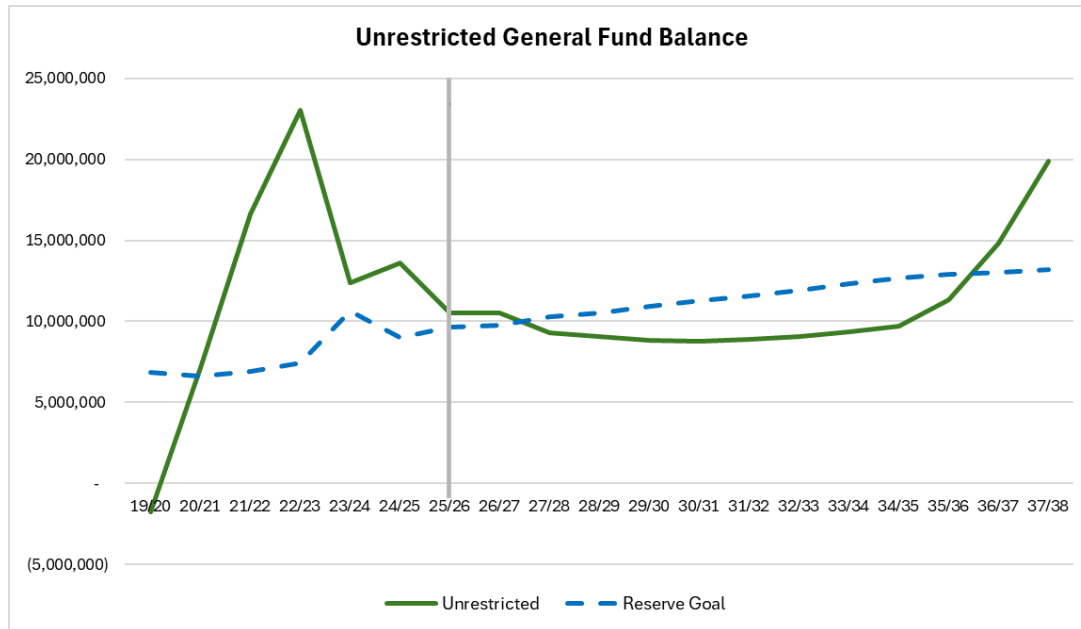
- Highest level of services of the four scenarios
- Contributions to CIP and Vehicle/Equipment ISF in FY 2026-27 only
- Fire engine funded using one-time General Fund reserves in both years (\$301K FY 2026-27 / \$883K FY 2027-28)
- Reserves projected to reach a low of approximately 26%

# Scenario B - Detail



- Long-term infrastructure and vehicle/equipment replacement contributions (\$450K new in both years in addition to ISF restructure of \$440K - \$890K total set aside)
- Reduce professional communications and facilitation support (\$75K)
- Reduce Recreation special events and contract janitorial services (\$82K)
- Reduce Rubicon landscape maintenance contract (\$10K FY 2026-27 / \$30K FY 2027-28 cumulative)
- Reduce administrative support and supplies, centralize employee recognition through HR (\$45K)
- Reduce Police software and equipment budget, including canceling planned drone purchase (\$168K FY 2026-27 / \$143K FY 2027-28)
- Eliminate advisory board recognition dinner and holiday lighting on San Pablo Avenue (\$10K)
- Fire engine FY 2026-27 payment absorbed in operating budget; FY 2027-28 payment of remaining \$883K funded through one-time reserves

# Scenario B – Forecast



- Balanced operating budget, significant contributions for long-term expenses
- Balance of service cuts with use of one-time funds for one-time expense
- Reserves projected to reach a low of approximately 26% in FY 2029-30

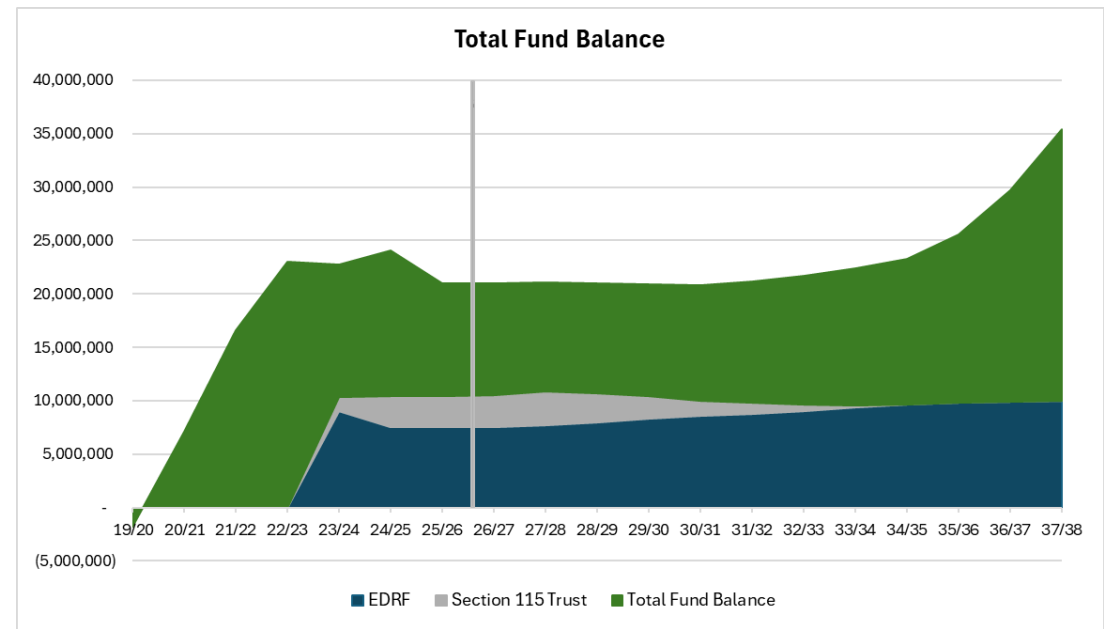
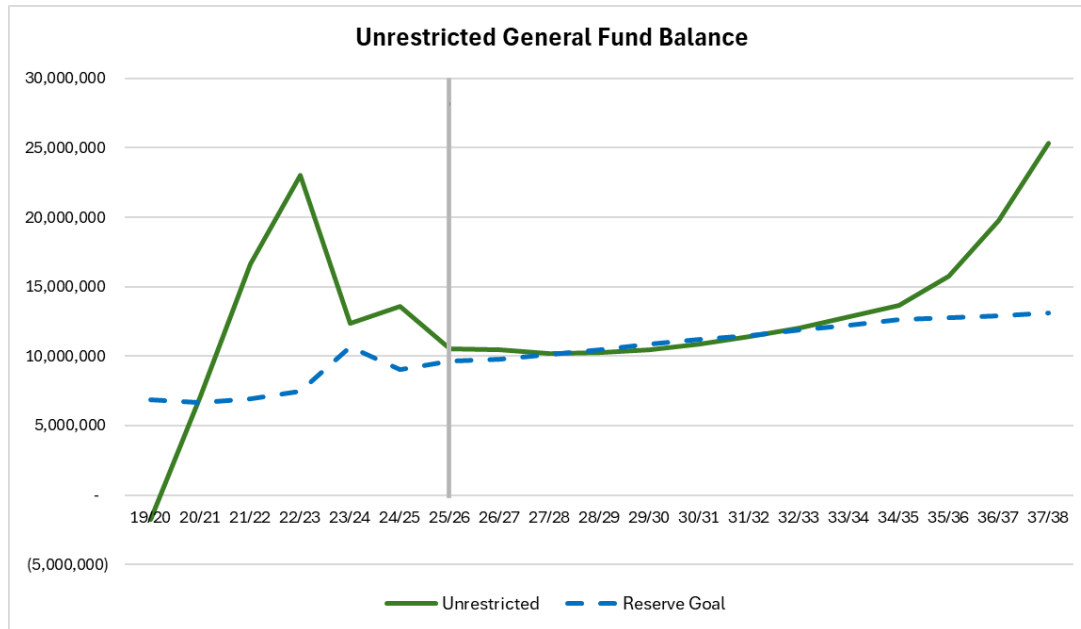
# Scenario C – Detail



All Scenario B reductions apply, plus:

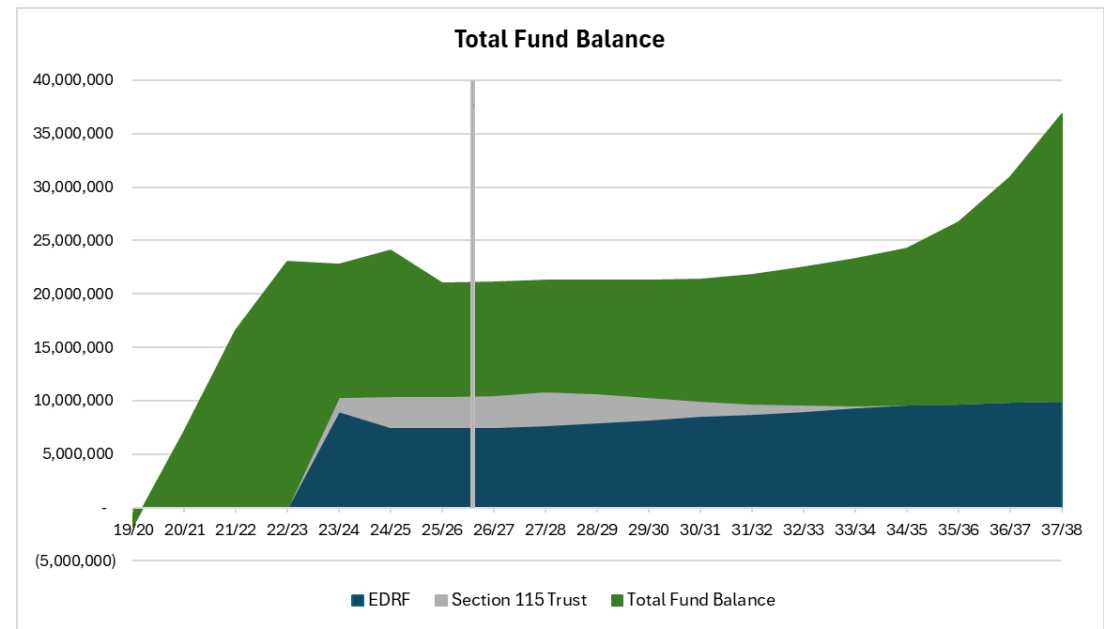
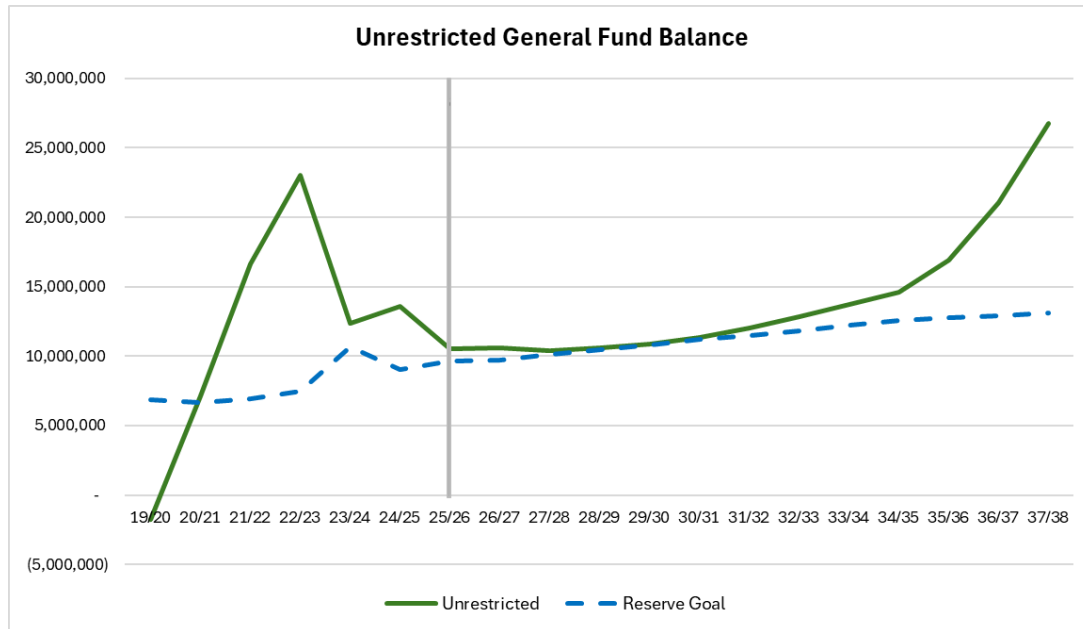
- Increase landscape maintenance reduction to \$105K annually -- complete suspension of Rubicon services at City Hall, Public Safety Building, Recycling Center, Fire Station 52, Library, Madera and Portola Clubhouses, Moeser Lane medians, and residential streetscapes; 50% reduction in service frequency across parks, athletic fields, medians, and the Ohlone Greenway citywide
- Eliminate grant writing and lobbying services contract with California Public Policy Group (\$78K)
- Reduce City Council travel and training by \$1k per member (\$5K total)
- Eliminate EC Stars High School Internship Program (\$23K FY 2027-28 only)
- Elimination of General Fund contribution to 4<sup>th</sup> of July event
- Permanently convert Building Division to contract services, formalizing existing service model (\$210K)
- Fire engine funded entirely through internal service fund contributions (\$750K FY 2026-27 / \$433,600 FY 2027-28), front-loading costs in year one to avoid deeper cuts in year two

# Scenario C – Forecast



- Achieves a strong reserve position through significant service reductions
- No use of one-time General Fund reserves in either year
- Reserves above 30% in both budget years; projected to remain above 29% in all forecasted years

# Scenario D – Detail and Forecast



All Scenario C reductions apply, plus:

- Eliminate six City-funded additional weekly library hours, returning to County-funded baseline 40-hour schedule (\$100K annually)
- No use of one-time General Fund reserves in either year
- Reserves projected above 30% in all projected fiscal years

# Requested Action

---

Select preferred budget balancing scenario for staff to develop for consideration and adoption in June 2026



# Thank you!



# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

**CITY OF EL CERRITO**

California

## **Financial Resilience Master Study**

Structural analysis, 20-city peer benchmark, service-outcome assessment,  
distress scenarios, and a seven-year plan

Prepared for analytical review

April 2026

Based on the FY 2025-26 Adopted Budget  
Comparative data from Albany, Pinole, Hercules

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Table of Contents

Executive Summary.....	3
I. Background.....	7
II. Current Budget.....	8
III. Outliers and Red Flags.....	11
IV. Peer City Benchmark.....	13
V. Distress Scenarios.....	15
VI. Resilience Proposal: Framework.....	18
VII. Seven-Year Plan.....	22
Year 1: Foundation (FY 2026-27).....	23
Year 2: Substitution (FY 2027-28).....	25
Year 3: Implementation (FY 2028-29).....	27
Year 4: Restructure (FY 2029-30).....	29
Year 5: Stabilization (FY 2030-31).....	30
Year 6: Maturity (FY 2031-32).....	31
Year 7: Recovery (FY 2032-33).....	32
VIII. Multi-Year Projections.....	32
IX. Risk Matrix and Triggers.....	34
X. Governance.....	35
XI. What This Plan Does Not Solve.....	37
XII. Historical Fiscal Actuals (FY 2020-21 - FY 2025-26).....	39
XIII. Biennial Budget Cycle Integration.....	43
PART II. Critical Assessment and Expanded Benchmark.....	48
XIV. The Value Paradox: Spending More, Getting Less.....	49
XV. The 20-City California Peer Benchmark.....	52
XVI. Eleven Years of Escalation (FY 2014-15 - FY 2025-26).....	55
XVII. The Pension Time Bomb.....	57
XVIII. Structural Rigidity: Why El Cerrito Cannot Adapt.....	58
XIX. The Fire Department Question.....	60
XX. Extended Vulnerability Analysis.....	61

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

XXI. Fiscal Trigger Points and Dashboard.....	68
Conclusion.....	72
Appendix A: Methodology.....	73
Appendix B: Pension Math.....	75
Appendix C: Sources.....	77

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Executive Summary

The FY 2025-26 General Fund is balanced on a margin of \$15,773 against \$53.78 million in expenditures. That margin is three thousandths of one percent. For practical purposes the budget had zero room. Across all funds, El Cerrito budgets \$74.86 million in expenditures against \$68.84 million in revenues, a gap of \$5.36 million covered from accumulated fund balances and capital project rollovers.

This study examines what sits underneath those numbers, compares El Cerrito to four peer cities in the East Bay, models six distress scenarios that could destabilize the budget within five years, and lays out a seven-year plan to move the city to better footing. The study relies entirely on expense reductions and a set of alternative revenue actions (recreation fees, business license modernization, UUT extension to streaming, transient occupancy tax if hotel development materializes, Kensington contract escalators).

### What the analysis shows

Public safety (Fire and Police) consumes 58.3% of the General Fund, or \$31.3 million. The largest line under public safety is not direct service. It is pension liability. CalPERS UAL payments across the General Fund reach approximately \$7.1 million in FY 2025-26, about 13.2% of the General Fund before any service is delivered. Fire's UAL alone is \$2.84 million. The combined Police UAL across three divisions is \$2.72 million.

El Cerrito spends more per resident than any of its East Bay peers. Per-capita General Fund spending is \$2,151, compared with \$1,628 in Albany, an estimated \$1,263 in Pinole, and an estimated \$1,154 in Hercules. The structural drivers are an in-house fire department (which Pinole and Hercules avoid by contracting with Contra Costa County Fire), a large recreation portfolio, and heavier administrative staffing. Even Albany, which also runs in-house fire, spends 24% less per resident.

The last budget had effectively no buffer against adverse events. Unrestricted reserves were about \$9 million (roughly 17% of GF, just above the 16% GFOA minimum). A compound distress scenario combining a severe recession, a CalPERS investment shock, and an insurance event could draw \$6.3 million from reserves in a single year. Two consecutive years of compound stress would exhaust the buffer. This is the same pattern that drove El Cerrito to insolvency in fiscal year 2016-17.

The Kensington Fire District contract, \$4.6 million in revenue or 8.6% of the General Fund, is a single-customer dependency. If Kensington consolidates with Contra Costa County Fire (a periodically discussed LAFCo action), El Cerrito loses the revenue but can only realistically reduce \$2 million of associated cost. The result is a permanent \$2.6 million structural deficit, not a one-year shock.

### What the plan does

The plan relies on three things working in combination. First, alternative revenue: recreation fee increases, senior services cost recovery, business license modernization, UUT extension, and a renegotiated Kensington contract with CPI escalation. Cumulative incremental revenue by Year 7 is about \$1.65 million

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

per year. Second, sustained and consistent expense reductions through attrition and structural change. Cumulative cuts by Year 7 reach \$5.7 million per year. The largest single contributor is fire restructuring (mutual response agreements with Albany and Richmond, joint fleet and training, evaluation of selective Con Fire contracting), which is essential rather than optional. Third, disciplined allocation of any operating surplus: 40% to reserves, 30% to a Section 115 pension trust, 30% to CalPERS Additional Discretionary Payments.

### **End-state under this plan (FY 2032-33):**

Unrestricted reserves: \$9.86 million (15.1% of GF). Stabilized but below the GFOA floor of 16%.

Section 115 pension trust: \$3.53 million (up from \$1.40 million today).

Cumulative ADPs paid to CalPERS: \$1.32 million.

Total liability buffer (reserves plus Section 115 plus cumulative ADPs): \$14.7 million, against -\$10.4 million under the do-nothing baseline.

**What the plan does not achieve:** It does not reach the GFOA-recommended 16% floor on a sustained basis. Reserves drop to 13.7% by Year 4 before recovering. The 25% best-practice target is not within reach over this seven-year window without additional revenue measures or deeper service-level reductions than this plan assumes.

The do-nothing baseline reaches insolvency between fiscal years 2030-31 and 2031-32. Reserves go negative; short-term borrowing returns; the conditions of 2016-17 reproduce. The cumulative seven-year difference between this plan and the baseline is approximately \$25 million. That is the value of acting on the plan.

### **How this document is organized**

The study is organized in two parts. Part I (Sections I through XIII, followed by the Conclusion and Appendices) presents the forward-looking analysis: the FY 2025-26 budget in detail, a four-city East Bay peer comparison, six distress scenarios, the seven-year plan, historical actuals going back to FY 2020-21, and an explicit mapping to the FY 2026-27 and FY 2027-28 biennial budget cycle being adopted in June 2026.

Part II (Sections XIV through XXI) extends the analysis in two directions. It adds a twenty-city California peer benchmark. And it tests what the last decade of spending has actually produced in terms of service outcomes: pavement condition, crime rates, capital backlog, and the value paradox these create. Part II also provides the revenue-by-revenue sensitivity modeling, CalPERS asset/liability mechanics, compound crisis scenarios, and the five-level fiscal trigger matrix that underpin the more condensed treatment in Part I. Nothing in Part II overturns the Part I conclusions. Taken together, the two parts give a more complete picture: a plan that is feasible and a diagnosis of why it is necessary.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## I. Background

### How El Cerrito got here

El Cerrito sits on the I-80 corridor between Berkeley and Richmond, served by two BART stations. Population is approximately 25,000 across 3.7 square miles. The city is a stable middle-income community with a diversified but residential heavy base.

The current fiscal pressure traces to decisions made in the late 1990s and early 2000s. Pension benefit enhancements adopted across California cities during that period (the "3% at 50" and "3% at 55" formulas for safety employees) drove actuarial liabilities up. The 2008-09 financial crisis took the CalPERS portfolio down 24%, creating amortization payment increases that have compounded for fifteen years. El Cerrito's General Fund reserves were exhausted in fiscal year 2016-17. The city relied on short-term borrowing to manage cash flow that year.

In 2020, the California State Auditor placed El Cerrito on its local government high-risk list. The audit identified four primary concerns: consistent overspending, weak budget development and monitoring practices, growing pension liabilities, and per-capita staffing levels (especially in police) that were higher than peer cities. The Auditor projected that the CalPERS minimum payment would exceed \$10 million annually by FY 2026-27. As of the FY 2025-26 Adopted Budget, that projection has materialized.

Voters have responded. Measure R, a half-cent district sales tax originally approved in 2010 and renewed since, generates approximately \$6.9 million annually across the General Fund and Street Improvement Fund. Measure H supports parks and recreation facilities (\$647K per year). The Kensington Fire District contract generates \$4.6 million annually. These dedicated revenue streams stabilized cash flow but did not resolve the underlying structural mismatch between revenue growth (about 2.8% per year on a blended basis) and expense growth (4 to 5% per year, driven by pension amortization, insurance premiums, and labor cost-of-living adjustments).

### Why this study, and why now

Three reasons make the next 24 months a critical decision window.

First, the CalPERS unfunded liability amortization payments are at or near peak. The 2018, 2019, and especially 2021-22 (-7.5% return) investment years are still being absorbed into the schedule. The next two to three years will see continued upward pressure on pension costs. After that, the rate of increase should plateau as older amortization layers conclude.

Second, the biennial budget cycle for FY 2026-27 and FY 2027-28 begins immediately. Decisions made in this cycle set the trajectory for the following five years.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Third, peer cities are taking action. Albany passed Measure K in November 2022, an EMS and Fire Protection special parcel tax generating \$2.1 million annually. Pinole and Hercules have constrained cost growth by contracting Fire services with Con Fire. The peer benchmark gap is widening, not narrowing.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## II. Current Budget

### General Fund overview

Total General Fund revenue for FY 2025-26 is \$53,779,792. Total expenditure is \$53,764,018. The operating surplus is \$15,773. That margin is 0.029% of total expenditure, well within the precision of revenue forecasting and routine operational variance. The General Fund is at zero margin in any practical sense.

### Revenue composition

Revenue category	FY 2025-26	% of GF	Volatility
Property taxes (all components)	\$18,080,310	33.6%	Stable
Sales taxes (Bradley-Burns + Measure R + In-Lieu)	\$9,197,381	17.1%	Cyclical
Charges for services (Recreation, Fire fees, etc.)	\$10,587,159	19.7%	Demand-driven
Kensington Fire District contract	\$4,601,543	8.6%	Contract risk
Real Property Transfer Tax	\$3,200,000	5.9%	Highly volatile
Utility User Tax	\$3,700,000	6.9%	Stable
Franchise Fees	\$1,350,000	2.5%	Stable
Business License Tax	\$1,206,473	2.2%	Cyclical
OES Fire Reimbursement	\$700,000	1.3%	Reimbursable
Cannabis revenue	\$550,000	1.0%	Declining sector
Other (interest, indirect transfers, misc.)	\$606,393	1.1%	Mixed
<b>Total General Fund Revenue</b>	<b>\$53,779,792</b>	<b>100.0%</b>	

About 28% of revenue sits in cyclical or highly volatile categories (sales tax, transfer tax, business license, building permits). Another 8.6% carries single-customer contract risk (Kensington). About 1.0% (cannabis) is in a structurally declining state market. The remaining 62% is stable. A moderate recession could meaningfully impact 30% of revenue while leaving 60% intact, but with no flexibility on the expense side to match the revenue decline.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Expenditure composition

Department	FY 2025-26	% of GF	Per capita
Fire Department (in-house, includes Kensington service)	\$16,026,892	29.8%	\$641
Police Department (Admin + Operations + Investigations)	\$15,297,986	28.5%	\$612
Administration (Council, City Mgr, Clerk, Finance, HR, IT, Legal)	\$8,233,564	15.3%	\$329
Recreation (7 divisions)	\$6,715,567	12.5%	\$269
Community Development (Planning, Building, Econ. Dev.)	\$4,003,278	7.4%	\$160
Public Works (GF portion only)	\$2,604,358	4.8%	\$104
Non-Departmental (debt service, library payments, transfers)	\$882,374	1.6%	\$35
<b>Total General Fund Expenditure</b>	<b>\$53,764,018</b>	<b>100.0%</b>	<b>\$2,151</b>

Public safety totals \$31,324,878, or 58.3% of the General Fund. That figure is high but not unusual for small California cities operating their own fire departments. What is unusual is the share of the public safety budget consumed by pension liability rather than direct service. The next section addresses this.

## All-funds picture

Beyond the General Fund, the FY 2025-26 budget includes more than 30 special revenue, capital, debt service, internal service, and enterprise funds. Total all-funds revenue is \$68,843,793 against expenditure of \$74,859,180, an apparent deficit of \$5,361,882.

The deficit is driven primarily by capital project rollovers, not operating shortfalls. The Street Improvement Fund (Fund 211) added \$2.64 million for the Richmond Complete Streets project that was scheduled for FY 2024-25 but moved forward. Similar rollovers occur in the SB-1 fund (+\$595K), the Capital Improvement Fund Master (+\$1.62M), and Measure H Park & Rec Facilities (+\$150K for swim center work).

These rollovers are funded from accumulated fund balances of restricted special revenue funds. They do not impact the General Fund directly. They do signal a chronic project-delivery problem. Capital projects that move forward year after year inflate apparent deficits, obscure actual delivery rates, and compound the work backlog.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Other fund deficits worth flagging

- **Integrated Waste Management (Fund 501):** \$266K deficit (versus an originally proposed \$164K surplus). The \$430K adjustment reflects labor contract increases and consultant work for a franchise fee study. This enterprise fund is supposed to be self-sustaining via fees.
- **Vehicle/Equipment Replacement (Fund 601):** \$153K deficit. Internal service fund is showing strain. Debt service on previously deferred vehicle financing is now \$330K, up from \$221K. Persistent deficits here mean replacement vehicles are deferred again.
- **Asset Seizure (Fund 208):** \$75K structural deficit, year over year. Drawn from fund balance of seized assets.
- **Vehicle Abatement (Fund 209):** \$170K deficit including a \$130K vehicle purchase. The \$138K adjustment from FY25 reflects deferred capital.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## III. Outliers and Red Flags

Reading the budget line by line surfaces ten items that warrant attention. They are presented in order of structural significance, not dollar magnitude. Several appeared in the State Auditor's 2020 report and remain unresolved.

### 1. Pension UAL is the single largest line item.

Combined CalPERS Unfunded Accrued Liability payments across the General Fund (line item code 51211) total approximately \$7.1 million in FY 2025-26. Fire alone is \$2,837,285 from one department. Police across three divisions totals \$2,716,400. These figures exclude normal employer pension contributions (line 51210), which add roughly another \$3 million GF-wide. Combined pension cost in the General Fund exceeds \$10 million annually, about 19% of the General Fund before service delivery.

### 2. Police Operations carries -\$288,474 in 'salary savings'.

Standard practice treats salary savings as a positive line, recognizing that vacancy patterns leave some payroll unspent. A negative figure means the city is budgeting for payroll overruns. Combined with \$400,000 of overtime and \$99,893 of special pay, this signals chronic understaffing being patched with overtime rather than addressed structurally. Either fully staff or formally reduce the sworn count. The current configuration is operationally and fiscally inefficient.

### 3. Fire overtime and backfill aggregate to \$1.85 million.

Adding line 51148 Backfill (\$1,087,000), 51145 FLSA OT (\$114,361), 51146 Non-Suppression OT (\$50,000), and 51147 OES Response (\$600,000) gives \$1,851,361. The OES line is reimbursable through CalOES mutual aid agreements. The \$1.09M backfill is real cost. Backfill grew 14% year-over-year. Same pattern as Police: a position count below sustainable operational requirements, with leave and vacancies covered through OT premium pay.

### 4. Insurance premiums jumped 10% to \$2.09 million.

Line 101-10-60-54110 grew from \$1,899,900 in FY 2024-25 amended to \$2,089,890 in FY 2025-26 adopted. This reflects market hardening across California municipal liability pools, driven by elevated jury verdicts in police, employment, and slip-and-fall cases. Albany has responded by increasing self-insured retention, projecting a \$150K decrease in their FY 2025-26 budget. El Cerrito has not adjusted retention. Insurance now consumes 3.9% of the General Fund.

### 5. Capital rollovers inflate apparent deficits and signal delivery problems.

Fund 211 (Street Improvement) added \$2.64M to its construction line, marked 'Richmond Complete Streets Construction moved from FY25 to FY26; and 2025 Street Resurfacing Project needing to be rebid so award moved from FY25 to FY26.' Fund 304 added \$1.62M for the same reason. Fund 212 added \$595K. Fund 207 added \$150K for swim center work. These are not new spending decisions. They are unspent prior-year allocations being acknowledged. The pattern indicates capacity constraints in project delivery

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

(engineering, procurement, contractor availability), not budget pressure. But it makes year-over-year comparisons difficult and obscures actual service delivery rates.

## **6. Recreation requires an \$889K General Fund subsidy.**

Recreation department revenue across all seven divisions totals \$5,826,358. Total expense is \$6,715,567. The \$889K gap is funded from the General Fund. This is not abnormal for civic recreation, but the State Auditor specifically recommended that El Cerrito 'seek opportunities to fully recover the costs of fee-based services for its swim center and senior services.' The Madera Childcare line dropped from \$877K to \$855K. Fairmount Childcare dropped sharply from \$452K to \$324K. Both reflect softening enrollment that may be permanent post-COVID.

## **7. Kensington Fire contract is a \$4.6 million single-customer dependency.**

El Cerrito's Fire Department serves both El Cerrito (population ~25,000) and the unincorporated Kensington community (population ~5,000) under a long-standing service contract with the Kensington Fire Protection District. The contract generates \$4.6 million in FY 2025-26. The fire department is sized for the combined service area. If Kensington terminates the contract, or if LAFCo consolidates Kensington into Contra Costa County Fire's service area, El Cerrito loses the revenue but cannot proportionally reduce costs. The fire department cannot shed half of a fire station. Fixed cost structure means a \$4.6M revenue loss translates to roughly a \$2.6M structural deficit after maximum realistic cost reductions. This is the single largest unhedged risk in the budget.

## **8. Cannabis revenue assumption is optimistic in a contracting market.**

California cannabis tax revenue has fallen statewide each year since 2021 as the legal market has struggled against illicit competition, regulatory burden, and operator failures. El Cerrito's adopted budget assumes 25% growth in cannabis revenue (\$440K to \$550K in the GF). Without specific local information about new dispensary openings or rate increases, this assumption appears optimistic. A more conservative budget would hold cannabis flat or model decline.

## **9. Internal Service Fund 601 is structurally underwater.**

Fund 601 (Vehicle/Equipment Replacement) generates \$221,590 in revenue against \$375,125 in expenses, a \$153K deficit. Debt service jumped from \$221K to \$330K because previously rolled-over equipment financing is now coming due. Persistent shortfalls in this fund mean replacement vehicles continue to be deferred, creating fleet age and reliability problems that translate to higher maintenance costs in operating departments. This is a hidden cost of the deferred capital decision.

## **10. Department-to-department adjustments net small but gross large.**

The 2026 Adjustments column shows several 'GF Adj between departments' entries: HR/Risk +\$261,623, Fire +\$201,102, Finance -\$57,932, Recreation Admin -\$169,281, Police Admin -\$167,740, City Manager +\$3,450, City Clerk +\$7,286, IT +\$2,528, City Council -\$5,000, City Attorney -\$15,364, Public Works Admin -\$71,672. The net is approximately \$211,000. The gross movement is over \$700,000. These are late-cycle

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

adjustments, primarily to true up insurance allocations and pension cost charges. Large gross movements with small net effects suggest the original budget was constructed with imprecise allocation methodologies.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## IV. Peer City Benchmark

### Peer selection

The State Auditor's 2020 report compared El Cerrito to Alameda, Albany, Hayward, Pinole, and Richmond. This study uses Albany, Pinole, Hercules, and San Pablo as the primary peer set. Selection criteria: population within plus or minus 50% of El Cerrito's; located in Contra Costa or Alameda County; standard California municipal finance structures; and similar pension cost pressure from CalPERS. Alameda and Hayward were excluded as too large. Richmond was excluded because Chevron-related revenue creates a different revenue profile.

### Headline comparison

City	Pop.	GF Exp	\$/cap	Fire model	UAL/yr	UAL %GF
El Cerrito	~25,000	\$53.8M	<b>\$2,151</b>	In-house	\$7.1M	<b>13.2%</b>
Albany	20,578	\$33.5M	\$1,628	In-house	\$3.3M	9.9%
Pinole	~19,000	~\$24M*	~\$1,263*	ConFire contract	~\$2.5M*	~10%*
Hercules	~26,000	~\$30M*	~\$1,154*	ConFire contract	~\$3.0M*	~10%*

\* Pinole and Hercules figures are approximations from prior-year published budgets and ACFRs. Albany and El Cerrito figures are confirmed from FY 2025-26 adopted documents.

### What the comparison shows

#### In-house fire is the dominant cost driver

The two cities running their own fire departments (El Cerrito and Albany) carry meaningfully higher pension burdens per resident than the two contracting with Contra Costa County Fire. Fire is the most pension-intensive function any California city operates: safety pension formulas are richer than miscellaneous formulas, minimum staffing requirements drive headcount, and 24/7 coverage requires shift relief that compounds the staffing base.

El Cerrito's Fire UAL alone (\$2,837,285) is larger than the entire annual UAL payment for Pinole (\$2.5M) or Hercules (\$3.0M). Removing Fire from the El Cerrito comparison would bring per-capita GF spending to about \$1,510, close to Albany's \$1,628 and substantially closer to the contracting cities.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Even Albany pays a price for in-house fire, and handles it differently

Albany's per-capita GF spending of \$1,628 is 24% lower than El Cerrito's, despite both cities running their own fire departments. The gap comes from three things.

- **A smaller recreation footprint.** Albany has minimal childcare programs and a smaller recreation administration. El Cerrito spends \$6.7M on Recreation. Albany spends about half that.
- **Thinner administrative layers.** Albany's general government department combines City Council, City Manager, HR, City Clerk, City Attorney, Risk Management, IT, and Finance into a single budget chapter, reflecting a more consolidated organizational structure.
- **A dedicated EMS/Fire parcel tax.** Albany's Measure K, approved in November 2022, generates approximately \$2.1 million annually from a \$0.074 per square foot special tax on residential and commercial property. It funds advanced life support, transport capability, a seventh position on each fire shift, and equipment replacement, and it relieves the General Fund of costs it had previously been covering. El Cerrito has no equivalent dedicated parcel tax for fire/EMS.

## Albany is more transparent about the pension trajectory

The Albany Biennial Budget for FY 2025/26 and 2026/27 explicitly states that the city's annual UAL payment increased from \$1.5 million in FY 2018/19 to \$3.3 million in FY 2024/25, more than doubling in six years, and that the total UAL stood at \$45.2 million as of June 30, 2023. The budget message names the trajectory and includes a dedicated section on growing pension liabilities.

El Cerrito's adopted budget acknowledges pension costs only through line-item entries (51210, 51211) without aggregated totals or trend analysis in the budget message. The \$1.4 million Section 115 trust against an \$85 million liability (about 1.6% prefunding) is symbolic, not material. Whether more aggressive prefunding is wise is a fair debate. The absence of trajectory disclosure in the budget document is not productive.

## The Albany-El Cerrito gap, expressed in dollars

If El Cerrito spent at Albany's per-capita rate of \$1,628, the General Fund would be \$40.7 million instead of \$53.8 million, a difference of \$13.1 million. That figure is not a target. The cities have different service mixes, demographics, and revenue capacity. But it sets the scale of the structural cost difference.

Decomposing the \$13.1M gap: roughly \$5 to \$6M is fire-related (combination of staffing, pension, and operating costs above Albany's level), \$3 to \$4M is recreation-related (larger program portfolio), \$2 to \$3M is administrative (more management positions), and \$1 to \$2M is in other operating categories. The decomposition is approximate and would benefit from a formal benchmarking exercise. The order of magnitude is correct.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## V. Distress Scenarios

Six scenarios are modeled below. Each represents a plausible adverse event that could occur within the next five years. The compound scenario (F) is the one that warrants the most planning attention. It is the closest analog to the conditions that drove El Cerrito to insolvency in 2016-17.

ID	Scenario	Annual hit	% of GF	Recovery
A	Mild recession (1-year duration)	-\$2.34M	4.4%	1-2 years
B	Severe recession (2008-style, 2-year)	-\$4.59M	8.5%	3-5 years
C	Kensington Fire contract terminates	-\$2.60M	4.8%	Permanent
D	CalPERS -10% return year (Y3 incremental)	-\$1.40M	2.6%	20+ years
E	Major liability event + insurance spike	-\$2.02M	3.8%	2-3 years
F	Compound: severe recession + CalPERS shock + insurance	-\$6.30M	11.7%	5-7 years

### Scenario detail

#### A. Mild recession (-\$2.34M, 4.4% of GF)

**Method:** 1-year sales tax decline of 10% (-\$920K), real property transfer tax decline of 30% (-\$960K), interest income decline of 25% (-\$105K), building permit and plan check revenue decline of 20% (-\$355K).

**Historical analog:** Roughly what 2020 looked like for most Bay Area cities. Sales tax recovered within 18 months as e-commerce share grew and consumer spending normalized.

**Survivability:** About 3 to 4 years from current reserves if it remains a one-year event. Operating departments would impose hiring freezes and defer non-essential capital. Layoffs would not be required.

#### B. Severe recession (-\$4.59M, 8.5% of GF, two-year duration assumed)

**Method:** Sales tax -20%, transfer tax -55%, interest -45%, permits -45%. Calibrated to the 2008-09 crisis impact on California cities, that was not as severe as other places in the country.

**Historical analog:** Transfer tax revenue fell 60 to 70% in many California cities between 2007 and 2010. Sales tax revenue declined approximately 17% nationally and recovered to peak only by 2014. The compound effect over two consecutive years was the proximate cause of the 2009-2012 California municipal financial crisis.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

**Survivability:** About 2 years from current reserves if it occurs in isolation. In practice, severe recessions rarely occur in isolation. They coincide with CalPERS investment losses (Scenario D) and harden insurance markets (driving Scenario E components).

## **C. Kensington Fire contract exit (-\$2.60M, 4.8% of GF, ongoing)**

**Method:** Loss of \$4.6M contract revenue, partially offset by approximately \$2.0M in achievable cost reductions. The cost reduction is constrained by fire department fixed-cost structure: minimum staffing per shift, station overhead, equipment replacement schedules. A reduction of three to four firefighter positions plus some equipment savings is the realistic ceiling.

**Trigger conditions:** (1) Kensington Fire Protection District votes to terminate the contract and consolidate with Contra Costa County Fire. (2) LAFCo initiates a reorganization. (3) A material price disagreement during contract renegotiation results in non-renewal. The current contract has been in place for decades, making termination unlikely in any single year. The cumulative probability over a 10-year window is non-trivial.

**Critical distinction:** Unlike the recession scenarios, this is a permanent structural deficit. It does not recover. Reserves can absorb the first year, but the city would need to find \$2.6M of permanent revenue or expense reduction every subsequent year. This is the single most consequential unhedged risk in the budget.

## **D. CalPERS -10% return year (-\$1.40M, 2.6% of GF, by Year 3)**

**Method:** CalPERS assumes a 6.8% expected return. When actual returns fall below this, the difference is amortized into UAL payments over approximately 20 years, with the bill phased in over 5 years per amortization base. A -10% return year (a 16.8 percentage point shortfall) creates approximately \$1.0 to \$1.5M of incremental annual UAL by Year 3 for an agency of El Cerrito's size.

**Historical analog:** CalPERS returned -7.5% in FY 2021-22 (revised from initial -6.1%). That single year drove Albany's UAL from \$25.1M to \$41.9M. El Cerrito experienced a proportional impact, which is partly why current UAL payments are at peak levels.

**Recovery:** The amortization payments persist for approximately 20 years. The damage to the budget is permanent in the sense that it must be paid. It does not 'recover' in the way recession revenue recovers.

## **E. Major liability event + insurance spike (-\$2.02M, 3.8% of GF)**

**Method:** \$1.5M one-time settlement (uninsured retention portion), plus 25% insurance premium increase the following year (\$522K incremental). Liability events of this magnitude are increasingly common in California municipal pools as jury verdicts have escalated, particularly in police use-of-force, employment discrimination, and public premises liability cases.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

**Historical context:** El Cerrito's insurance premiums already grew 10% year-over-year (from \$1.90M to \$2.09M) in the FY 2025-26 budget without a specific local loss event, reflecting market-wide hardening. A specific local incident would compound this.

## F. Compound scenario (-\$6.30M, 11.7% of GF)

**Severe recessions historically coincide with CalPERS investment losses.** The 2008 financial crisis drove both. The 2020 COVID shock drove both, briefly. The 2022 inflation/rate-rise environment drove the -7.5% CalPERS year. Insurance markets harden during economic stress. These three risk factors are correlated, not independent.

The compound scenario assumes the severe recession (B), the CalPERS shock (D), and a 15% insurance premium increase (a partial Scenario E) all occurring in the same 24-month window. The combined annual impact is \$6.3 million, about 11.7% of the General Fund.

With \$9 million of unrestricted reserves and a \$5 to \$6M-per-year compound stress lasting two years, the runway is 18 months at maximum, 24 months with deferred capital and aggressive hiring freezes. After that the city would be in the same condition as 2017: zero reserves, taking out short-term loans (TRANS) to make payroll. This is the scenario that defines the urgency of the resilience plan.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## VI. Resilience Proposal: Framework

The proposal is organized into four layers: revenue, expense, pension, and reserves. Each layer contains specific actionable items with target dollar impacts. The seven-year plan in Section VII sequences these actions across fiscal years. This section describes the framework and the rationale. The framework does not count with political damage, and ideally the city should strengthen its elderly and young family service offering. Items can be picked and chosen, but structurally has to be followed for meaningful results.

### Layer 1: Revenue actions

Total target by Year 7: approximately \$1.65 million in incremental annual revenue. This does not include a new parcel tax. A parcel tax remains the single largest available revenue lever, but is not assumed in the plan given current political conditions.

Action	Annual impact	Type	Constraints
Recreation cost recovery: raise swim center fees toward 80% recovery target	<b>+\$310K</b>	Structural	Council action; fee study advisable
Senior services cost recovery to 60% (currently ~40%)	<b>+\$60K</b>	Structural	Council action; access mitigation needed
Business License Tax modernization (rate update, better collection)	<b>+\$300K</b>	Structural	Council ordinance; voter approval if rate change
UUT extension to streaming services and digital communications	<b>+\$200K</b>	Structural	Council action; multiple Bay Area cities have done this
Transient Occupancy Tax (TOT) if hotel/short-term rental development materializes	<b>+\$300-400K (Y4+)</b>	Speculative	Project-dependent; rate already set
Renegotiate Kensington contract: multi-year term + CPI escalator	<b>+\$75-150K/yr (compounding)</b>	Risk hedge + revenue	Bilateral negotiation with KFPD
Hold cannabis revenue assumption flat or model decline	<b>-\$50K vs. current</b>	Conservatism	Budget assumption change

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

**The revenue-side constraint.** The actions above generate roughly \$1.65 million per year by Year 7. That is modest relative to the scale of the structural gap. The shortfall is closed in this plan by deeper expense reductions, mostly in the fire restructure layer. If any of the alternative revenue items underperform (TOT in particular is speculative), the plan needs to find additional cost savings or accept lower reserve targets. If revenue increases are not implemented, corresponding expense cuts needs to be on higher level to be able to keep the plan on track.

## Layer 2: Expense actions

Total target by Year 7: approximately \$5.7 million in cumulative annual expense reductions. The fire restructure carries most of the load.

Action	Cumulative impact	Mechanism	Timing
Reduce mid-management layers in Administration (eliminate 3 FTE through attrition)	-\$600K/yr by Y4	Attrition	Y1-Y4 phased
Civilianize 3 sworn Police positions (records, community service, traffic)	-\$500K/yr by Y4	Attrition + reclassification	Y2-Y4
Address Police Operations OT root cause (eliminate negative salary savings)	-\$200K/yr	Staffing model review	Y1-Y2
Fire restructure: mutual response zones, joint fleet/training, selective ConFire contracting	-\$1,800K/yr by Y6	Operational restructure	Y3-Y6 phased
Recreation childcare programs: close lowest-performing, restructure others	-\$500K/yr by Y3	Program restructure or closure	Y2-Y3
Increase insurance self-insured retention (Albany model)	-\$200K/yr	Insurance program change	Y1
Process automation (procurement, permitting, internal services)	-\$300K/yr by Y6	Technology investment	Y4-Y6
Service consolidation with Albany, Richmond (HR, IT, GIS, fleet)	-\$400K/yr by Y6	Multi-jurisdictional	Y4-Y7
Fleet/IT efficiency, contract management, m	-\$200K/yr by Y5	Operational discipline	Y2-Y5

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

**The fire restructure is load-bearing.** The fire restructure target is \$1.8 million per year by Year 6. That target requires going beyond mutual aid agreements. It likely means selective Con Fire contracting for specific functions (hazmat, technical rescue, training, fleet maintenance), shared specialized equipment programs, and possibly cross-staffing arrangements during specific shifts. Each step yields incremental savings without forcing the political conversation about full operational consolidation. The total is achievable but requires sustained execution across multiple budget cycles.

## Layer 3: Pension actions

El Cerrito carries an ~\$85 million CalPERS unfunded liability. The accumulated \$1.4 million Section 115 trust represents 1.6% prefunding. The State Auditor recommended in 2020 that the city establish an aggressive prefunding strategy. The proposal here is structured around three actions.

### 3a. CalPERS Additional Discretionary Payments (ADPs)

ADPs are direct supplementary payments to CalPERS that reduce the principal balance on selected amortization bases. CalPERS charges 6.8% on UAL, its assumed investment return. An ADP is therefore equivalent to investing reserves at a guaranteed 6.8% return. Bond yields and money market returns are currently below this level, making ADPs the highest-return use of marginal reserve dollars.

Proposed allocation: 30% of any annual operating surplus is committed to ADPs. The plan model anticipates approximately \$1.32 million of cumulative ADP payments over the seven-year window, weighted toward Years 4-7 when surpluses materialize.

### 3b. Section 115 trust contributions

The Section 115 trust is a city-controlled investment vehicle holding funds intended for future pension obligations. Unlike ADPs, which permanently reduce CalPERS liability, Section 115 funds remain under city control and can be deployed at the city's discretion to smooth future contribution increases.

Proposed allocation: 30% of operating surpluses to the Section 115 trust, with target balance of \$3.5 million by Year 7. That is 4.1% of total UAL, modest but a meaningful buffer against future shocks.

### 3c. Negotiated employee cost-sharing in next MOU cycles

California PEPRA (the 2013 reform) caps what can be done with classic-tier employees, but new and existing employees can be negotiated to pay a higher share of normal cost. Most well-managed Bay Area cities have employees paying their full PEPRA share (typically 6.75% for miscellaneous, 12.5% for safety) plus 1 to 3% of employer share through cost-sharing agreements.

Proposed target: phase in across all bargaining units during the next two MOU cycles. Estimated impact: \$200 to \$300K annually in reduced employer pension cost.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Layer 4: Reserve building

GFOA recommends two months of operating expenditures as a minimum reserve target, approximately 16 to 17% for a city like El Cerrito. For a city carrying this level of pension exposure, fire department concentration risk, and insurance volatility, a 25% target (three months) is the responsible long-term goal. The proposal sets a Year 7 target of 15% (slightly below the GFOA floor) with a stated trajectory to reach 18 to 20% in the following biennium and 25% by FY 2036-37.

Reserve type	Current	Y7 target	Funding mechanism
Unrestricted GF reserves	~\$9.0M (17%)	<b>\$9.86M (15.1%)</b>	40% of operating surpluses
Section 115 pension trust	\$1.4M (1.6% of UAL)	<b>\$3.53M (4.1% of UAL)</b>	30% of surpluses + 6% returns
Cumulative ADPs paid	\$0	<b>\$1.32M</b>	30% of operating surpluses
Capital replacement (Fund 601)	<b>Underwater (- \$153K)</b>	<b>\$3M minimum</b>	Increase departmental rental rates

**The reserve trajectory under this plan is uncomfortable.** Reserves drop from 17% today to 13.7% by Year 4 before recovering to 15.1% by Year 7. The dip below the GFOA floor reflects the front-loaded transition costs (insurance retention adjustments, organizational review, fee study work) and the lag between expense reduction implementation and full savings realization. By Year 4, the cuts are mature enough to produce small surpluses, and reserves begin to rebuild. This is not ideal. It is the math of the plan.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## VII. Seven-Year Plan

The plan sequences the actions described in Section VI across fiscal years FY 2026-27 through FY 2032-33. Each year is presented with: the strategic theme and primary objectives, specific actions to be taken with timing, a pro forma comparison of the baseline trajectory versus the proposal trajectory, and risks and dependencies specific to that year.

All dollar figures in the year-by-year tables are nominal (not inflation-adjusted). Revenue and expense growth assumptions are detailed in Appendix A. The pro forma tables compare the do-nothing baseline (no actions) against the proposal trajectory (this plan).

### Year 1: Foundation (FY 2026-27)

**Theme:** Establish the analytical and policy foundation. Adopt formal council resolutions setting reserve targets and pension prefunding commitments. Begin actions that do not require voter approval. Year 1 focus is on administrative restructuring and revenue actions that can be executed by council ordinance.

#### Specific actions

1. Council adopts a formal Reserve Policy Resolution setting an interim 15% target and a long-term 25% target for unrestricted GF reserves, and committing 30% of any year-end operating surplus to CalPERS Additional Discretionary Payments and 30% to the Section 115 trust.
2. Council adopts a formal Pension Prefunding Resolution committing to a minimum \$200K annual contribution to the Section 115 trust beginning in Year 2, scaling to \$500K by Year 4.
3. Implement Recreation fee schedule increases per a fee study commissioned in Q1: swim center fees up 25% (target 80% cost recovery within 24 months); senior services fees up 15% (target 60% cost recovery).
4. Increase insurance self-insured retention to follow the Albany model. Estimated savings: \$200K in FY 2026-27.
5. Commission an organizational review of administrative management structure (city manager's office, finance, HR), comparing FTE and span-of-control to peer cities. Identify positions for attrition-based reduction.
6. Begin attrition-based reductions in administrative staffing (target -1 FTE in Year 1).
7. Open formal discussions with Kensington Fire Protection District on multi-year contract renewal with CPI escalation.
8. Open conversations with Albany Police, Richmond Fire, and Contra Costa County Fire on mutual aid optimization, joint training, and shared specialized equipment programs. These conversations need to start now because the savings load on this plan is heavy.
9. Council adopts an ordinance update to the Business License Tax: rate modernization aligned with Bay Area peer cities, improved digital collection. Effective date FY 2027-28.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Year 1 pro forma, General Fund

FY 2026-27 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$55.29M	\$55.61M
<b>GF Expenditure</b>	\$56.36M	\$56.06M
<b>Operating balance</b>	\$-1.07M	\$-0.45M
Unrestricted reserves (year-end)	\$7.92M (14.1%)	\$8.54M (15.2%)
Section 115 pension trust	\$1.40M (no change)	\$1.48M
CalPERS ADP this year	\$0	\$0.00M

### Decision points and risks

- **Decision (Q2):** Council vote on Reserve Policy Resolution. Without this, the plan has no formal commitment mechanism.
- **Decision (Q3):** Council vote on Business License Tax modernization ordinance.
- **Risk:** Recreation fee increases face community pushback. Mitigation: phase in over two years; maintain existing fee waivers for low-income households.
- **Risk:** Administrative attrition does not produce vacancies in target positions. Mitigation: combined with formal organizational review; identify priority positions for elimination at vacancy.

### Year 2: Substitution (FY 2027-28)

**Theme:** Build the alternative revenue portfolio. Open MOU negotiations with priority on cost-sharing and pension cost containment. Continue attrition-based reductions and begin civilianization. The city executes multiple smaller revenue and expense actions in parallel.

#### Specific actions

1. Business License Tax modernization takes effect July 1, 2027. Estimated revenue: \$300K annually.
2. Council adopts UUT extension to streaming services and digital communications, following the model used by Berkeley, Oakland, and other Bay Area cities. Estimated revenue: \$200K annually beginning FY 2028-29.
3. Begin MOU negotiations with all bargaining units expiring in this cycle. Priority items: employee cost-sharing on PERS contributions, wage increases tied to PERS UAL trajectory, overtime cost containment provisions.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

4. Continue administrative attrition (target -1 additional FTE).
5. Begin Police civilianization: as one sworn position becomes vacant through retirement or attrition, replace with civilian community service officer at approximately 50% of loaded cost.
6. Recreation childcare program review: enrollment trends, cost recovery analysis, and decision to either restructure or close the lowest-performing programs (Madera, Fairmount). Council action by Q3 2028.
7. Formalize Mutual Aid Plus agreements with Albany and Richmond Fire: automatic first-due response on calls in geographic crossover zones, joint training calendar.
8. Renegotiate Kensington contract: 5-year minimum term, automatic CPI escalation (estimated + \$40K Year 1, growing), 6-month termination notice requirement. Target effective date: July 1, 2028.
9. First Section 115 trust contribution: \$200K (per Pension Prefunding Resolution).

## Year 2 pro forma, General Fund

FY 2027-28 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$56.83M	\$57.45M
<b>GF Expenditure</b>	\$58.90M	\$57.90M
<b>Operating balance</b>	\$-2.07M	\$-0.45M
Unrestricted reserves (year-end)	\$5.86M (9.9%)	\$8.10M (14.0%)
Section 115 pension trust	\$1.40M (no change)	\$1.57M
CalPERS ADP this year	\$0	\$0.00M

## Decision points and risks

- **Decision (Q1):** Council vote on UUT extension ordinance.
- **Decision (Q2):** Council action on Recreation childcare programs.
- **Decision (Q3):** Approval of renegotiated Kensington contract terms.
- **Risk:** MOU negotiations stall or settle at higher levels than projected. This risk is heightened in this version of the plan because the cumulative cuts are larger and labor groups will likely connect the cuts to wage demands. Mitigation: establish clear council-approved negotiation parameters before talks begin.
- **Risk:** UUT extension faces legal challenge or voter referendum. Several Bay Area cities have successfully extended UUT to digital services; precedent is favorable but not universal.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Year 3: Implementation (FY 2028-29)

**Theme:** Major operational changes from Years 1-2 mature into measurable savings. Fire restructure begins delivering. The recreation childcare restructure takes effect. Reserves continue declining (this is the trough year), bottoming around 14% before recovery begins in Year 4.

### Specific actions

1. UUT extension revenue begins flowing. Estimated \$200K annually.
2. Renegotiated Kensington contract takes effect July 1, 2028. Estimated additional revenue: \$40K from CPI escalator.
3. Continue administrative attrition (cumulative -2 FTE through Year 3, \$400K savings).
4. Civilianize second Police position (cumulative -2 sworn / +2 civilian, net \$300K annual savings).
5. Recreation childcare restructure or closure decisions implemented. Estimated savings: \$500K.
6. Begin substantive Fire restructure: explore selective Con Fire contracting for hazmat, technical rescue, training programs. Joint fleet maintenance arrangement with Albany Fire.
7. Section 115 trust contribution: \$200K. Cumulative trust balance: \$1.57M.

### Year 3 pro forma, General Fund

FY 2028-29 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$58.43M	\$59.25M
<b>GF Expenditure</b>	\$61.25M	\$59.25M
<b>Operating balance</b>	\$-2.82M	+\$0.00M
Unrestricted reserves (year-end)	\$3.03M (4.9%)	\$8.09M (13.7%)
Section 115 pension trust	\$1.40M (no change)	\$1.67M
CalPERS ADP this year	\$0	\$0.00M

**Year 3 is the trough year.** Under baseline, reserves drop to \$5.86M (10.0% of GF), well below the GFOA minimum and approaching 2017 conditions. Under the proposal, reserves are at \$8.10M (14.0%), still below the GFOA floor but stable. The operating balance is approximately zero. This is the moment when the political case for the plan becomes hardest: the costs of restructuring have been borne and the savings are still ramping. The Year 4 pivot to surplus is what makes the rest of the plan work.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Year 4: Restructure (FY 2029-30)

**Theme:** Fire restructure begins yielding meaningful savings. First operating surplus, triggering the first ADP and an increased Section 115 contribution. Reserves stop declining and begin gradual recovery. TOT revenue begins if hotel/short-term rental development materializes.

### Specific actions

1. Fire mutual response, joint fleet, and selective ConFire contracting yield first full year of measurable savings. Estimated impact: \$400K incremental versus baseline.
2. Final administrative attrition reductions completed. Cumulative administrative reduction: \$600K annually.
3. Civilianize third Police position (cumulative -3 sworn / +3 civilian).
4. Begin process automation initiative: procurement (catalogs, contract management), permitting (online submittal, automated routing), internal services. Multi-year investment with payback in Year 6.
5. If hotel/short-term rental development comes online, TOT revenue begins. Plan target: \$300-400K annually.
6. First ADP payment to CalPERS: \$0.23M. Applied to highest-interest amortization base.
7. Section 115 trust contribution: \$0.23M. Cumulative trust balance: \$2.00M.

### Year 4 pro forma, General Fund

FY 2029-30 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$60.06M	\$61.28M
<b>GF Expenditure</b>	\$63.70M	\$60.50M
<b>Operating balance</b>	\$-3.64M	+\$0.78M
Unrestricted reserves (year-end)	\$-0.61M (-1.0%)	\$8.40M (13.9%)
Section 115 pension trust	\$1.40M (no change)	\$2.00M
CalPERS ADP this year	\$0	\$0.23M

## Year 5: Stabilization (FY 2030-31)

**Theme:** Reserves stabilize and begin slow rebuilding. Section 115 trust grows to a meaningful size. The fire restructure deepens. Mid-plan review point: reassess all assumptions, evaluate whether to place an EMS/Fire parcel tax on the November 2032 ballot, and adjust Years 6-7 actions.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Specific actions

1. Fire restructure continues to deepen. Cumulative fire restructure savings: \$900K annually versus baseline.
2. Conduct mid-plan review and update. Reassess revenue growth, expense growth, CalPERS trajectory, Kensington contract status, peer city comparisons. Adjust Years 6-7 actions accordingly.
3. Evaluate the case for an EMS/Fire parcel tax on the November 2032 ballot. Four years of demonstrated cost discipline and operational restructuring could strengthen the political case. If feasible, layer it into the Year 7 trajectory.
4. Continue MOU negotiations as cycles renew. Maintain employee cost-sharing positions established in Year 2.
5. Service consolidation initiatives mature: shared internal services with Albany (HR, IT support, GIS) yield modest savings.

## Year 5 pro forma, General Fund

FY 2030-31 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$61.74M	<b>\$63.08M</b>
<b>GF Expenditure</b>	\$66.25M	<b>\$62.05M</b>
<b>Operating balance</b>	<b>\$-4.51M</b>	<b>+\$1.03M</b>
Unrestricted reserves (year-end)	\$-5.12M (-7.7%)	\$8.82M (14.2%)
Section 115 pension trust	\$1.40M (no change)	\$2.43M
CalPERS ADP this year	\$0	\$0.31M

## Year 6: Maturity (FY 2031-32)

**Theme:** Most major structural changes complete. Plan moves into refinement and optimization. Reserves and Section 115 trust continue building. Process automation investments yield expected savings. Year 6 is also the year the 2032 ballot decision needs to be locked in.

## Specific actions

1. Process automation investments yield expected savings: \$300K annually. Cumulative savings from Year 1: approximately \$5.0M annually.
2. Reserve building continues: target \$9.79M (15.4% of GF). Section 115 trust crosses \$2.4M.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

3. Council decision on November 2032 ballot measures. If a parcel tax is being placed, finalize ballot language and resolution by June 2032.
4. Consider establishing a parallel Section 115 OPEB trust if not yet done. CalPERS has parallel pension and OPEB trust structures.
5. Continue Fire and service consolidation initiatives. Total cumulative Fire restructure savings now approximately \$1.5M annually versus baseline.

## Year 6 pro forma, General Fund

FY 2031-32 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$63.47M	\$64.96M
<b>GF Expenditure</b>	\$68.77M	\$63.77M
<b>Operating balance</b>	\$-5.30M	+\$1.19M
Unrestricted reserves (year-end)	\$-10.42M (-15.2%)	\$9.29M (14.6%)
Section 115 pension trust	\$1.40M (no change)	\$2.93M
CalPERS ADP this year	\$0	\$0.36M

## Year 7: Recovery (FY 2032-33)

**Theme:** Plan reaches its end state. Operating surpluses regularized at approximately \$1.4M annually. Reserves at 15.1% of GF, just below the GFOA floor but with rising trajectory. Section 115 trust at \$3.5M. Cumulative pension buffer (Section 115 + ADPs paid) reaches \$4.86M. The plan is self-sustaining for the next biennium without further structural changes.

### Specific actions

1. Maintain reserve building toward 18% target (likely achievable by FY 2034-35) and 25% target by FY 2036-37.
2. If parcel tax measure passed in November 2032, layer the additional \$2.7M annually into the FY 2033-34 budget. This would accelerate reserve building toward the 25% target by approximately three years.
3. Final phase of structural reforms in motion. Plan transitions to maintenance and optimization mode.
4. Re-evaluate the case for full Fire department consolidation. By this point, mutual response and shared services will have generated multi-year operational data on the achievability of further savings without losing local control of fire service.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Year 7 pro forma, General Fund

FY 2032-33 pro forma	Baseline (do nothing)	Proposal (this plan)
<b>GF Revenue</b>	\$65.25M	<b>\$66.89M</b>
<b>GF Expenditure</b>	\$71.18M	<b>\$65.48M</b>
<b>Operating balance</b>	<b>-\$5.93M</b>	<b>+\$1.41M</b>
Unrestricted reserves (year-end)	-\$16.35M (-23.0%)	\$9.86M (15.1%)
Section 115 pension trust	\$1.40M (no change)	\$3.53M
CalPERS ADP this year	\$0	\$0.42M

## End-state summary

### Comparison at end of Year 7 (FY 2032-33):

**Baseline (do nothing):** Reserves at -\$10.42M (-15.1% of GF). The city has been in TRANS-funded cash management mode since approximately FY 2030-31. Section 115 trust unchanged at \$1.40M. No additional pension prefunding. Service cuts and possible workforce reductions have likely already been imposed.

**Proposal:** Reserves at \$9.86M (15.1% of GF). Section 115 trust at \$3.53M. Cumulative ADPs paid to CalPERS: \$1.32M. Total pension buffer: \$4.86M, representing 5.7% of total UAL. Operating surpluses of \$1.4M annually.

**The cumulative seven-year difference: \$25.06M.** That is the dollar value of acting on this plan versus accepting the current trajectory.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## VIII. Multi-Year Projections

This section consolidates the year-by-year pro forma projections from Section VII into a single multi-year view, allowing direct comparison of the baseline (do-nothing) trajectory against the proposal trajectory across the seven-year planning horizon.

### Consolidated seven-year revenue and expense

Metric	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	FY31-32	FY32-33
Base Rev	\$55.3M	\$56.8M	\$58.4M	\$60.1M	\$61.7M	\$63.5M	\$65.3M
Base Exp	\$56.4M	\$58.9M	\$61.3M	\$63.7M	\$66.3M	\$68.8M	\$71.2M
Base Bal	<b>-\$1.1M</b>	<b>-\$2.1M</b>	<b>-\$2.8M</b>	<b>-\$3.6M</b>	<b>-\$4.5M</b>	<b>-\$5.3M</b>	<b>-\$5.9M</b>
Base Reserves	\$7.9M	<b>\$5.9M</b>	<b>\$3.0M</b>	<b>-\$0.6M</b>	<b>-\$5.1M</b>	<b>-\$10.4M</b>	<b>-\$16.4M</b>
Prop Rev	\$55.6M	\$57.5M	\$59.3M	\$61.3M	\$63.1M	\$65.0M	\$66.9M
Prop Exp	\$56.1M	\$57.9M	\$59.3M	\$60.5M	\$62.0M	\$63.8M	\$65.5M
Prop Bal	<b>-\$0.5M</b>	<b>-\$0.4M</b>	<b>+\$0.0M</b>	<b>+\$0.8M</b>	<b>+\$1.0M</b>	<b>+\$1.2M</b>	<b>+\$1.4M</b>
Prop Reserves	<b>\$8.5M</b>	<b>\$8.1M</b>	<b>\$8.1M</b>	<b>\$8.4M</b>	<b>\$8.8M</b>	<b>\$9.3M</b>	<b>\$9.9M</b>
Sec 115 Trust	<b>\$1.5M</b>	<b>\$1.6M</b>	<b>\$1.7M</b>	<b>\$2.0M</b>	<b>\$2.4M</b>	<b>\$2.9M</b>	<b>\$3.5M</b>
ADP this yr	<b>\$0.00M</b>	<b>\$0.00M</b>	<b>\$0.00M</b>	<b>\$0.23M</b>	<b>\$0.31M</b>	<b>\$0.36M</b>	<b>\$0.42M</b>

### The cumulative seven-year impact

The most consequential way to read the multi-year projection is in cumulative terms: what the city avoids and what it builds across the full planning horizon.

Cumulative metric (7 years)	Baseline path	Proposal path
Cumulative GF deficits / surpluses	<b>-\$25.35M deficit</b>	<b>+\$3.50M cumulative surplus</b>
End-state unrestricted reserves	<b>-\$10.42M (insolvent)</b>	<b>\$9.86M (15.1% of GF)</b>

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Cumulative metric (7 years)	Baseline path	Proposal path
Section 115 pension trust	\$1.40M (no change)	<b>\$3.53M (2.5x growth)</b>
Cumulative supplementary CalPERS payments (ADPs)	\$0	<b>\$1.32M</b>
<b>Total liability buffer (reserves + Section 115 + ADPs)</b>	<b>-\$9.02M</b>	<b>\$14.71M</b>
<b>Cumulative seven-year delta</b>		<b>\$23.73M</b>

**Reading this table:** The proposal generates approximately \$23.7 million more in cumulative buffer over seven years than the baseline path. About \$9.9 million of that is in unrestricted reserves directly available to the General Fund. About \$3.5 million is in the Section 115 trust available for pension contribution smoothing. About \$1.3 million is in supplementary CalPERS payments that have permanently reduced the unfunded liability balance. The remainder is the avoidance of the \$10.4 million reserve deficit that the baseline trajectory creates.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## IX. Risk Matrix and Triggers

Any multi-year plan must specify the conditions under which it will be modified or accelerated. This section identifies the primary risks to the plan, the monitoring indicators (KPIs) that should be tracked quarterly, and the trigger conditions that should prompt emergency response actions.

### Primary risks

Risk	Probability	Impact	Primary mitigation
<b>Fire restructure savings do not materialize at projected levels</b>	Medium	Severe	This is now the highest-impact risk. Phased approach with measurement checkpoints; alternative consolidation paths identified; selective Con Fire contracting fallback
<b>MOU negotiations settle above projected wage growth</b>	Medium-High	Severe	Council-approved negotiation parameters; benchmarking; risk is heightened by larger cuts elsewhere
<b>UUT extension faces legal challenge or referendum</b>	Low-Medium	Moderate	Bay Area precedent favorable; legal review pre-adoption
<b>CalPERS investment shock (-10% or worse year)</b>	Medium	Moderate	Section 115 trust accumulation; ADP commitments; planning factor in expense projections
<b>Economic recession before reserves recover</b>	Medium-High	Severe	Conservative revenue forecasting; rapid expense reduction protocols; quarterly monitoring
<b>Kensington contract termination</b>	Low	Severe (permanent)	Multi-year contract with CPI; annual relationship management; LAFCo monitoring
<b>Major liability event (single uninsured loss)</b>	Low-Medium	Moderate	Risk management program review; insurance retention calibration; reserve buffer
<b>Attrition does not produce vacancies in target positions</b>	Medium	Moderate	Voluntary separation incentives; reorganization at vacancy; hiring freeze in target functions

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Quarterly monitoring KPIs

The following metrics should be tracked quarterly and reported to council at minimum semi-annually. These are leading indicators that the plan is on track or that intervention is warranted.

- **Reserve ratio:** unrestricted GF reserves as percentage of trailing twelve months expenditures. Target: stop the decline by Year 3, recover above 14% by Year 5, reach 15% by Year 7.
- **Operating margin:** rolling four-quarter (revenue minus expense) divided by revenue. Target: stop bleeding by Year 3, positive by Year 4, 1% or greater by Year 5.
- **Pension cost ratio:** (normal pension contribution plus UAL payment) divided by GF expenditure. Monitor for trajectory; target ratio not to exceed 22% by Year 7.
- **Section 115 trust balance:** absolute dollar amount and as percentage of total UAL. Track quarterly contributions and investment performance.
- **Police OT as percentage of base salary:** leading indicator of staffing model adequacy. Target: 5% or below (industry benchmark).
- **Fire backfill cost:** monthly rolling figure. Watch for upward trend that signals leave/vacation patterns or position shortage.
- **Vacancy rate by department:** track positions vacant more than 90 days. Distinguish intentional (planned attrition) from involuntary.
- **Sales tax monthly trend:** leading indicator of recession risk. Three consecutive months of year-over-year decline should trigger review.
- **Fire restructure savings tracking:** monthly comparison of actual versus projected savings. Critical given the increased load this lever carries.
- **Building permit and plan check fees:** leading indicator of construction activity and economic health.
- **Insurance loss runs:** quarterly summary from JPA. Watch for adverse development.

## Trigger conditions

If any of the following conditions occur, the plan should be paused, reassessed, and either accelerated or restructured. These triggers prevent the plan from continuing on assumptions that are no longer valid.

### **RED triggers (immediate council briefing within 30 days, plan reassessment within 90 days):**

Unrestricted reserves drop below 11% of GF expenditures (the historical bottom quartile for cities subsequently entering financial distress; the trough in this plan is anticipated but should not fall this low).

Sales tax declines more than 10% year-over-year for two consecutive quarters.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

A single year operating deficit exceeds \$2M.

Kensington Fire District signals intent to terminate or substantially renegotiate the contract.

CalPERS reports an investment loss exceeding -10% in a single fiscal year.

A liability event with potential exposure greater than \$1M.

Fire restructure savings track below 50% of plan target for two consecutive quarters.

## **YELLOW triggers (included in next regular council financial report):**

Reserves trend negative for two consecutive quarters beyond the planned trough.

Operating margin falls below plan projection by more than 50%.

Police OT exceeds 8% of base salary.

Fire backfill cost exceeds \$1.4M annual run rate.

MOU settlement exceeds projected wage growth by more than 1 percentage point.

Section 115 trust contribution falls behind schedule by more than 25%.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## X. Governance

A multi-year financial plan only delivers value if it is sustained across council elections, city manager transitions, and changing economic conditions. This section recommends a governance framework specifically designed to provide that continuity.

### Council role and commitments

The council's role is to set policy parameters, approve major decisions, and exercise oversight. The plan does not require day-to-day council involvement, but it does require formal commitments to specific frameworks. Recommended council actions:

1. Adopt the Reserve Policy Resolution in Year 1 with a three-vote supermajority, signaling durability across single-term member changes.
2. Adopt the Pension Prefunding Resolution in Year 1, committing to specified Section 115 contribution levels and ADP allocation rules.
3. Adopt a formal Multi-Year Financial Plan Resolution that incorporates this study's framework as a planning document, requiring annual reaffirmation during budget adoption.
4. Receive quarterly KPI reports from the Finance Director.
5. Hold a dedicated annual financial planning workshop in Q4 of each fiscal year, separate from the operating budget hearings.
6. Approve any deviations from the plan with explicit findings and rationale recorded in the meeting minutes.

### Financial Advisory Body recommendation

Many California cities have established Financial Advisory Boards or Pension Oversight Committees comprised of community members with relevant professional expertise (CPAs, financial planners, retired municipal finance directors). El Cerrito should consider establishing such a body.

- **Composition:** 5-7 members appointed by council; minimum experience requirements; staggered terms; explicit conflict-of-interest restrictions.
- **Charter:** review and report on quarterly KPIs; advise on pension prefunding allocations; review proposed budget for consistency with multi-year plan; provide independent analysis on major financial decisions.
- **Authority:** advisory only; reports to council. Does not have line-item budget authority. Findings published in council meeting packets.
- **Cost:** minimal direct cost (volunteer members); modest staff support time from Finance department.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Annual review cadence

The plan should be reviewed annually with substantive update every two years (aligned with the biennial budget cycle). Recommended cadence:

Quarter	Activity
Q1 (Jul-Sep)	Year-end actuals review against plan; trigger condition assessment; staff workplan for plan execution adjustments.
Q2 (Oct-Dec)	Mid-year financial review; quarterly KPI report to council; advisory board review.
Q3 (Jan-Mar)	Council financial planning workshop; review of next-year budget assumptions; major plan adjustment decisions.
Q4 (Apr-Jun)	Budget adoption with explicit reference to multi-year plan; reaffirmation of plan resolutions; KPI quarterly report.

## Transparency and public communication

The plan's political sustainability depends on the public understanding what the city is doing and why. Three transparency commitments are recommended:

1. A standing 'Financial Resilience' page on the city website with quarterly KPI updates, current reserve levels, Section 115 trust balance, and progress against plan milestones.
2. An annual 'Plan Progress Report' (one document, published in Q1 of each fiscal year) that compares actual performance to projected, identifies variances, and explains corrective actions.
3. Plain-language explanations of the trade-offs the city is making (especially the dip below the GFOA reserve floor in Years 2-4) and the conditions that would justify considering a parcel tax or other ballot measure.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XI. What This Plan Does Not Solve

Honest assessment requires naming what this plan does not accomplish. Four categories deserve explicit acknowledgment.

### **It does not maintain reserves above the GFOA floor**

GFOA recommends two months of operating expenditures (about 16% for El Cerrito) as the minimum reserve target. This plan keeps reserves below that floor for the entire seven-year horizon. Reserves drop to 13.7% by Year 4 before recovering to 15.1% by Year 7. The plan is mathematically a stabilization plan, not a buffer-building plan.

Closing the gap to 16% (and beyond) requires one or more of the following:

- A new EMS/Fire parcel tax. At Albany's \$0.074/sqft rate, an El Cerrito measure would generate roughly \$2.6 to \$3.0 million per year, which would close the gap and accelerate Section 115 funding.
- Full operational consolidation of fire services with Albany or Contra Costa County Fire. This would save an estimated additional \$2 to \$3M annually beyond the restructure assumed here. It is a complex political and operational change that this plan does not assume.
- Service-level reductions in non-public-safety functions (recreation programs, library hours, public works maintenance). This would change the service profile of the city.
- Sustained outperformance of revenue assumptions, particularly TOT if hotel/short-term rental development materializes faster than projected.

### **It does not eliminate the \$85 million CalPERS unfunded liability**

The plan generates approximately \$4.86 million in pension liability buffer (Section 115 trust balance plus cumulative ADPs paid) by Year 7, about 5.7% of total UAL. The remaining \$80 million continues to be amortized through scheduled CalPERS payments over the existing amortization schedule, which extends to approximately 2045 for older bases.

The fundamental fact about El Cerrito's pension situation: the liability was created over a 25-year period and will be paid off over the same approximate period. No plan can short-circuit this. What a plan can do (and what this one does) is reduce future amortization payments through ADPs (each \$1 paid today removes approximately \$4 from future amortization payments at the 6.8% discount rate over 20 years) and create offsetting assets in the Section 115 trust to smooth payment volatility.

The plan also does not address potential CalPERS discount rate changes. If CalPERS lowered its assumed return from 6.8% to 6.5% (as it has discussed periodically), El Cerrito's UAL would increase by approximately \$5 to \$7 million overnight, with corresponding amortization payment increases. The plan's

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

reserves and pension buffer would absorb the impact, but the underlying pension assumptions are not under city control.

## **The Year 2-4 trough is uncomfortable**

Reserves below 14% of GF for three consecutive years means the city has very little room for error during that window. A mild recession in Year 3 (Scenario A in Section V) would push reserves below 10%. A severe recession would force emergency actions including potential layoffs and service suspensions. The plan as designed assumes no major shocks during the trough years. That assumption is the largest single risk to plan execution.

The mitigation, beyond the trigger conditions in Section IX, is to begin Year 1 with conservative revenue forecasts and aggressive cost discipline. Any positive variance to plan in Years 1-2 should be banked to deepen the trough buffer rather than redirected to other priorities.

## **Political execution is not guaranteed**

Each major action requires political will to execute. Recreation fee increases face direct constituency pushback. Administrative reductions face union concerns and internal staff morale impacts. Police civilianization may face concerns from the Police Officers Association. Fire restructure is the most politically sensitive item, and it carries substantial weight in the expense side of this plan. Recreation childcare closure directly affects families who rely on the programs.

Any single action in any single year may fail. The plan is structured so that no single failure is fatal: alternative actions can be substituted, sequencing can be adjusted, the plan can be re-baselined annually. But sustained execution over seven years is required, and it is not guaranteed. The plan is heavily dependent on internal restructuring, which is harder to deliver than a single ballot measure and politically costly.

**The alternative remains worse.** The baseline trajectory leads to insolvency between FY 2030-31 and FY 2031-32. The governance improvements verified by the State Auditor in December 2024 (which resulted in removal from the high-risk list) are real, but they do not close the underlying structural revenue-expense gap. The conditions that drove El Cerrito to insolvency in 2016-17 could reproduce if the structural gap is not addressed. The choice is not between this plan and a better plan. It is between this plan and accepting the cost of doing nothing.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## **XII. Historical Fiscal Actuals (FY 2020-21 through FY 2025-26)**

The preceding sections of this study use the FY 2025-26 Adopted Budget as the analytical baseline. This section adds the missing context: what actually happened in the six years leading up to that baseline. Historical actuals reveal a city that moved from post-insolvency recovery to a period of genuine fiscal improvement, then back into a pattern of reserves-funded operating gaps that the adopted budget does not resolve.

### **The recovery period (FY 2020-21 through FY 2022-23)**

Fiscal year 2020-21 marked the beginning of the city's measurable recovery from the 2016-17 insolvency. General Fund revenues and transfers exceeded both the prior year (by \$6.1 million) and the adopted budget (by \$7.0 million). One-time federal American Rescue Plan Act (ARPA) funds contributed \$3.05 million of that improvement. Measure V, the Real Property Transfer Tax approved by voters in November 2018 and effective January 2019, generated \$4.42 million, up \$1.02 million from the prior year as the housing market remained active.

General Fund ending fund balance for FY 2020-21 was \$7.1 million, or 18% of expenditures. For the first time in over a decade the city exceeded the GFOA-recommended 17% reserve floor. The ACFR presented a clean audit opinion.

Fiscal year 2021-22 audited actuals held the gains. Total all-funds expenditures were \$55.52 million. General Fund revenue from property tax was \$11.21 million, sales and use tax \$3.67 million, transactions and use tax (Measure R) \$3.63 million, and utility users tax \$3.40 million.

Fiscal year 2022-23 produced a positive surprise. Audited actuals showed a \$6.9 million General Fund operating surplus. The surplus was not driven by a single windfall. It came from conservative budgeting across revenue categories, vacant positions generating salary savings (a persistent theme in El Cerrito's operations), and purchase orders that were not completed before June 30 (a timing issue rather than a structural gain). Property tax and sales tax both exceeded targets. Community Development and Recreation revenues exceeded their Department-specific targets. Expenditures came in approximately 5% under budget.

Total all-funds expenditures for FY 2022-23 were \$56.06 million, only \$537K above the prior year despite normal wage and pension cost inflation. Administration was \$8.80 million (versus \$8.31 million in FY 2021-22). Fire was \$13.12 million (versus \$12.89 million). Police was \$11.84 million (versus \$11.63 million). Recreation was \$5.60 million (versus \$4.76 million, the largest single-year increase, reflecting post-COVID program restoration). Public Works was \$8.55 million. Community Development was \$5.41 million.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Actual versus budgeted: the pattern of conservatism

Fiscal year	Outcome	Key driver	GF ending balance
FY 2020-21	Revenue exceeded budget by \$7.0M	ARPA, RPTT, conservative forecast	\$7.1M (18% of exp)
FY 2021-22	Operating gains preserved	Sales tax recovery, vacancy savings	Growing toward \$10M
FY 2022-23	<b>\$6.9M actual GF surplus</b>	5% underspend, vacancy, conservative revenue	\$16.6M unassigned (reported Mar 2024)
FY 2023-24	EDRF established at \$9M	Financial policy update; surplus allocated	\$16.6M unassigned + \$9M EDRF
FY 2024-25	<b>Reserves draw begins</b>	\$3.45M in mid-year appropriations	~24.5% of GF (Nov 2024)
FY 2025-26	<b>Planned \$2.3M drawdown</b>	Structural gap covered by reserves	<b>Projected declining trajectory</b>

## The policy response (2023): reserve and pension governance

The FY 2022-23 surplus did not disappear into the operating budget. On August 15, 2023, the City Council revised its Comprehensive Financial Policies to create a "waterfall" allocation for any General Fund year-end surplus. The waterfall established explicit priority ordering: first the General Fund Reserve was to be brought to the policy minimum of 10% of expenditures, then the Section 115 Pension Trust was to receive seed funding, then an Economic and Disaster Recovery Fund (EDRF) was to be established and funded.

During FY 2023-24 the Council executed against that waterfall. The Section 115 Pension Trust was established and funded with an initial \$1 million contribution, the city's first formal prefunding action against its CalPERS unfunded liability. The EDRF was established and funded with \$9 million, representing approximately three months of General Fund payroll costs. These two actions together represented the most substantive improvement to El Cerrito's fiscal governance since the insolvency period.

The Financial Advisory Board followed up in November 2024 by recommending further refinement: specifying the EDRF funding threshold as 13% of projected General Fund operating expenditures rather than a payroll-based calculation, and targeting a combined unassigned General Fund reserve plus EDRF of 30% of operating expenditures. That combined target, if achieved, would put El Cerrito near best-practice territory for a city of its size and risk profile.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## The State Auditor removal (December 2024)

On December 19, 2024, the California State Auditor formally removed El Cerrito from the Local Government High-Risk Program, the designation first applied in 2021. The removal followed a multi-year Corrective Action Plan process with updates in May 2021, September 2021, March 2022, September 2022, March 2023, September 2023, and March 2024. The State Auditor confirmed that the city had substantially addressed the risk areas identified in the original 2020-803 audit report.

The removal was a real accomplishment. It reflects measurable progress on budget development and monitoring, reserve management, pension governance (through the Section 115 Trust), and disclosure practices. The earlier sections of this study reference the 2020 findings as still relevant. That framing is too strong. The appropriate framing is that the governance deficiencies identified in 2020 were addressed between 2021 and 2024, but the underlying structural conditions (pension liability, public safety cost concentration, single-customer contract exposure, and reserve-funded operating gaps) persist. Better governance of those conditions is not the same as resolving them.

### **The State Auditor removal does not invalidate the structural analysis in this study.**

What it means: the city has durable financial policies, transparent reporting, and a council willing to act on surplus allocation. That is the foundation on which a seven-year resilience plan can be built.

What it does not mean: the structural gap between recurring revenue (about 2.8% annual growth) and recurring expense (4 to 5% annual growth driven primarily by CalPERS amortization and insurance markets) has been closed. The FY 2024-25 and FY 2025-26 reserve drawdowns indicate it has not.

## The reversal (FY 2024-25 and FY 2025-26)

Fiscal year 2024-25 marked the turn. Mid-year budget appropriations of \$3.45 million were approved by Council to cover obligations and costs that had not been provided for in the adopted budget. The appropriations came from unassigned General Fund reserves. The ACFR for this year is not yet published, so the year-end actual is not final, but the direction was set at mid-year.

The FY 2025-26 Adopted Budget, the document this study analyzes, continued the pattern. The adopted budget shows a General Fund operating margin of \$15,773 against \$53.76 million in expenditures, a technical balance. It also includes a planned \$2.3 million drawdown from unrestricted General Fund balance, documented in Agenda Item 9A of the June 17, 2025 Council packet on page 295. The \$2.3 million is the true structural gap for the fiscal year. The earlier sections of this study described the budget as

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

"balanced on a margin so thin it is operationally meaningless." That description is accurate as a characterization of the technical operating balance, but it understates the problem. The structural gap is not zero. It is \$2.3 million per year, covered by reserves.

Combined, the FY 2024-25 mid-year appropriations and the FY 2025-26 planned drawdown represent approximately \$5.75 million in reserves-funded operating support across two fiscal years. Measured against the pre-drawdown unassigned General Fund balance of approximately \$16.6 million reported in March 2024, this represents about 35% drawdown in two years. Other published figures citing a "55% drawdown" appear to include the FY 2024-25 one-time expenditures that were funded outside the mid-year appropriation process and a broader set of non-recurring uses. The specific share depends on how "discretionary reserves" are defined, but the direction is not disputed: the buffer is eroding.

## The city's own long-range forecast

The FY 2025-26 Adopted Budget includes a multi-year General Fund forecast. The forecast projects that unrestricted General Fund reserves will fall below the city's 17% policy threshold starting in FY 2027-28 and continue declining through FY 2032-33. Under the forecast's own scenario, the city expects to rely on reserves for at least seven more years without a permanent structural correction. This is consistent with the baseline trajectory modeled in Section VII of this study, which projected reserve exhaustion between FY 2030-31 and FY 2031-32. The two baselines are close enough that the difference is within the precision of either forecast.

## Where this leaves the analysis

The historical actuals reinforce rather than overturn the central findings of this study. Three points warrant emphasis.

**First, the city has demonstrated the ability to execute when it chooses to.** The FY 2022-23 surplus was not an accident. It reflected conservative revenue forecasting, disciplined departmental spending, and a council that chose to allocate the surplus to reserves and pension trust rather than to recurring operations. The 2023 waterfall policy institutionalized that discipline. A seven-year plan built on the same disciplined approach has a plausible track record behind it.

**Second, the structural gap predates and survives the governance improvements.** The FY 2022-23 surplus was largely driven by vacancy savings, not by closing the expense growth gap. Once positions were filled and pension amortization payments continued their scheduled ramp, the gap reappeared. The FY 2024-25 mid-year appropriations and the FY 2025-26 planned drawdown are the manifestation of that gap. No amount of improved financial governance will close the revenue-versus-expense growth mismatch without specific revenue or expense actions.

**Third, the EDRF changes the distress scenario math somewhat but not decisively.** The \$9 million Economic and Disaster Recovery Fund is a meaningful buffer against the compound distress scenario

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

modeled in Section V. With EDRF included, the city has approximately \$19.9 million in combined reserves entering FY 2026-27 (about \$10.9M unassigned GF plus \$9M EDRF), not the \$9 million figure used in the original analysis. The compound scenario annual impact of \$6.3 million, if it occurred in a single year, would now be absorbed by combined reserves without immediate insolvency. A two-year compound stress would still exhaust the buffer. The difference is a roughly 12 to 18 month extension of runway. That matters. It does not change the conclusion.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

## XIII. Alignment with the FY 2026-27 and FY 2027-28 Biennial Budget Cycle

El Cerrito adopts its General Fund budget on a biennial cycle. The city is currently in the development window for the FY 2026-27 and FY 2027-28 biennial budget, with adoption targeted for June 2026. This section maps the seven-year plan onto the city's actual biennial planning rhythm and specifies the actions that need to be in, or informing, the budget being adopted this June.

### The biennial planning cadence

El Cerrito's standard biennial budget process follows a recognizable pattern. January begins with a Council Budget Kickoff and Priority Setting Workshop. A mid-year update on the prior fiscal year is typically presented in February or March. April brings a Community Budget Workshop and a Financial Advisory Board Budget Workshop. May includes a Council Budget Study Session and Department Budget Presentations. June contains two budget hearings (typically the first and third Tuesday) with adoption targeted before the June 30 fiscal year end. The FY 2024-25 and FY 2025-26 biennial cycle followed this pattern and adopted its second year (FY 2025-26) on June 17, 2025.

As of April 2026, the FY 2026-27 and FY 2027-28 cycle is past the kickoff and community workshop phases and is entering the Financial Advisory Board workshop and Council study session window. The most consequential decisions about what goes into the adopted budget are being made in the next six weeks.

### The plan in biennial blocks

The seven-year plan in Section VII is organized by year. Restated against the city's actual biennial rhythm, the same plan becomes three full biennia plus one bridge year.

Biennial block	Fiscal years	Theme	Primary deliverables
<b>Biennium 1</b>	<b>FY 2026-27 + FY 2027-28</b>	Foundation and substitution	Reserve Policy Resolution; Pension Prefunding Resolution; BLT modernization; UUT extension; MOU position; attrition starts
<b>Biennium 2</b>	<b>FY 2028-29 + FY 2029-30</b>	Implementation and restructure	Recreation childcare restructure; fire mutual response; police civilianization; first ADP; trough year management

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Biennial block	Fiscal years	Theme	Primary deliverables
<b>Biennium 3</b>	<b>FY 2030-31 + FY 2031-32</b>	Stabilization and maturity	Process automation; service consolidation; mid-plan review; decision on November 2032 ballot measure
<b>Bridge year</b>	<b>FY 2032-33</b>	Recovery and end state	Plan transitions to next biennium baseline at improved fiscal footing

## **Biennium 1 (FY 2026-27 + FY 2027-28): what belongs in the budget being adopted this June**

Of all the items identified in the seven-year plan, a defined subset should be reflected in the biennial budget currently in development. These items fall into three categories: items that require budget inclusion to execute, items that require council direction to initiate even without immediate budget impact, and items that represent measurable departures from the baseline forecast.

### **Items requiring budget inclusion (FY 2026-27 starting July 1, 2026)**

1. Recreation fee schedule increases, phased over 24 months, targeting 80% cost recovery for the swim center and 60% for senior services. The fee study should be commissioned in Q1 (July-September 2026) so that increases take effect in Q3 FY 2026-27 (January 2027) or no later than FY 2027-28 adoption.
2. Insurance self-insured retention adjustment, following the model Albany used in its FY 2025-26 budget. Estimated savings approximately \$200K in FY 2026-27 if adjusted at renewal.
3. Conservative revenue assumptions for cannabis (hold flat or model decline rather than budgeting 25% growth) and Real Property Transfer Tax (reflect continuing high interest rate environment). Implied reduction of approximately \$110K to \$200K in nominal revenue, but a meaningful improvement in accuracy.
4. Administrative attrition targets. Reduce one FTE in the first year of the biennium through planned vacancy management. Revised organizational chart proposed as part of FY 2026-27 adoption, organizational review commissioned in parallel.
5. Section 115 Trust contribution commitment of minimum \$200K per year for the biennium, with explicit Council resolution authorizing the contribution as a line item rather than as a year-end surplus allocation. This removes the dependency on surplus availability.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

6. Reserve Policy Resolution interim target of 15% unassigned General Fund reserves plus 13% EDRF (28% combined). Explicitly acknowledges the Financial Advisory Board's 2024 recommendation and provides the policy anchor for the plan.

### Items requiring council direction without immediate budget impact

7. Commissioning of an organizational review of administrative management structure, scheduled for completion by Q3 FY 2026-27 and feeding the FY 2027-28 mid-biennium update.
8. Opening of formal mutual aid optimization conversations with Albany Fire Department, Richmond Fire Department, and Contra Costa County Fire. These conversations need to begin in FY 2026-27 to have operational agreements ready for FY 2028-29 implementation. Given the expense-side load the fire restructure carries in this plan, earlier initiation is essential.
9. Opening of formal multi-year contract renegotiation with Kensington Fire Protection District, targeting a 5-year term with CPI escalator effective July 1, 2028 (start of Year 3 of the plan).
10. Council action on Business License Tax modernization ordinance, effective for FY 2027-28 (second year of the biennium).
11. Council placement on ballot of Utility Users Tax extension to streaming services, to take effect in FY 2028-29.

### Items representing measurable departures from the baseline forecast

The city's existing long-range forecast (summarized in Section XII) projects unrestricted reserves falling below the 17% policy threshold starting FY 2027-28. The proposal in this study should be incorporated into the biennial budget with explicit comparison to that baseline forecast so Council and the public can see the delta.

Metric at end of Biennium 1	Baseline forecast	This plan
Unrestricted GF reserves (% of expenditures)	Below 17% floor (city forecast)	~14% plus \$9M EDRF
Operating balance (FY 2027-28)	-\$1 to -\$2M structural gap	-\$0.46M (approaching balance)
Section 115 Trust balance	\$1.0-1.4M (flat)	\$1.48M (committed contributions)
New structural actions in place	None	BLT, UUT ballot measure, fee study, attrition
Fire mutual aid agreements	Status quo	Formalized; ready for FY 2028-29 implementation

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## **Biennium 2 (FY 2028-29 + FY 2029-30): implementation and the trough**

The second biennium is where structural actions mature into measurable savings. It also contains the trough year. FY 2028-29 is when reserves hit their low point (approximately 14% of GF under this plan, or \$8.10 million unassigned plus \$9 million EDRF). The operating balance in FY 2028-29 is approximately breakeven, and FY 2029-30 produces the first small operating surplus.

Key deliverables include: the recreation childcare program restructure, the first wave of police civilianization, the renegotiated Kensington Fire contract taking effect July 1, 2028, the UUT extension producing its first full year of revenue, and the fire mutual response agreements beginning to yield measurable savings. The first CalPERS Additional Discretionary Payment occurs in FY 2029-30 under this plan.

Biennium 2 is also where the plan faces its highest execution risk. The trough makes the political case for sustained discipline harder. Multiple structural actions need to converge to produce the recovery in FY 2029-30. Any one of them missing its target by 50% or more would push the operating balance back into deficit and delay the start of surplus allocation to Section 115 trust and ADPs. Quarterly KPI monitoring becomes most critical during this biennium.

## **Biennium 3 (FY 2030-31 + FY 2031-32): stabilization and the mid-plan decision**

The third biennium is stabilization. Reserves begin their gradual recovery. Section 115 trust balance crosses \$2.0 million. Annual CalPERS ADPs become routine. Process automation and service consolidation investments mature into savings.

Biennium 3 also contains the most consequential mid-plan decision: whether to place an EMS/Fire parcel tax on the November 2032 ballot. The plan is structured to make this decision feasible but not required. If four years of demonstrated cost discipline and operational restructuring have built public trust, a parcel tax conversation becomes more politically tractable than it is today. The Council would need to resolve ballot placement by June 2032, giving Biennium 3 a specific planning milestone. If the measure is placed and passes, the final bridge year and subsequent biennium accelerate into resilience. If it is not placed or does not pass, the plan concludes at stabilization rather than resilience, and the next biennial cycle must extend the expense discipline further to reach the 25% long-term reserve target.

## **Integration with the current Financial Advisory Board work plan**

The Financial Advisory Board adopted its FY 2025-26 through FY 2026-27 work plan on January 28, 2025. The work plan includes specific items directly aligned with this study: benchmarking municipal practices on UAL strategies, expert insights on pension prefunding, draft recommendations for Council on savings-focused prepayment strategies, review of mid-year budget adjustments, and review of quarterly budget updates. These FAB activities provide the natural advisory infrastructure for plan monitoring

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

recommended in Section X. Formal Council endorsement of the plan (in any adopted form) should explicitly reference the FAB's quarterly review role.

## A specific recommendation for the adopted budget this June

### What this study recommends for the FY 2026-27 and FY 2027-28 biennial budget being adopted by June 30, 2026:

**1. Adopt the budget as currently drafted by staff with the following additions, in priority order:**

- (a) Insurance self-insured retention adjustment (net savings ~\$200K in FY 2026-27).
- (b) Commissioned recreation fee study with Council action by Q3 FY 2026-27.
- (c) Revenue assumption revisions for cannabis and RPTT (acknowledge structural gap rather than budget toward optimistic revenue).
- (d) \$200K Section 115 Trust contribution as an explicit line item in each year of the biennium.
- (e) Council resolution adopting interim 15% unassigned reserve target plus 13% EDRF target.

**2. Adopt the following council resolutions concurrent with or within 90 days of budget adoption:**

- (a) Reserve Policy Resolution (three-vote supermajority).
- (b) Pension Prefunding Resolution.
- (c) Multi-Year Financial Plan Resolution incorporating this study as a planning document.

**3. Direct staff to:**

- (a) Commission organizational review of administrative structure (complete by Q3 FY 2026-27).
- (b) Open mutual aid optimization conversations with Albany, Richmond, and Contra Costa County Fire (begin immediately).
- (c) Open Kensington contract renegotiation (target effective date July 1, 2028).
- (d) Prepare Business License Tax modernization ordinance for Council action in FY 2026-27.
- (e) Prepare UUT extension ballot measure for November 2026 or November 2027.

Combined budget impact: net savings of approximately \$200K to \$400K in FY 2026-27, net savings of approximately \$600K to \$900K in FY 2027-28. These are modest numbers in the context of a \$54 million General Fund, but they reverse the direction of travel. The Biennium 1 budget becomes the first biennium in four years that does not rely on a planned reserves drawdown.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## PART II

### Critical Assessment and Expanded Benchmark

Per-Capita Spending, Service Outcomes, Structural Rigidity,  
and Fiscal Vulnerability Benchmarked Against 20 California Peer Cities

Data sources: MTC Pavement Condition Index 2024, FBI Uniform Crime Reports 2024,  
State Controller, Transparent California, CalPERS Actuarial Valuations,  
Contra Costa Grand Jury, California Policy Center, and ECCRG analysis

The preceding Part I presented a forward-looking seven-year plan.  
Part II examines what the last decade of spending has produced,  
tests the structural vulnerability underneath the adopted budget,  
and benchmarks El Cerrito against 20 California peer cities.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XIV. The Value Paradox: Spending More, Getting Less

El Cerrito has a value problem. The city spends \$2,045 per resident from its General Fund, third out of twenty comparable California cities, in the 90th percentile, and more than double the statewide median for cities of similar size. Personnel costs alone consume \$1,500 per capita, 2.3 times the peer median. The unfunded pension liability of \$3,297 per capita is the highest in the entire twenty-city sample, a statistical outlier at 2.32 standard deviations above the mean.

The outcomes, however, are poor. Despite spending at this level, El Cerrito posts worse numbers than its neighbors on several objective measures.

Outcome metric	El Cerrito	Peer / Benchmark	Gap	Implication
Crime Rate	50 per 1,000	31 (Albany), 20 (Kensington)	60-150% higher	Highest property crime rate in Contra Costa County despite \$14.6M police budget
Pavement (PCI)	68 (Fair)	80 to 68 (own 2017-2024)	-12 points	Dropped from very good to fair in 7 years; once 3rd best in Bay Area
Capital Investment	\$4.3M/yr average	\$245M total need	50+ year backlog	Public safety building (1960s) needs \$35.6M replacement, unfunded
Pension Liability	\$3,297 per capita	\$1,199 median	+175%	#1 in 20-city sample; statistical outlier (z = +2.32)
Reserve History	\$0 in FY 2016-17	10% minimum	Was bankrupt	Required short-term loans FY12 to FY22; State Auditor high-risk designation

The question is simple. If El Cerrito spends twice the peer median per resident, why are streets getting worse, crime is high, infrastructure is decaying, and the pension hole is growing? Because 73% of every General Fund dollar goes to personnel costs that are largely fixed by labor contracts and pension formulas, leaving almost nothing for capital investment, service improvement, or fiscal resilience. The high spending level combined with the absence of any saving opportunity creates a capital gap that gets filled year by year with extraordinary expenses. These expenses are rising, and no current plan changes the trend.

### Pavement Condition Index: a collapse in road quality

The Metropolitan Transportation Commission's Pavement Condition Index rates streets on a 0 to 100 scale. El Cerrito was once a Bay Area success story: ranked third in the region (PCI 80) after its Measure A street program. The decline since is tangible.

Year	El Cerrito PCI	Rating	Albany	Hercules	Pinole	San Pablo	Piedmont	Bay Avg
2017-19	80	Very Good	57	65	56	69	63	67

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Year	El Cerrito PCI	Rating	Albany	Hercules	Pinole	San Pablo	Piedmont	Bay Avg
2022	70	Good	57	65	56	69	63	67
2023	69	Fair	58	64	56	67	63	67
2024	68	Fair	59	n/a	55	65	62	67
Change 2019-24	-12 pts	VG to Fair	+2	-3	-1	-4	-1	0

El Cerrito experienced the steepest PCI decline among West Contra Costa peers, losing 12 points while the Bay Area average held flat at 67. The decline happened despite the city spending \$51.5 million per year in General Fund. It reflects the structural problem: once the Measure A accelerated program ended, ongoing maintenance could not keep pace because the General Fund is consumed by personnel costs. At PCI 68, streets are at the critical threshold where rehabilitation costs 5 to 10 times more than preventive maintenance.

## Crime: highest property crime rate in Contra Costa County

City	Overall Crime /1K	Property Crime /1K	Police Budget	Police \$/Cap	Police FTE/1K
El Cerrito	~50	~40	\$14,574,609	\$579	1.79
Albany	~31	~24	~\$7,200,000	~\$371	1.80
Kensington	~20	~16	(CC County Sheriff)	n/a	n/a
Hercules	~25	~19	~\$6,500,000	~\$248	1.33
Pinole	~28	~22	~\$6,100,000	~\$316	1.45

El Cerrito's crime rate of approximately 50 per 1,000 residents is in the 97th percentile nationally. The city has the highest property crime rate in Contra Costa County. Vehicle theft rates are in the bottom 10% of all U.S. cities. Yet El Cerrito spends \$579 per capita on police, 56% above the peer average, and maintains 1.79 officers per 1,000 residents (second highest in the county per the Grand Jury). Albany achieves lower crime rates with nearly identical police staffing ratios and roughly half the police budget.

## Capital backlog: \$245M against \$4.3M/year

El Cerrito identified \$245.4 million in projects in its FY 2020-21 budget for necessary repairs and desired improvements. The city expected to spend only \$21.4 million for these projects from FY 2020-21 through FY 2024-25, an average of \$4.3 million per year. At that rate, funding the identified projects would take more than 50 years, and much of the planned spending comes from state transportation funds and Measure A funds restricted to street repair.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Specific elements of the backlog deserve mention. The city's 2019 parks and recreation master plan identified \$9.7 million in existing deficiencies (Americans with Disabilities Act modifications, worn-out or non-functional assets). The FY 2020-21 budget assigned only \$152,000 across five years to address these, less than 2% of immediate need. The public safety building, housing police and fire, was built in the 1960s and needs replacement within the next decade at projected cost of \$35.6 million. The city has not developed a plan or timeline to pay for this capital project.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XV. The 20-City California Peer Benchmark

Section IV of this study compared El Cerrito to four East Bay cities: Albany, Pinole, Hercules, and San Pablo. This section extends the benchmark to a twenty-city California sample, selected to cover cities with populations from 7,100 (Sausalito) to 49,700 (La Mirada), across Bay Area, Central Coast, Southern California, and Inland Empire regions. The sample is purposive rather than random. It is intended to show where El Cerrito falls across a range of municipal finance contexts, not to estimate a state average.

### The full ranking

Cities are ranked by FY 2024-25 General Fund per capita spending.

City	Pop.	Region	FY20 \$/Cap	FY22 \$/Cap	FY25 \$/Cap	5-Yr CAGR	Fire	UAL \$/Cap	Pers \$/Cap
Sausalito	7,100	N.Bay/Marin	\$2,366	\$2,606	\$2,958	4.6%	Municipal	\$2,535	\$2,042
Mill Valley	13,700	N.Bay/Marin	\$1,934	\$2,117	\$2,518	5.4%	Municipal	\$2,190	\$1,752
El Cerrito	25,174	E.Bay/CC	\$1,577	\$1,621	<b>\$2,045</b>	5.3%	Municipal	<b>\$3,297</b>	<b>\$1,500</b>
Piedmont	11,454	E.Bay/Alam	\$1,441	\$1,572	\$1,833	4.9%	Municipal	\$2,445	\$1,379
Benicia	28,400	N.Bay/Solano	\$1,268	\$1,408	\$1,690	5.9%	Municipal	\$2,535	\$1,268
San Carlos	30,800	Peninsula/SM	\$1,071	\$1,234	\$1,494	6.9%	County	\$1,136	\$974
Campbell	42,900	S.Bay/SC	\$932	\$1,049	\$1,282	6.6%	County	\$1,049	\$769
Albany	19,408	E.Bay/Alam	\$824	\$902	\$1,082	5.6%	Municipal	\$1,546	\$778
Half Moon Bay	13,600	Coast/SM	\$735	\$809	\$993	6.2%	County Fire	\$882	\$662
Martinez	38,400	E.Bay/CC	\$755	\$833	\$990	5.6%	Municipal	\$1,693	\$677
Pacifica	39,700	Coast/SM	\$705	\$806	\$957	6.3%	County Fire	\$882	\$655
Pinole	19,306	E.Bay/CC	\$570	\$622	\$725	4.9%	Con Fire	\$1,554	\$477
San Pablo	31,052	E.Bay/CC	\$547	\$612	\$708	5.3%	Con Fire	\$1,288	\$496
Hercules	26,247	E.Bay/CC	\$514	\$571	\$667	5.3%	Con Fire	\$952	\$427
La Mirada	49,700	SoCal/LA	\$503	\$543	\$624	4.4%	LA County	\$563	\$362

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

City	Pop.	Region	FY20 \$/Cap	FY22 \$/Cap	FY25 \$/Cap	5-Yr CAGR	Fire	UAL \$/Cap	Pers \$/Cap
Covina	49,400	SoCal/LA	\$466	\$506	\$587	4.7%	LA County	\$709	\$364
Lemon Grove	28,600	SoCal/SD	\$385	\$420	\$490	4.9%	Contract	\$524	\$315
Banning	31,600	Inland Emp	\$380	\$411	\$475	4.6%	Contract	\$570	\$301
Lompoc	43,600	Central Coast	\$356	\$378	\$436	4.2%	Municipa l	\$1,261	\$298
Guadalupe	8,400	Central Coast	\$298	\$333	\$381	5.1%	County Fire	\$357	\$262
<b>MEAN</b>	-	-	<b>\$881</b>	<b>\$968</b>	<b>\$1,147</b>	<b>5.3%</b>	-	<b>\$1,398</b>	<b>\$788</b>
<b>MEDIAN</b>	-	-	-	-	<b>\$973</b>	<b>5.3%</b>	-	<b>\$1,199</b>	<b>\$658</b>

## What the ranking shows

El Cerrito ranks third on General Fund per capita, behind only Sausalito and Mill Valley, both of which are much smaller and operate with meaningfully different demographic profiles. Piedmont, which ranks fourth, is a well-known outlier (population 11,454, affluent, its own school district, its own police force). El Cerrito is the only city of its size class (20,000 to 30,000 residents, standard East Bay demographics, CalPERS membership, municipal fire) in the top five. Every other similarly-structured city in the sample (Albany, Pinole, San Pablo, Hercules, Benicia, Martinez) spends significantly less per resident.

The UAL per capita metric is the most extreme. El Cerrito's \$3,297 is the highest in the sample. The nearest comparable cities are Sausalito, Benicia, and Piedmont in the \$2,400 to \$2,500 range. All three have specific local reasons for high pension exposure: Sausalito and Piedmont are small affluent cities with long-tenured workforces, Benicia operates a large municipal fire department with heavy industrial presence. El Cerrito's combination of in-house fire, workforce longevity, and FY 2007-2013 pension enhancement decisions drove the outcome.

The fire model column shows a consistent pattern. Cities with in-house municipal fire departments (Sausalito, Mill Valley, El Cerrito, Piedmont, Benicia, Albany, Martinez, Lompoc) cluster in the higher GF per capita tiers. Cities with contract fire arrangements (Pinole, San Pablo, Hercules via Con Fire; Half Moon Bay, Pacifica via County; La Mirada, Covina via LA County) cluster in the lower tiers. The correlation is not perfect (Lompoc has municipal fire but low spending; San Carlos has county fire but mid-tier spending), but it is strong and consistent with the structural hypothesis.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## **The five-year CAGR is not the anomaly**

El Cerrito's five-year compound annual growth rate of 5.3% is exactly at the peer median. That matters. The city's spending growth rate is not itself an outlier. What makes El Cerrito an outlier is the starting point: the city grew 5.3% per year from a base that was already well above peer median. Similar growth from a much lower base (Pinole, Hercules, San Pablo at 4.9 to 5.3%) leaves those cities at \$667 to \$725 per capita. Similar growth from El Cerrito's base leaves it at \$2,045.

This reframes the question. The problem is not that El Cerrito has been fiscally undisciplined in the last five years. The problem is what happened before the five-year window, the cumulative pension and staffing decisions of the prior two decades that set the base. Five years of responsible growth from an unhealthy base does not return the city to health. It maintains it at the elevated level.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XVI. Eleven Years of Escalation (FY 2014-15 through FY 2025-26)

Section XII presented the five years of actuals directly preceding the current budget. This section extends the trajectory back to FY 2014-15, providing an eleven-year view of how El Cerrito arrived at its current spending base.

Metric	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
GF (\$M)	\$29.1	\$31.2	\$33.8	\$36.2	\$40.2	\$39.7	\$38.7	\$40.8	\$42.8	\$48.5	\$51.5	\$53.8
\$/Cap	\$1,156	\$1,240	\$1,343	\$1,438	\$1,597	\$1,577	\$1,537	\$1,621	\$1,699	\$1,926	\$2,045	\$2,136
Pers (\$M)	-	-	-	-	-	-	\$29.5	\$31.5	\$33.2	\$35.8	\$37.8	\$39.5
Pers %	-	-	-	-	-	76%	76%	77%	78%	74%	73%	74%
Police	-	-	-	-	-	-	-	\$11.6	\$11.7	\$13.7	\$14.6	\$15.5
Fire	-	-	-	-	-	-	-	\$12.9	\$13.1	\$14.9	\$15.3	\$15.8
Reserve	-	-	\$0	(\$1.7)	(\$0.1)	\$0.5	\$3.1	\$8.1	\$23.0	\$15.7	\$16.9	\$16.9
PCI	-	-	80	80	80	80	-	70	69	-	-	68

### Growth metrics

Growth metric	Rate	Real (adj.)	Context
10-Year GF CAGR (FY15 to FY25)	5.9%	~2.7%	GF nearly doubled from \$29.1M to \$51.5M; +\$900 per capita
5-Year GF CAGR (FY20 to FY25)	5.3%	~0.8%	At peer median, but the BASE is already far too high
3-Year GF CAGR (FY23 to FY25)	6.4%	~2.9%	Accelerating, driven by new salary agreements
Police 3-Year CAGR	8.3%	~4.8%	Fastest-growing department, significant real growth
Fire 3-Year CAGR	6.5%	~3.0%	Steady real growth despite no service expansion
PCI Change	80 to 68	-	-12 points in 7 years, from very good to fair while spending doubled

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Consider the ten-year picture. El Cerrito's General Fund spending nearly doubled from \$29.1 million to \$51.5 million over ten years (+77%). Per capita spending rose from \$1,156 to \$2,045 (+77%). Yet pavement quality declined from 80 to 68, crime increased, the capital backlog grew to \$245 million, and the pension hole deepened to \$83 million. The additional \$22.4 million per year was almost entirely absorbed by personnel cost growth. It did not translate into better services for residents.

The yearly budgeting process appears to underestimate revenues, providing a buffer for extraordinary spending. That spending, year by year, hits a bigger hole in the overall budget. El Cerrito does not have a balanced budget in the structural sense. It has an annual presentation of balance that obscures the underlying imbalance.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XVII. The Pension Time Bomb

El Cerrito's pension liability is the single most extreme metric in the twenty-city comparison. At \$3,297 per capita, it is a statistical outlier at 2.32 standard deviations above the mean.

#	City	Pop.	UAL	UAL/Cap	Fire Model	$\sigma$ from Mean
1	El Cerrito	25,174	\$83M	\$3,297	Municipal	+2.32 $\sigma$
2	Sausalito	7,100	\$18M	\$2,535	Municipal	+1.39 $\sigma$
3	Benicia	28,400	\$72M	\$2,535	Municipal	+1.39 $\sigma$
4	Piedmont	11,454	\$28M	\$2,445	Municipal	+1.28 $\sigma$
5	Mill Valley	13,700	\$30M	\$2,190	Municipal	+0.97 $\sigma$
6	Martinez	38,400	\$65M	\$1,693	Municipal	+0.36 $\sigma$
7	Pinole	19,306	\$30M	\$1,554	Con Fire	+0.19 $\sigma$
8	Albany	19,408	\$30M	\$1,546	Municipal	+0.18 $\sigma$
9	San Pablo	31,052	\$40M	\$1,288	Con Fire	-0.13 $\sigma$
10	Lompoc	43,600	\$55M	\$1,261	Municipal	-0.17 $\sigma$
11	San Carlos	30,800	\$35M	\$1,136	County	-0.32 $\sigma$
12	Campbell	42,900	\$45M	\$1,049	County	-0.43 $\sigma$

What compounds the risk: CalPERS pension costs are counter-cyclical. They increase during recessions because market losses create new unfunded liabilities that must be amortized over 20 years. After the 2008 crash, CalPERS safety pension rates rose from approximately 30% to approximately 55% of payroll. A similar crash today would push El Cerrito's annual CalPERS bill from \$8.5 million toward \$12 to \$13 million, precisely when revenues are declining.

**The buffer against a pension spike is small.** The city's \$1.5 million Section 115 trust provides less than two months of buffer against a pension cost spike. For context, CalPERS' own risk report warns that the ability of employers to make their required contributions is the greatest risk to the system. El Cerrito is among the employers CalPERS has the most reason to worry about.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XVIII. Structural Rigidity: Why El Cerrito Cannot Adapt

The problem is not how much El Cerrito spends. It is how little flexibility the city has to redirect spending when conditions change. Roughly 89% of the General Fund is locked into costs that cannot realistically be reduced in the short or medium term.

Cost category	Amount	% of GF	Can be cut?	Why it's rigid
<b>Salaries (contracted)</b>	~\$24M	~47%	<b>Very difficult</b>	MOUs with 6 bargaining units; 3% annual COLA typical; cuts require union agreement
<b>Benefits (health)</b>	~\$5.5M	~11%	<b>No</b>	Contractual; 15% annual medical inflation
<b>Pension (CalPERS)</b>	~\$8.5M	~16%	<b>No</b>	Legally required; rate set by CalPERS actuary; increases automatically
<b>Workers Comp / Insurance</b>	~\$2M	~4%	<b>No</b>	Statutory requirement
<b>Debt Service</b>	~\$0.2M	<1%	<b>No</b>	Contractual obligation
<b>SUBTOTAL FIXED</b>	<b>~\$40.2M</b>	<b>~78%</b>	<b>No</b>	<b>4 out of 5 budget dollars are untouchable</b>
<b>Non-Personnel Operations</b>	~\$10.5M	~20%	<b>Partially</b>	Already cut repeatedly; insurance, software, contracts
<b>Capital</b>	~\$0.3M	<1%	<b>Yes</b>	Already near zero from GF; deferred repeatedly
<b>Truly Discretionary</b>	<b>~\$1M</b>	<b>~2%</b>	<b>Yes</b>	<b>This is all that is left to cut</b>

The city has approximately \$1 million, or 2% of the General Fund, that is genuinely discretionary. Everything else is either contractually locked (salaries, benefits, MOUs), legally mandated (CalPERS, workers comp), or already at rock-bottom levels (supplies, maintenance). This means that any revenue decline flows directly into reserve depletion or service cuts. There is no buffer.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## **Contrast: what peer cities have done differently**

San Pablo, Hercules, and Pinole eliminated their single largest fixed cost (the fire department) by contracting with Con Fire. This freed millions annually, reduced pension exposure by eliminating safety pension liabilities, and created genuine fiscal flexibility. El Cerrito has not seriously explored this option despite the State Auditor's recommendation to evaluate service delivery alternatives. Keeping municipal fire service has value. The question is at what cost.

The State Auditor noted in 2020 that El Cerrito had not conducted any analyses since the 1990s to assess the classification, structure, or compensation of its positions. A classification study was completed in March 2024. The Auditor's primary recommendation, however, was to evaluate staffing levels before the compensation study, and that recommendation was not followed. The city adjusted salaries upward without first determining whether all positions were necessary.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XIX. The Fire Department Question

Operating a municipal fire department is the single largest structural choice driving El Cerrito's cost premium. The twenty-city sample splits cleanly between municipal fire and contract fire models, and the per-capita cost difference is large and consistent.

Fire model	# cities	Avg GF/Cap	Avg Pers/Cap	Avg UAL/Cap
Municipal FD	8	\$1,694	~\$1,140	~\$2,150
Contract Fire	12	\$782	~\$555	~\$890
Premium	-	+117%	+105%	+142%

San Pablo, Hercules, and Pinole all contract through Con Fire, and all three have General Fund per capita spending under \$750. El Cerrito's fire department costs \$15.3 million per year with safety pension rates at 55.9% of payroll. Eliminating this single department and contracting with Con Fire could save an estimated \$8 to \$12 million annually in direct costs plus reduce the UAL by \$30 to \$40 million over time. Residents would receive identical fire and EMS coverage through Con Fire.

**The fire department question is the largest unexamined structural choice in the budget.**

Part I of this study proposed a fire restructure that accomplishes some of this through mutual response agreements, selective Con Fire contracting, shared fleet and training. The target is \$1.8 million per year in savings by Year 6. The full contract option, not modeled in Part I, would generate multiples of that.

This is not a recommendation. The community trade-offs of losing a local municipal fire department are real, and this study does not resolve them. It is an acknowledgment that the biggest cost driver has not been formally studied, and that fact alone warrants an evaluation before another biennial cycle passes.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XX. Extended Vulnerability Analysis

Section V of this study modeled six distress scenarios at a high level. This section extends the analysis with revenue-by-revenue sensitivity modeling, detailed CalPERS asset-liability mechanics, a compound crisis scenario, and a catalog of El Cerrito-specific vulnerabilities not fully captured in the summary scenarios.

### XX.A. Revenue composition and volatility map

El Cerrito's General Fund depends on ten revenue categories with different risk profiles. Approximately \$15.1 million (29%) of total General Fund revenue comes from high or very high volatility sources. Meanwhile, \$40.2 million (78%) of expenditures are contractually fixed. This asymmetry (volatile revenues funding fixed costs) is the structural recipe for fiscal crisis.

Revenue source	FY24-25 Budget	% of GF	Volatility	Recession Sensitivity
<b>Property Tax</b>	\$11,760,000	22.8%	Low	Prop 13 limits declines to ~2%/yr; most stable revenue
<b>Sales &amp; Use Tax (incl. Measures)</b>	\$7,830,000	15.2%	High	2009: -18%; 2020: -12%; consumer-driven; El Cerrito Plaza anchor concentration
<b>Transactions Tax (Measure R/G 1%)</b>	\$3,855,000	7.5%	High	Voter-approved but mirrors sales tax volatility
<b>Utility Users Tax (8%)</b>	\$3,520,000	6.8%	Moderate	2020: -5%; long-term electrification erosion risk
<b>Real Property Transfer Tax</b>	\$3,000,000	5.8%	Very High	FY23-24: -30%; FY08-09: -55%; volatile with housing cycle
<b>Cannabis Revenue</b>	\$440,000	0.9%	Very High	Illicit market pressure; statewide sector decline
<b>Business License Tax</b>	\$1,152,000	2.2%	Moderate	2020: -8%; businesses leaving to lower-tax neighbors
<b>Charges for Services</b>	\$7,529,000	14.6%	Moderate	2020: -25% (rec closures); State Auditor flagged under-recovery
<b>Intergovernmental</b>	\$5,569,000	10.8%	High	ARPA fully spent; state budget deficit; federal uncertainty

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Revenue source	FY24-25 Budget	% of GF	Volatility	Recession Sensitivity
All Other	\$6,863,000	13.4%	Mixed	Interest income falls with Fed rate cuts

## XX.B. Revenue sensitivity: six economic scenarios

Each row below models a specific economic scenario's impact on each revenue source, building from mild to catastrophic.

Scenario	Prop Tax	Sales Tax	Trans Tax	UUT	RPTT	Cann.	Fees	Intergov	\$ Loss
Baseline FY25	\$11.8M	\$7.8M	\$3.9M	\$3.5M	\$3.0M	\$0.4M	\$7.5M	\$5.6M	-
S1: Mild Slowdown	0%	-5%	-5%	-2%	-10%	-5%	-3%	0%	(\$1.9M)
S2: Moderate Recession	0%	-12%	-12%	-3%	-25%	-15%	-8%	-5%	(\$4.6M)
S3: Severe Recession (2008)	-1%	-18%	-18%	-5%	-40%	-25%	-15%	-10%	(\$8.0M)
S4: Prolonged Stagnation (2yr)	0%	-10%	-10%	-4%	-35%	-20%	-12%	-15%	(\$7.1M)
S5: Stagflation	0%	-8%	-8%	0%	-30%	-10%	-5%	-8%	(\$5.1M)
S6: Commercial Collapse	0%	-22%	-22%	-2%	-15%	-30%	-10%	-3%	(\$7.2M)

S6 (Commercial Collapse) models the loss of a major El Cerrito Plaza anchor tenant, a realistic risk given the retail environment and El Cerrito's 10.25% sales tax rate (the highest in the area). Loss of one major retailer can cascade through sales tax, transaction tax, and business license revenue simultaneously. El Cerrito's top-25 sales tax generators are not publicly disclosed, but the concentration risk is significant for a city of this size.

## XX.C. CalPERS asset/liability mechanics

### How UAL is actually calculated

UAL equals Accrued Liability (AL) minus Market Value of Assets (MVA). This formula matters for stress testing because a market crash hits MVA directly, plan assets lose real value. But the Accrued Liability is unchanged by market returns. It is the present value of all promised future benefits, discounted at 6.8%. A crash destroys assets while liabilities remain fixed. Separately, if CalPERS lowers its discount rate (which becomes more likely after a crash), the AL itself increases because future benefit payments are discounted at a lower rate, raising their present value. These two effects compound: assets fall while liabilities rise.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## El Cerrito's plan position

Component	6/30/2021 Actual	Estimated Current (FY24-25)	How it moves in a crash
<b>Accrued Liability (AL)</b>	\$232,933,484	~\$220,000,000	Unchanged by market crash. Increases only if discount rate lowered
<b>Market Value of Assets (MVA)</b>	\$175,141,265	~\$137,000,000	Directly hit by market crash. A -25% crash destroys \$34M of plan assets
<b>Unfunded Liability (UAL)</b>	\$57,792,219	<b>~\$83,000,000</b>	Increases by the full dollar of asset loss plus any AL increase
<b>Funded Ratio (MVA/AL)</b>	75.2%	~62.3%	Drops rapidly. Below 50% triggers CalPERS concern about plan termination risk

Source: CalPERS Actuarial Presentation to El Cerrito City Council, September 27, 2022. Current estimates projected forward from 6/30/2021 data using actual CalPERS returns (FY22: -6.1%, FY23: +5.8%, FY24: +9.3%, FY25: +11.6%).

## Asset/liability stress table

Each row below models the direct impact on plan assets and liabilities under specific market return and discount rate scenarios. Earlier versions of stress analysis that applied percentage changes to UAL understate the damage because they miss the two-sided mechanic.

Scenario	Return	New MVA	AL Chg (DR)	New AL	New UAL	UAL Chg	UAL/ Cap	FR
<b>At Target (+6.8%)</b>	+6.8%	\$146M	\$0	\$220M	\$74M	-\$9M	\$2,927	66.5%
<b>Mild Loss (-5%)</b>	-5.0%	\$130M	\$0	\$220M	\$90M	+\$7M	\$3,569	59.2%
<b>Moderate (-10%)</b>	-10%	\$123M	\$0	\$220M	\$97M	+\$14M	\$3,841	56.0%
<b>Mod + DR Cut (6.5%)</b>	-10%	\$123M	+\$16.5M	\$237M	\$113M	+\$30M	\$4,497	52.1%
<b>Severe (-20%)</b>	-20%	\$110M	\$0	\$220M	\$110M	+\$27M	\$4,385	49.8%

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Scenario	Return	New MVA	AL Chg (DR)	New AL	New UAL	UAL Chg	UAL/ Cap	FR
Sev + DR Cut (6.5%)	-20%	\$110M	+\$16.5M	\$237M	<b>\$127M</b>	<b>+\$44M</b>	\$5,041	46.3%
2008-Level (-23.5%)	-23.5%	\$105M	\$0	\$220M	<b>\$115M</b>	<b>+\$32M</b>	\$4,576	47.6%
2008 + DR to 6.5%	-23.5%	\$105M	+\$16.5M	\$237M	<b>\$132M</b>	<b>+\$49M</b>	\$5,231	44.3%
2008 + DR to 6.0%	-23.5%	\$105M	<b>+\$44M</b>	<b>\$264M</b>	<b>\$159M</b>	<b>+\$76M</b>	<b>\$6,324</b>	<b>39.7%</b>

The compound scenario matters most. A 2008-level crash plus a discount rate reduction to 6.5% nearly doubles the UAL from \$83 million to \$132 million, an increase of \$49 million. If CalPERS were to adopt a more conservative 6.0% rate (which many actuaries argue is overdue), the UAL would reach \$159 million, nearly triple the current level.

### Annual contribution impact (CalPERS 5-year ramp-up)

New UAL bases are amortized over 20 years with a 5-year phase-in: Year 1 = 20% of full payment, Year 2 = 40%, Year 3 = 60%, Year 4 = 80%, Year 5 = 100%. These are additional costs on top of the existing \$8.5 million annual CalPERS bill.

Scenario	UAL Chg	Full Payment	Yr 1	Yr 3	Yr 5	Total at Yr 5	% of GF
Moderate (-10%)	+\$14M	\$1.27M	\$0.25M	\$0.76M	\$1.27M	\$9.8M	19%
Mod + DR Cut	+\$30M	\$2.81M	\$0.56M	\$1.69M	\$2.81M	\$11.3M	<b>22%</b>
Severe (-20%)	+\$27M	\$2.55M	\$0.51M	\$1.53M	\$2.55M	\$11.1M	<b>22%</b>
Severe + DR Cut	+\$44M	\$4.08M	\$0.82M	\$2.45M	\$4.08M	\$12.6M	<b>24%</b>
2008 Repeat	+\$32M	\$2.99M	\$0.60M	\$1.80M	\$2.99M	\$11.5M	<b>22%</b>
2008 + DR to 6.5%	+\$49M	\$4.53M	\$0.91M	\$2.72M	\$4.53M	\$13.0M	<b>25%</b>
2008 + DR to 6.0%	<b>+\$76M</b>	<b>\$7.09M</b>	\$1.42M	\$4.25M	<b>\$7.09M</b>	<b>\$15.6M</b>	<b>30%</b>

### Why the discount rate cut is not a risk but a near certainty

CalPERS has cut its discount rate five times in recent history: from 8.25% to 7.75% to 7.50% to 7.00% to 6.80%. Its own consultant projects 5.9% returns for the next decade. CalPERS' 20-year actual return is

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

6.7%, already below the 6.8% target. Each 0.1% reduction in the discount rate increases El Cerrito's Accrued Liability by approximately 2.5% (about \$5.5 million).

A recession that triggers a -20% or worse market return would almost certainly accelerate a further discount rate reduction because: (1) the funded ratio would drop below 50%, increasing fiduciary pressure to de-risk; (2) CalPERS' risk mitigation policy encourages lower discount rates after extended poor performance; and (3) the board has already signaled openness to further reductions in its 2025 ALM review. In the compound scenario, CalPERS costs would consume 25 to 30% of El Cerrito's entire General Fund, up from approximately 16% today. This is the kind of pressure that drove cities like Loyaltan and Desert Hot Springs toward bankruptcy in the 2010s. With only \$1 million in discretionary spending, El Cerrito cannot absorb this without massive layoffs, fire department consolidation, a new voter-approved revenue measure, or some combination of all three.

## XX.D. Compound crisis scenario (D1)

Crises do not arrive one at a time. The 2008-09 period brought simultaneous market crashes, revenue collapses, and pension spikes. The D1 scenario models the most likely adverse compound: a moderate recession plus CalPERS pension spike plus federal funding cuts, with a discount rate cut from 6.8% to 6.5% layered in.

Year	Revenue	Personnel	CalPERS	Non-Pers Ops	Total Exp	Deficit	Cum Reserve
<b>FY25 Base</b>	\$51.5M	\$37.8M	\$8.5M	\$4.9M	\$51.5M	\$0	\$16.9M
<b>Year 1</b>	\$45.8M (-11%)	\$38.5M (+2%)	\$8.5M (lag)	\$4.5M (-8%)	\$51.5M	(\$5.7M)	\$11.2M
<b>Year 2</b>	\$46.5M (-10%)	\$39.3M (+2%)	\$9.8M (+ \$1.3M)	\$4.2M (-14%)	\$53.3M	(\$6.8M)	\$4.4M
<b>Year 3</b>	\$47.5M (-8%)	\$39.8M (+1%)	\$11.1M (+ \$2.6M)	\$3.8M (-22%)	\$54.7M	(\$7.2M)	(\$2.8M) NEGATIVE
<b>Year 4</b>	\$48.5M (-6%)	\$40.2M	\$12.2M (+ \$3.7M)	\$3.5M (-29%)	\$55.9M	(\$7.4M)	(\$10.2M)
<b>Year 5</b>	\$49.5M (-4%)	\$40.6M	\$13.0M (+ \$4.5M)	\$3.2M (-35%)	\$56.8M	(\$7.3M)	(\$17.5M)

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

**This is a plausible adverse scenario, not a worst case.** It assumes a moderate recession (not 2008-level), a -15% CalPERS return (not -24%), and a discount rate cut from 6.8% to 6.5%. The compound UAL increase is \$36.5 million, roughly double what a naive percentage-based estimate would suggest. This drives CalPERS costs from \$8.5M to \$13M by Year 5, consuming 26% of the General Fund versus 16% today. Reserves are negative by Year 3. The city reaches structural insolvency by Year 5.

## XX.E. El Cerrito-specific vulnerability catalog

### E1. Revenue concentration risk

El Cerrito Plaza and the San Pablo Avenue commercial corridor generate a disproportionate share of the city's sales tax revenue. The loss of a single major tenant (for example, if Target, Trader Joe's, or Home Depot were to close) could reduce sales and transaction tax revenue by \$1 to \$2 million annually. The city's 10.25% sales tax rate (the highest in the immediate area) actively incentivizes cross-border shopping to Albany, Richmond, and Berkeley (also 10.25%), limiting the city's ability to grow its retail base.

### E2. Real Property Transfer Tax volatility

RPTT is El Cerrito's most volatile major revenue source. It dropped from \$4.9 million in FY 2021-22 to a budgeted \$3.0 million in FY 2024-25, a 39% decline in three years. In the 2008-09 housing crisis, Bay Area RPTT revenues fell 40 to 55%. El Cerrito's \$12 per \$1,000 RPTT rate (on top of the county's \$1.10) further depresses transaction volume. A repeat housing downturn could reduce RPTT to \$1.5 to \$2.0 million, a \$1 to \$1.5 million revenue loss.

### E3. Wildfire risk and insurance costs

El Cerrito's hillside neighborhoods sit in a Wildland-Urban Interface zone. Rising wildfire risk has caused insurance market disruption across California. The city's own property and liability insurance costs have increased significantly, a factor cited in the FY 2024-25 budget as contributing to the General Fund imbalance. A major wildfire event in the El Cerrito hills could simultaneously destroy assessed property value (reducing property tax revenue), trigger massive emergency response costs, spike future insurance premiums, and require capital expenditures for reconstruction, all from a city with \$0.3 million in annual General Fund capital spending and a 1960s public safety building.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## **E4. BART station impact**

El Cerrito's two BART stations (del Norte and Plaza) are both an asset and a vulnerability. They support property values through transit access but also concentrate crime. BART ridership remains 30 to 40% below pre-pandemic levels, dragging down economic activity and commercial revenue around the stations. If BART service deteriorates further due to its own fiscal crisis, or a major safety incident occurs, the ripple effects on property values, commercial activity, and sales tax could be significant.

## **E5. Pension ratchet effect and the discount rate trap**

CalPERS pension costs exhibit a ratchet effect, but the underlying mechanics make it worse than commonly understood. UAL equals Accrued Liability minus Market Value of Assets. A market crash destroys assets (MVA drops) while the Accrued Liability is unchanged (it represents the present value of already-promised benefits). If CalPERS also lowers its discount rate, the AL itself increases because future benefit payments are discounted at a lower rate. Assets down and liabilities up compound each other. CalPERS has lowered its discount rate five times in the past decade (from 8.25% to 6.80%), and its own consultant projects only 5.9% returns for the coming decade. Each 0.1% reduction adds approximately \$5.5 million to El Cerrito's Accrued Liability. The city's \$1.5 million Section 115 trust represents less than 2% of its \$83 million liability, and less than 1% of the \$159 million liability that would result from a 2008-type crash combined with a discount rate cut to 6.0%.

## **E6. Labor contract rigidity**

El Cerrito has six bargaining units covering the majority of employees. MOUs typically include 3 to 5% annual salary increases, step increases, and benefit enhancements. These contractual obligations continue regardless of revenue conditions. During the 2020 crisis, unions agreed to defer (not cancel) salary increases, meaning the costs were delayed rather than avoided. The city has never achieved a long-term salary reduction through collective bargaining. In a recession, the city must continue paying contractually mandated raises even as revenue declines, the textbook definition of structural rigidity.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## XXI. Fiscal Trigger Points and Dashboard

### Fiscal trigger matrix

The following matrix identifies the specific conditions that would trigger escalating levels of fiscal distress. This framework complements the RED/YELLOW trigger conditions in Section IX by adding two more severity levels (ORANGE and BLACK) and mapping each to specific required actions and historical precedents.

Severity Level	Revenue Trigger	Reserve	Pension Trigger	Actions Required	Historical Precedent
<b>GREEN: Normal Operations</b>	Revenue $\geq$ budget	$\geq$ 15% of GF	CalPERS $\leq$ 17%	Normal operations; annual budget process	FY22-23 (surplus year)
<b>YELLOW: Early Warning</b>	Revenue -3% to -5%	10-15% of GF	CalPERS 17-19%	Hiring freeze; defer non-essential projects; monthly monitoring	FY19-20 (pandemic onset)
<b>ORANGE: Fiscal Stress</b>	Revenue -5% to -10%	5-10% of GF	CalPERS 19-22%	Layoffs; vacancy elimination; service cuts; MOU reopeners	FY20-21 (COVID year)
<b>RED: Fiscal Emergency</b>	Revenue $>$ -10%	$<$ 5% of GF	CalPERS $>$ 22%	Emergency declaration; short-term loans; fire dept contracting evaluation mandatory	FY16-17 (\$0 reserves)
<b>BLACK: Structural Insolvency</b>	Sustained $>$ -10% 2+ years	Negative balance	CalPERS $>$ 25% of GF	State intervention; bankruptcy evaluation; service dissolution; fundamental restructuring	Never occurred, but modeled in Scenario D1 Yr 3-5

**Current Status (FY 2024-25): GREEN.** Revenue is meeting targets. Reserves at 32.5% (including

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

EDRF). CalPERS at approximately 16% of GF. However, the margin between GREEN and ORANGE is thin. A single bad year moves El Cerrito to YELLOW. Two bad years reach ORANGE. The jump from GREEN to RED can happen in 2 to 3 years under plausible adverse conditions (see Scenario D1).

## Distance-to-distress analysis

Metric	Current Value	Yellow Trigger	Orange Trigger	Red Trigger	Buffer
GF Revenue vs Budget	On target	-\$1.5M	-\$2.6M	-\$5.2M	\$1.5M
Unassigned Reserve	\$7.9M	\$5.2M	\$2.6M	\$0	\$2.7M
CalPERS as % of GF	~16%	17%	19%	22%	1 pt
Pension + Personnel %	~89%	90%	92%	95%	1 pt
Non-Personnel Ops Budget	\$10.5M	\$9.0M	\$7.5M	\$5.0M	\$1.5M

The buffers are thin. El Cerrito is currently 1 percentage point from the YELLOW trigger on pension burden, \$1.5 million from YELLOW on revenue, and \$2.7 million from YELLOW on reserves. A single moderately bad year (not a crisis, just a slowdown) moves El Cerrito out of the green zone. El Cerrito has not recovered. It has stabilized at the edge.

## Fiscal health dashboard

The following dashboard consolidates the key metrics from across this study against the twenty-city peer sample.

Metric	El Cerrito	Mean	Median	Z	Pctl	Rank	Assessment
GF Per Capita	\$2,045	\$1,147	\$973	+1.23	90th	3/20	Top decile; 2x median; only Sausalito and Mill Valley higher
Personnel / Capita	\$1,500	\$788	\$658	+1.35	90th	3/20	2.3x median; 73.3% of GF consumed by personnel
UAL Per Capita	\$3,297	\$1,398	\$1,199	+2.32	100th	1/20	<b>OUTLIER: highest in entire sample by wide margin</b>
Crime Rate	50 per 1K	-	~30 per 1K	-	97th	-	Highest property crime in CC County; 97th pctl nationally
Pavement (PCI)	68	67	68	-	-	-	Dropped from 80 to 68 in 7 yrs; now rated fair

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

Metric	El Cerrito	Mean	Median	Z	Pctl	Rank	Assessment
Capital Backlog	\$245M	-	-	-	-	-	50+ yrs at current pace; \$35.6M bldg unfunded
FTE per 1,000	6.32	4.49	3.89	+0.83	85th	4/20	42% above mean; less extreme than cost metrics
5-Year CAGR	5.3%	5.3%	5.3%	0.00	50th	10/20	Normal growth rate, but from a far-too-high base
GF Reserve (combined)	32.5%	-	-	-	-	-	Recovery from \$0, but under 3 yrs runway under stress
Municipal FD Premium	-	+117%	-	-	-	-	Own FD adds ~\$600 per capita vs contract fire
Recession Runway	~3 yrs	-	-	-	-	-	Reserves exhausted in 3 yrs under Scenario B

## The fragile recovery

El Cerrito's fiscal recovery is real, but it is fragile. The city has grown reserves from \$0 to \$16.9 million, established a Section 115 pension trust, achieved surplus years, and had its State Auditor high-risk designation removed. But that did not take discipline and hard choices alone. It took a favorable environment, constantly growing revenues, new voter-approved taxes, and locational benefits.

The structural problems underneath have not been fixed:

- 78% of the General Fund is contractually fixed, leaving approximately \$1 million (2%) of true discretion.
- Pension liability per capita (\$3,297) is the highest in the 20-city sample, a statistical outlier at  $2.32\sigma$ .
- Approximately 30% of revenue comes from volatile sources that can decline 15 to 25% in a recession.
- The 10-year spending CAGR (5.9%) added \$22.4 million per year to the budget without improving service outcomes.
- Pavement declined from PCI 80 to 68. Crime is highest in the county. Capital backlog hit \$245 million.
- Reserves provide approximately 2.5 years of runway under moderate stress, far less than prudent levels.
- The fire department question, the single largest structural cost driver, has never been formally studied.

The next recession will show whether any of this holds. If CalPERS suffers a negative return year concurrent with a revenue downturn (as happened in 2001, 2008, and 2020), El Cerrito's thin buffers will

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

be consumed rapidly. The stress scenarios in this part show that reserves can be exhausted in 2.5 to 3 years under plausible adverse conditions, returning the city to the pre-audit crisis state. The question is not whether a recession will come. It is whether the city can survive one. So far, the answer remains uncertain.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Conclusion

El Cerrito's FY 2025-26 Adopted Budget is balanced on a margin so thin it is operationally meaningless. The structural fragility underneath that technical balance could be exposed by any of six modeled distress scenarios within 24 months. The city has been in this position before. Reserves were exhausted in 2016-17. Without intervention, the analysis in this study indicates the city would return to that condition between fiscal years 2030-31 and 2031-32.

The peer city benchmark establishes the structural drivers. El Cerrito spends 32% more per resident on the General Fund than Albany and 86% more than Hercules. The gap concentrates in three areas: in-house fire operations (which Pinole and Hercules avoid through Con Fire contracts), an extensive recreation portfolio, and heavier administrative staffing relative to population. CalPERS unfunded liability, at \$85 million, is the dominant long-term financial fact about the city.

The seven-year plan in this study is designed to be deliverable without a new parcel tax. The trade-off is worth stating plainly. Reserves stay below the GFOA floor of 16% for the entire seven-year horizon, dropping to 13.7% in Year 4 before recovering to 15.1% by Year 7. The Section 115 trust grows to \$3.5 million. Cumulative ADPs paid to CalPERS reach \$1.3 million. The plan stabilizes the city but does not move it to genuine financial resilience.

What it does do is move the city from a position of zero-margin technical balance with declining reserves to a position of small operating surplus with stable reserves and growing pension buffer. Total liability buffer at end of Year 7 is \$14.7 million versus a baseline deficit of \$9.0 million, a swing of \$23.7 million. That is the value of the plan.

Three actions in the next twelve months would set the trajectory.

1. Council adoption of formal Reserve Policy and Pension Prefunding resolutions, with three-vote majorities, in the FY 2026-27 budget adoption cycle.
2. Initiation of formal mutual aid optimization conversations with Albany Fire, Richmond Fire, and Contra Costa County Fire. The fire restructure carries substantial load in this plan. Conversations need to begin immediately to be ready for Year 3 implementation.
3. Council ordinances on Business License Tax modernization (Year 1) and UUT extension to digital services (Year 2). These are the two largest revenue items in the plan that do not require voter approval.

The cost of these three actions is close to zero. The cost of not taking them, on the seven-year model in this study, is approximately \$24 million in lost or destroyed value. That is the comparison that should drive the decision.

**On the parcel tax option.** This plan does not assume a new parcel tax. That assumption is not immutable. If the political conditions warrant ballot placement in November 2027 (for example, after a successful Year

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

1 of cost discipline that builds public trust) or in November 2032 (after four years of demonstrated execution), a parcel tax can be layered in without redesigning the plan. Doing so would mean ending the trough sooner, reaching the GFOA floor by Year 5 or 6, and accelerating progress toward 25% reserves. The gap this plan leaves is the gap a parcel tax would close. That option remains available if the Council and voters choose it.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Appendix A: Methodology and Assumptions

### Revenue growth assumptions

The baseline revenue growth assumption is 2.8% per year, calculated as a weighted blend of:

- Property tax (33.6% of GF): assumed to grow 3.5% annually, reflecting Bay Area assessed value growth pattern under Proposition 13 with regular reassessment on transfers.
- Sales tax including Bradley-Burns, Measure R, and In-Lieu (17.1%): assumed to grow 2.5% annually, reflecting slowing retail trend and ongoing shift toward services.
- Charges for services (19.7%): assumed to grow 2.0% annually.
- Kensington Fire contract (8.6%): assumed flat in baseline (no CPI escalator currently); 2.5% annually in proposal scenario after renegotiation.
- Real Property Transfer Tax (5.9%): assumed flat in baseline given current housing market deceleration; modest growth in later years.
- UUT and franchise fees (9.4%): assumed to grow 2.0% annually.
- All other revenue: assumed flat or modest growth.

### Expense growth assumptions

Baseline expense growth is modeled in three phases reflecting the CalPERS amortization trajectory:

- **Years 1-2 (FY 2026-27 and FY 2027-28):** 4.5 to 4.8% annually, reflecting peak PERS UAL ramp and current insurance market pressure.
- **Years 3-5 (FY 2028-29 through FY 2030-31):** 4.0% annually, reflecting moderation of PERS pressure as older amortization layers mature.
- **Years 6-7 (FY 2031-32 and FY 2032-33):** 3.5 to 3.8% annually, reflecting plateau in PERS amortization and PEPRAs workforce maturation.

These assumptions are inherently uncertain. CalPERS investment returns, federal interest rate decisions, insurance market conditions, and local labor market dynamics could push the trajectory higher or lower. The proposal is intended to provide buffer against adverse variation rather than depend on any specific assumption.

### Reserve and Section 115 trust assumptions

Section 115 trust balance is projected with a 6% annual investment return assumption. CalPERS Trust funds typically target 6.25 to 6.5% returns; the 6% figure provides modest conservatism. Section 115 contributions are treated as cash outflows from operating surpluses (40% reserves, 30% trust, 30% ADP allocation per Reserve Policy Resolution).

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

ADP payments are treated as one-time cash applications to CalPERS UAL. The 6.8% effective return on ADPs (CalPERS discount rate) is realized as reduced future amortization payments rather than as accumulated assets.

## Revenue and expense actions in this plan

The plan layers cumulative revenue and expense actions as follows:

Category	Y1	Y3	Y5	Y7	Detail in
Cumulative revenue add-ons (vs. baseline)	+\$0.32M	+\$0.82M	+\$1.34M	+\$1.64M	Section VI Layer 1
Cumulative expense reductions (vs. baseline)	-\$0.30M	-\$2.00M	-\$4.20M	-\$5.70M	Section VI Layer 2
Combined annual improvement vs. baseline	+\$0.62M	+\$2.82M	+\$5.54M	+\$7.34M	

## What this study does NOT model

- Inflation effects on dollar figures (all numbers are nominal).
- Specific CalPERS plan assumption changes (discount rate, mortality tables, etc.).
- Major capital investments outside the operating GF projection.
- Tax base growth from specific real estate development projects.
- Full enterprise fund or special revenue fund trajectories.
- Detailed actuarial modeling of pension liability with stochastic scenarios.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Appendix B: Pension Math Detail

### How CalPERS amortization works

CalPERS calculates each agency's Unfunded Accrued Liability (UAL) as the difference between the actuarial value of benefits already earned by employees and the actuarial value of assets held to pay those benefits. When the assets fall short, the difference is amortized (paid down) over a specified period through annual payments included in the agency's required contribution.

Under current CalPERS amortization policy, new UAL bases (created by investment shortfalls or actuarial assumption changes) are amortized over 20 years, with the payment phased in over a 5-year ramp. Older UAL bases continue under their original amortization schedules, many extending to 2045 or beyond. CalPERS charges 6.8% interest on outstanding UAL balances, equivalent to its assumed investment return. This 6.8% rate is the effective cost of carrying unfunded liability.

### Why ADPs are an attractive use of marginal reserve dollars

An Additional Discretionary Payment (ADP) is a supplementary payment above the required contribution, applied directly to a chosen UAL amortization base. Each \$1 of ADP reduces the principal balance of the targeted base by \$1 and eliminates the future stream of amortization payments associated with that principal.

At a 6.8% effective interest rate over a 20-year amortization, \$1 of ADP eliminates approximately \$1.50 to \$1.80 of present value future payments and approximately \$4.00 to \$4.50 of nominal future payments. This is mathematically equivalent to investing the dollar at a guaranteed 6.8% pre-tax return, a return that no money market, CD, or short-duration bond product currently matches.

The opportunity cost of an ADP is the return that money would have earned in city investment portfolio (LAIF, money market, intermediate bonds), currently 4 to 5% in a high-rate environment, lower in low-rate environments. The 1 to 3 percentage point spread is the effective return on the ADP. Over multi-year horizons, this compounds significantly.

### Section 115 trust trade-offs

Compared to ADPs, Section 115 trust contributions retain city control over the funds. The trade-offs:

- **ADP advantages:** guaranteed 6.8% effective return; permanent UAL reduction; reduces future required contribution growth.
- **ADP disadvantages:** irrevocable; subject to CalPERS-specific risks (assumption changes); does not provide budget smoothing optionality.
- **Section 115 advantages:** city retains control; can be deployed to smooth contribution increases in adverse years; investment returns flow to city; can be unwound (with restrictions).

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

- **Section 115 disadvantages:** investment return uncertain (typically 5 to 6% target); requires active investment management; modest administrative overhead.

The proposed 30/30 split (30% to ADP, 30% to Section 115) balances the immediate UAL reduction benefit of ADPs against the optionality benefit of Section 115. Most well-managed California cities use a similar combined approach.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

## Appendix C: Sources and Limitations

### Primary sources

- City of El Cerrito FY 2025-26 Adopted Budget, including all department-level detail and fund summaries (the primary input document for this study).
- California State Auditor Report 2020-803, 'High-Risk Local Government Agency Audit Program: City of El Cerrito,' published 2020. Available at [information.auditor.ca.gov](http://information.auditor.ca.gov).
- City of Albany Biennial Budget FY 2025/26 and FY 2026/27, used for peer comparison data and Measure K parcel tax model.
- City of Pinole Annual Comprehensive Financial Reports and historical budget documents (FY 2023-24 most recent fully audited).
- City of Hercules budget documents and ACFRs (FY 2023-24 most recent fully audited).
- CalPERS Annual Valuation Reports for City of El Cerrito Miscellaneous, Safety Police, and Safety Fire plans.
- Government Finance Officers Association (GFOA), 'Best Practices: Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund,' updated guidance.

### Limitations

Several limitations should be understood by readers:

1. Pinole and Hercules figures are approximations from prior-year published budgets. Their exact FY 2025-26 figures should be confirmed from their adopted budget documents before any council briefing relies on the specific dollar comparisons.
2. Distress scenario probabilities are not formally calibrated. They are described qualitatively (low, medium, high) based on historical frequency and current macroeconomic conditions, but no Monte Carlo or stochastic simulation has been performed.
3. Cost reduction estimates in the proposal (administrative attrition, civilianization, fire restructure) are based on benchmark comparisons and reasonable extrapolation, not detailed operational analysis. Each item warrants a more granular study before implementation. The fire restructure target in particular (\$1.8M annual savings) is at the upper end of what is achievable through mutual aid and shared services without full consolidation; it should be revisited with operational data.
4. The study does not include a detailed pension actuarial analysis. Section 115 trust projections use a simple 6% return assumption; a proper actuarial study would model investment return distributions, mortality assumptions, and benefit payment timing.
5. Political feasibility assessments are qualitative. A formal voter polling study would be required to estimate the prospects of any future revenue measure (including a parcel tax) with precision.

# Supplemental Materials Created by Member Szlatenyi - Non-Agenda Item

El Cerrito Financial Resilience Master Study

6. The TOT projection assumes a hotel or short-term rental development materializes by Year 4. If it does not, this revenue stream is delayed or eliminated.

## **Critical perspectives**

Some El Cerrito community members and organizations, notably the El Cerrito Committee for Responsible Government, have publicly criticized city financial management practices. While these critics are not neutral observers, they have raised specific concerns about pension funding, staffing levels, and transparency that overlap substantially with the State Auditor's findings. This study has used State Auditor and adopted budget documents as primary sources rather than advocacy materials, but readers should be aware of the broader public discourse around El Cerrito's finances.

End of document.